



U.S. Department  
of Transportation  
Maritime  
Administration



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# MARAD '96



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**THE WHITE HOUSE**

Office of the Press Secretary

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For Immediate Release

October 8, 1996

**STATEMENT BY THE PRESIDENT**

Today I am pleased to sign into law H.R. 1350, the "Maritime Security Act of 1996." This Act sets the course for America's merchant marine into the 21st century.

The American flag must always sail in the sea lanes of the world. In recent years, our country has again been reminded of the critical role played by the U.S. merchant marine in protecting our interests and the security of our allies.

The enactment of this legislation is the culmination of a long, bipartisan effort. It will ensure that the United States will continue to have American flag ships crewed by loyal American citizen merchant mariners to meet our Nation's economic and sealift defense requirements.

The American merchant marine is an important component of the sealift needed by the Department of Defense. By contracting with the owners and operators of U.S.-flag commercial vessels, the Government will gain access to a fleet of modern commercial ships, along with the sophisticated intermodal transportation system supporting it. The Government also assures that the seafaring men and women who crew these commercial ships in peacetime will be available to crew the Government's reserve sealift ships in times of crisis.

This Act extends to seafarers the same basic reemployment rights that apply to reserve members of our Armed Forces in time of war or national emergency. American merchant mariners have always responded to the call in times of crisis, and they deserve the assurance that their peacetime jobs will be there when they return.

The Maritime Security Act will protect American jobs and maintain a U.S. presence in international maritime trade, ensuring that vital imports and exports are delivered in both peacetime and wartime. The Act reaffirms our Nation's resolve to maintain a strong U.S.-flag presence on the high seas for our continued national security and economic growth.

WILLIAM J. CLINTON



# MARAD '96

The Annual Report of the  
Maritime Administration

**U.S. Department of Transportation**  
Rodney E. Slater  
Secretary

**Maritime Administration**  
A.J. Herberger  
Maritime Administrator

Headquarters  
400 Seventh Street, S.W.  
Washington, DC 20590

**May 1997**





**The Maritime Administration  
congratulates the  
Department of Transportation  
on its 30th Anniversary**



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# Contents

<b>Introduction</b> . . . . .	vii	National Invasive Species Act of 1996	23
<b>Major Maritime Accomplishments</b> . . . . .	ix	Jones Act	23
<b>Chapter 1 -- National Security</b> . . . . .	1	<b>Chapter 4 -- Port, Intermodal, and Environmental Activities</b> . . . . .	<b>25</b>
Voluntary Intermodal		Ports	25
Sealift Agreement	1	Congressional Report	
National Defense Reserve Fleet	2	on Public Ports	25
Ready Reserve Force	2	Port Facility Conveyance Program	25
RRF Sea Trial and		Technical Assistance	
Dock Trial Program	2	To U.S. and Foreign Ports	25
Improvements to RRF Maintenance	3	Port Readiness	26
General Agency Agreements	3	Maritime Intelligence and Security	27
RRF Maintenance Crews ROS Program	3	Public Port Financing	27
Logistics	3	Risk Management	27
RRF Operations	3	Maritime System of the Americas	27
Offshore Petroleum Discharge Ships	4	Land Use and Access Conflicts	28
Sealift Enhancement Features	4	Automated Tools for Improved	
Aviation Logistic Support Vessels	5	Port Planning and Operations	28
Schoolship Program	5	Intermodal Development	28
Emergency Operations	5	Environmental Activities	31
Piracy and Attacks on Merchant Shipping	5	Dredging	31
Scrapping or Removal of Obsolete Vessels	6	Environmental Standards	32
War Risk Insurance	6	Industry Support	32
RRF Claims Settlement	6	Environmental Compliance and	
Title XI and Other Insurance Compliance	7	Compliance Management	33
<b>Chapter 2 -- Shipbuilding and Ship Conversion</b> . . . . .	<b>17</b>	<b>Chapter 5 -- Domestic Operations</b> . . . . .	<b>34</b>
Title XI	17	Technical Assistance	34
MARITECH	19	Technical Research	34
National Maritime Resource and		Jones Act Support	34
Education Center	20	Industry Trends and Profiles	35
Capital Construction Fund	23	Great Lakes	35
Construction Reserve Fund	24	Inland Waterways	36
Metrication	24	Barge and Towing Industry Concerns	36
Shipyard Activity	24	Domestic Ocean	37
Global Shipbuilding and Marketing	26	Offshore Service Vessels	37
<b>Chapter 3 -- Legislation, Legal Services, and Agency Decisions</b> . . . . .	<b>20</b>	Shipyard Activity	38
Legal Services	20	<b>Chapter 6 -- Ship Operations</b> . . . . .	<b>40</b>
Maritime Subsidy Board	21	U.S. Flag Fleet Profile	40
Legislation	22	Operating-Differential Subsidy	40
Maritime Security Act	22	Subsidy Rates	40
Coast Guard Authorization Act of 1996	22	Section 804	40
Water Resources Developing Act	23	Foreign Transfers	41
Alaska Power Administration		Ship Operations Cooperative Program	41
Asset Sale and Termination Act	23		

<b>Chapter 7 -- Cargo Preference</b> .....	<b>54</b>	Information Resources Management .....	71
Preference Cargo .....	54	Safety Program .....	72
Civilian Agencies		Personnel .....	72
Israeli Cash Transfer .....	54	Installations and Logistics .....	73
Export-Import Bank .....	55	Real Property .....	73
Military Cargoes .....	55	Audits .....	73
DOD Services and Agencies		Accounting .....	73
Defense Security Assistance Agency .....	55	<b>Maritime Administration</b>	
Air Force .....	56	<b>Organization Chart</b> .....	74
Army/Corps of Engineers .....	56	<b>Maritime Administration</b>	
Defense Logistics Agency and		<b>Field Organization Chart</b> .....	75
Defense Nuclear Agency .....	56	<b>Financial Statements:</b>	
Navy/Marine Corps .....	56	Exhibit 1. Statement of Financial	
Agricultural Cargoes .....	56	Condition Assets .....	76
Ocean Freight Differential .....	56	Exhibit 1. Statement of Financial	
Minimum Tonnage .....	57	Condition-Liabilities .....	77
<b>Chapter 8 -- Market Promotion</b> .....	<b>62</b>	Exhibit 2. Statement of Operations .....	78
Marketing Program - Carriers .....	62	Notes to Financial Statements .....	79
Marketing Program - Shipyards .....	63	<b>Charts</b>	
<b>Chapter 9 -- Maritime Labor, Training,</b>		1 Title XI Financing Guarantee	
<b>and Safety</b> .....	<b>64</b>	Approvals -- FY 1996 .....	10
U.S. Merchant Marine Academy .....	64	2 Major Shipbuilding Facilities in the United States	11
State Academies .....	65	3 Commercial Shipbuilding Orderbook History	
Supplemental Training .....	65	1975-1996 .....	13
Merchant Marine Awards .....	65	4 U.S. Commercial Shipbuilding Orderbook,	
Labor Data .....	65	September 30, 1996 .....	15
Labor		<b>Tables</b>	
Seafaring .....	65	1 National Defense Reserve Fleet	
Annual Crewing Assessment		September 30, 1996 .....	7
of U.S. Merchant Mariners .....	65	2 National Defense Reserve Fleet,	
Longshore .....	65	1945-1996 .....	8
Safety .....	67	3 Marine and War Risk Insurance	
<b>Chapter 10 -- International Activities</b> .....	<b>69</b>	Approved in 1996 .....	8
New Maritime Agreement		4 Title XI Approved Guarantees	
With Brazil .....	69	in FY 1996 .....	16
Understanding With China .....	69		
Consultations With Japan .....	69		
Negotiations With Russia .....	69		
General Agreement on Trade			
in Services (GATS) .....	69		
Organisation for Economic			
Cooperation and Development .....	70		
Other Activities .....	70		
<b>Chapter 11-- Administration</b> .....	<b>71</b>		
Strategic Planning .....	71		
Customer Service Initiatives .....	71		

<p>5 Federal Ship Financing Guarantee (Title XI) Program Summary, September 30, 1996 . . . . . 17</p> <p>6 Worldwide Ship Deliveries, CY 1995 . . . . . 18</p> <p>7 Capital Construction Fund Holders, September 30, 1996 . . . . . 19</p> <p>8 Construction Reserve Fund Holders, September 30, 1996 . . . . . 19</p> <p>9 U.S. Flag Great Lakes Bulk Fleet, September 30, 1996 . . . . . 39</p> <p>10 U.S. Oceangoing Merchant Marine, September 30, 1996 . . . . . 43</p> <p>11 Employment of U.S.-Flag Oceangoing Merchant Fleet, September 30, 1996 . . . . . 44</p> <p>12 Major Merchant Fleets of the World, January 1, 1996 . . . . . 45</p> <p>13 U.S. Oceanborne Foreign Trade/Commercial Cargo Carried . . . . . 46</p> <p>14 ODS Accruals and Outlays, January 1, 1937 to September 30, 1996 . . . . . 47</p> <p>15 ODS Accruals and Outlays by Shipping Lines, January 1, 1937 to September 30, 1996 . . . . . 48</p>	<p>16 ODS Contracts in Force, September 30, 1996 . . . . . 49</p> <p>17 Foreign Transfers and Other Section 9 Approvals, FY 1996 . . . . . 52</p> <p>18 Government-Sponsored Cargoes--Calendar Year 1995 . . . . . 58</p> <p>19 Maritime Work Force Average Monthly Employment . . . . . 68</p> <p><b>Appendices</b></p> <p>I Maritime Subsidy Outlays--1936-1996 . . . . . 80</p> <p>II Combined Condensed Statements of Companies with Operating-Differential Subsidies Contracts . . . . . 81</p> <p>III Studies and Reports Released in FY 1996 . . . . . 83</p> <p>MARAD Report Acronyms . . . . . 84</p> <p><b>NATIONAL MARITIME DAY PROCLAMATION</b></p>
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## **Introduction**

The Annual Report of the Maritime Administration (MARAD) for the fiscal year (FY) which ended on September 30, 1996, is submitted to Congress in accordance with Section 208 of the Merchant Marine Act of 1936, as amended.

MARAD '96 includes eleven chapters on MARAD programs and activities and includes specific reports required by law on acquisition of obsolete vessels in exchange for vessel trade-in, war risk insurance activities, scrapping or removal of obsolete vessels owned by the United States, and U.S.-flag carriage of Government-sponsored cargoes.

This report contains details on these activities and many other Maritime Administration efforts to support the Nation's maritime policy and the goals of the Administration.

**A. J. Herberger**  
**Maritime Administrator**



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## Major Maritime Accomplishments in FY 1996

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President Clinton signed Public Law 104-239, the Maritime Security Act of 1996, on October 8, 1996. Its enactment was the culmination of a 15-year struggle by many people who fervently believe that America absolutely needs a strong Merchant Marine in peace as well as war.

Passage of this legislation clearly demonstrates the strong bipartisan support of Congress with its landslide vote in the United States Senate of 88 to 10. The Maritime Security Program (MSP) will support an active, privately owned, U.S.-flag and U.S.-crewed merchant shipping fleet to provide sealift sustainment in a contingency. The 10-year program provides funding of up to \$100

the United States when needed. The MSP thus achieves a tremendous cost savings for the Nation's taxpayers as it is about one-half the annual cost of the prior program.

Moreover, under the prior ODS program, operators were required to limit their operations to specific trades and trade routes and abide by specific service restrictions. By eliminating these outdated restrictions, the MSP expands the sphere of participation to a wide spectrum of companies that operate in worldwide trade routes. It assures the nation that a U.S.-flag transportation presence will be maintained in international commerce.

but also to fill the gaps in surge capability.

MSP operators must participate in an Emergency Preparedness Program. The Maritime Administration (MARAD), DOD and industry worked in partnership to create the Voluntary Intermodal Sealift Agreement or VISA, thus matching program requirements to resource capabilities. A Joint Planning Advisory Group was established to implement the provisions of VISA and to identify potential problem areas for sealift and develop appropriate solutions. This joint defense planning included classified military contingency plans.

VISA is the mechanism by which

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*The American flag must always sail in the sea lanes of the world. In recent years, our country has again been reminded of the critical role played by the U.S. merchant marine in protecting our interests and the security of our allies.*

President Bill Clinton  
October 8, 1996

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million annually for up to 47 vessels.

Under the previous operating-differential subsidy (ODS) program, operators received payments for the differential between U.S.-flag crews and foreign crews with no cap on the amount of the subsidy. The MSP replaces the old system with a flat fee of \$2.1 million per vessel in return for the vessel's availability to

The program further contributes to the Power Projection Strategy of the Department of Defense (DOD) by providing a reliable and dependable source of both sealift and U.S. citizen crews as a resource for the military to draw upon during contingencies. The diverse mix of ships and services represented by the Maritime Security Fleet gives the military the immediate capability not only to satisfy sustainment requirements

carriers will provide origin-to-destination transportation during military contingencies. The companies' sophisticated systems for in-transit visibility give DOD a more effective and efficient method of tracking and directing the movements of munitions and materiel from the factory to the frontline or the foxhole.

Moreover, DOD will have access to the shipping companies' worldwide intermodal networks: the

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*"...America is a seafaring nation. And while the seas are the water highways to the world, they are also, as was once said, the heart's blood of the earth. The strategic imperative upon us then, as a maritime nation, is to maintain an economically viable merchant marine--a merchant marine who fly the flag of the United States and carry America's cargoes on the water highways to the world. The Maritime Security Act of 1996 works to fulfill that strategic imperative."*

Federico Peña  
as Secretary of Transportation  
December 20, 1996

vessels, the trains, the trucks, the cargo handling equipment, the tracking and control systems, and even the traffic and logistics management services.

By packaging all these elements, the MSP capitalizes on the assets of a multibillion dollar capital base while maximizing the industry's modern door-to-door transportation capabilities. All the while, the carriers maintain their flexibility by pooling their resources and rationalizing their services.

But the most critical contribution of the Maritime Security Fleet is its ability to provide the seafarers -- the pool of highly trained, loyal, and reliable U.S. citizen crews, willing to go into harm's way to

#### **MSP Contractors**

American President Lines, Ltd.  
Central Gulf Lines, Inc.  
Waterman Steamship Corp.  
Crowley American Transport, Inc.  
First American Bulk Carrier Corp.  
Farrell Lines Incorporated  
Lykes Bros. Steamship Co., Inc.  
Maersk Line, Ltd.  
OSG Car Carriers, Inc.  
Sea-Land Service, Inc.

transport the critical cargoes required for warfighting or peacekeeping or humanitarian response.

The MSP is by far the most effective and efficient form of sealift available to satisfy the military's sustainment requirements into the 21st century. Without this program, our nation was in danger of losing its ability not only to control the price of shipping its imports and exports but also to guarantee access to critical commodities in a dynamic world marketplace. With this program, America remains a strong maritime Nation.

***"It is a privilege for me to serve as Maritime Administrator in an Administration which recognizes that the nation's transportation systems does not stop at the water's edge. Our ports and harbors, tugs and barges, oceangoing ships and Great Lakes vessels as well as the nation's shipyards and supplier industries all contribute to our economic well-being and our strategic security."***

**A.J. Herberger**  
**Maritime Administrator**  
**October 8, 1996**

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# Chapter 1

## National Security

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The Maritime Administration (MARAD) is responsible for assuring that merchant shipping is available in times of war or national emergency. MARAD administers programs to meet sealift requirements determined by the Department of Defense (DOD) and conducts related national security activities.

The Agency also maintains inactive, Government-owned vessels in the National Defense Reserve Fleet (NDRF) and its Ready Reserve Force (RRF) component. The RRF was created to maintain a surge shipping and resupply capability available on short notice to support deployment of a multidivision force.

MARAD also conducts national security planning and operations in areas such as national emergency communications, war risk insurance, and port emergency operations.

replacement sealift program was near completion.

Progress also was made on developing and testing new DOD

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### Voluntary Intermodal Sealift Agreement (VISA)

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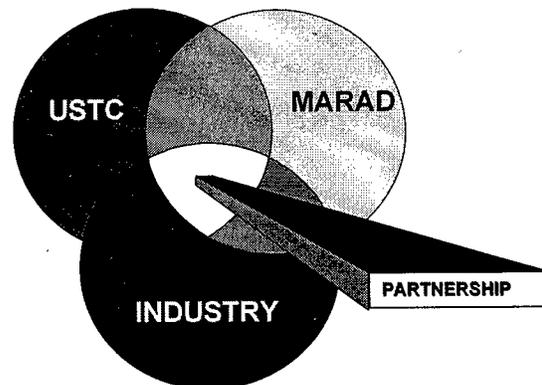
During fiscal year (FY) 1996, important progress was made in the joint MARAD, U. S. Transportation Command (USTRANSCOM), industry partnership under the VISA program. The DOD approved VISA Stage III as a new prototype Sealift Readiness Program (SRP).

MARAD also co-hosted two VISA Joint Planning Advisory Group (JPAG) sessions and participated in the VISA '96 War Game.

Companies representing more than 90 percent of U.S. flag commercial shipping capacity were enrolled in VISA and a majority of U.S. ocean carriers had received security clearances to fully participate in the Government and industry contingency joint planning process at years's end. VISA represents a fundamental change in sealift programs.

It is streamlined and efficient, adopts the best commercial

### VOLUNTARY INTERMODAL SEALIFT AGREEMENT (VISA)



practices, is highly responsive to operational needs, utilizes the full range of commercial intermodal systems and services, and balances civilian and defense requirements through pre-planning. On September 30, 1996, VISA's approval as the permanent

peacetime commercial intermodal business processes. The passage of the Maritime Security Act solidified the link between VISA and the Maritime Security Program (MSP), which is designed to retain a viable U.S. flag commercial merchant marine and dedicated

American citizen seafarers as an important element of U.S. national security in peace and war. (See page ix.)

### **Joint Planning Advisory Group**

Organized under the purview of the Defense Production Act

- ✦ To identify/disuss DOD requirements
- ✦ To recommend concept of operations to meet requirements
- ✦ To test/exercise program arrangements
- ✦ To provide anti-trust defense for pooling/teaming requirements

### **National Defense Reserve Fleet (NDRF)**

NDRF ships serve as an inactive reserve which can be activated to help meet U. S. shipping requirements during a national emergency that requires sealift capability. MARAD maintains inactive merchant ships and naval auxiliaries in three reserve fleet sites. Retention vessels are preserved, normally including dehumidification of interior spaces and cathodic (anticorrosion) protection of the hull.

As of September 30, 1996, the total number of vessels in MARAD custody was 303 (See Tables 1 and 2). Of these, 98 were located at Ft. Eustis, VA; 49 at Beaumont, TX; 84 at Suisun Bay, CA; and 72 at other locations, including lay berths under contract in major U.S. port cities.

## **Ready Reserve Force (RRF)**

Of the 303 ships, 84 are maintained on a cost-reimbursable basis. These vessels are maintained in various degrees of preservation depending on the requirements of the sponsor. They are not in the NDRF program and are held for other Government agencies or MARAD's Title XI program. Seventy-six of these vessels are expected to be assigned to the NDRF or scrapped.

At the end of this reporting period, 152 ships, including the RRF vessels, were being kept as NDRF retention assets, maintained under preservation, and available for activation. The remaining 67 were non-retention assets which are pending disposal or transfer.

The RRF is a specific component of the retention NDRF which was established in 1976 by a Memorandum of Agreement between the DOD and MARAD. These ships are kept in a higher state of readiness to enable them to be activated in 4, 5, 10, or 20 days to meet surge military sealift requirements in the event of war or military deployment as experienced in OPERATIONS DESERT SHIELD and DESERT STORM and more recently in Haiti, Somalia, and Croatia.

The highest priority vessels are maintained in a status which permits reliable activation within 4 or 5 days at their berth sites, allowing expedited loading of critical surge DOD equipment. These vessels have Reduced Operating Status (ROS) crews of merchant mariners aboard carrying out a planned maintenance program.

The ROS crews become a part of the operating crew that serves on the activated vessels. The outport and ROS crew provisions greatly enhance the probability of successful activation as has been demonstrated in all recent vessel call-ups. RRF vessels have consistently exceeded activation requirements.

At the end of the reporting period there were 94 ships in the RRF. The most recent additions to the fleet were the Roll-On/Roll-Off (RO/RO) ships CAPE KENNEDY and CAPE KNOX. They were purchased in FY 1995 and upgraded in FY 1996.

To meet the RRF readiness needs of DOD, the Outporting Program provides contracted lay berths for RRF ships near the expected loading ports for defense cargoes. At year's end, 53 RRF vessels were assigned to outport locations, 20 on the East Coast, 10 on the Gulf Coast, and 20 on the West Coast. Three small, shallow-draft tankers are outported in Japan.

### **RRF Sea Trial and Dock Trial Program**

MARAD carries on a program of planned periodic activation of RRF vessels. High priority vessels perform an annual sea trial (4 and 5 day readiness status vessels). Lesser priority vessels perform sea trials in alternate years consistent with their particular readiness status. This program was established to further enhance the probability of successful activation by providing a real time insight into the material condition of the

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vessels. This enables MARAD to make timely maintenance decisions and repairs and better allocate resources.

During FY 1996, 61 vessels were successfully sea trialed, the most ambitious sea trial undertaking to date. The continuing success of MARAD's activation of vessels for national contingencies is directly attributable to the sea trial program.

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### **Improvements to RRF Maintenance**

MARAD's RRF maintenance program was vastly improved during this reporting period. The MARAD RRF-Maintenance and Repair Tracking System (RRF-MARTS) issued its first major revision, resulting in a more user-friendly deficiency tracking system. In addition, a financial module was added to RRF-MARTS.

This module permits the development of a bottom-up requirements budget based on known deficiencies, and records detailed expenditures of repair funding. MARAD also instituted plans to integrate RRF-MARTS with the Personal Computer-Ship Allowance List (PC-SAL), a logistics management system. Administrative management tools such as a revised sea trial format supported the maintenance upgrades.

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### **General Agency Agreements**

During FY 1996, MARAD awarded a General Agency task order to International Marine Carriers to complete the conversion of the BEAVER STATE to an auxiliary crane ship.

The vessel will be added to the RRF. Auxiliary crane ships provide the capability of loading/discharging non-self-sustaining containerships instream or at an area without sufficient port capabilities. MARAD issued a fixed price General Agency Agreement under a pilot program in connection with the Department of Transportation's (DOT) effort to improve procurement.

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### **RRF Maintenance Crews ROS Program**

MARAD Ship Managers and General Agents employed 447 mariners on 46 ROS ships. This combination of licensed and unlicensed personnel from all departments conduct preventative maintenance year-round and provides sufficient resources to activate RRF vessels, thus reducing the reliance on industrial assistance.

ROS ships must be capable of being activated to support national emergencies within either 4 or 5 days depending on their designated readiness. In FY 1996, 24 ROS-4 vessels employed 120 licensed and 120 unlicensed mariners in 10-person crews, while the 22 ROS-5 vessels engaged 110 licensed and 88 unlicensed personnel utilizing 9-person crews.

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### **Logistics**

MARAD improved the level of RRF vessel logistics readiness in FY 1996. Support material valued at \$4,936,047 was procured from Federal and commercial supply sources.

MARAD completed extensive logistics overhauls of the two recently acquired "CAPE K" vessels, and performed logistics

upgrades on three other RRF vessels and two deployed prepositioned vessels. MARAD also developed and implemented an extensive manage-to-cost program for the current RRF logistics support contract, which ties the contract performance-based award fee directly to contractor performance; a first in MARAD.

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### **RRF Operations**

DOD continued to use RRF vessels as an integral part of their preposition fleet during FY 1996, to support the U.S. Army's Interim Brigade Afloat Force (AWR-3).

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The RO/RO vessels CAPE DOUGLAS, CAPE DECISION, CAPE HENRY, CAPE HORN, CAPE HUDSON, CAPE WASHINGTON, CAPE WRATH, and the GOPHER STATE, a crane ship, the assigned RRF contingent, have operated at over 99.5 percent fully mission capable level.

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The Offshore Petroleum Discharge System (OPDS) tankers AMERICAN OSPREY and POTOMAC continued supporting the Afloat Preposition Force (APF) operating between Diego Garcia and the Mediterranean.

Operation HORNETS NEST involved activation of the T-AVB (Aviation Logistics Support Vessel) SS WRIGHT. The ship sailed from Baltimore, MD, to Charleston, SC, where 300 U.S. Marines were deployed on the ship to carry out a logistics exercise.

Exercise JOINT ENDEAVOR involved activation of the RO/RO vessels CAPE RACE and CAPE RISE to support the British Expeditionary Forces in Croatia. The vessels were activated ahead of time, achieved their ambitious loadout schedule in northern Europe, and expeditiously delivered their cargoes to Split, Croatia. Both vessels performed follow-up voyages. The Masters and crews were lauded by Great Britain's Ministry of Defense for quality performance.

An awards ceremony was held aboard the CAPE RACE at the vessel's Portsmouth, VA, outport berth. Formal award plaques were presented to the Masters of the vessels and the crews were commended by the Military Sealift Commander (MSC), for their performances during JOINT ENDEAVOR. The RO/RO vessel CAPE DUCATO was activated and tendered to MSC in advance of required time for a support mission to northern Europe.

The tanker MOUNT WASHINGTON participated in the DOD Joint Logistics Over the Shore (J-LOTS) exercise conducted off Ft. Story, VA.

Exercise FREEDOM BANNER/COBRA GOLD involved the activation of the RO/RO vessel CAPE INTREPID. The vessel was tendered to MSC ahead of schedule. It departed Tacoma, WA, in March and made numerous port calls in the Far East before returning to Tacoma in July.

The FLICKERTAIL STATE, a crane ship, participated in exercise TOMAHAWK MISSILE, a crossdeck demonstration, at her outport berth at Newport News, VA.

Exercise TURBO ACTIVATION 96-1 consisted of the no-notice simultaneous activation of the RO/RO vessel CAPE TAYLOR at Mobile, AL, the LASH vessel CAPE FLATTERY at New Orleans, LA, and the breakbulk vessel CAPE GIBSON at San Francisco, CA. All three vessels were tendered ahead of activation time frames.

Exercise TURBO ACTIVATION 96-2 involved the no-notice simultaneous activation of the RO/RO vessel CAPE VINCENT at Beaumont, TX, the breakbulk vessel CAPE GIRARDEAU at San Francisco, CA, and the tanker ALATNA at Tsuneishi, Japan. The simultaneous, three ship activation, coupled with the significant geographical dispersion of the vessels involved, presented an excellent test of the program. All three ships were tendered prior to their activation mandates.

from Little Creek, VA. The move effectively shifted all Navy OPDS training to the West Coast.

MARAD completed conversion of six OPDS utility boats for installation aboard the OPDS tankers. Installation of these boats aboard the tankers makes the OPDS system completely self-deployable. MARAD successfully demonstrated the capabilities of these boats working in conjunction with an OPDS tanker at the Beaumont Reserve Fleet during the summer of 1996.

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### Sealift Enhancement Features

Sealift Enhancement Features (SEF) are additional modifications to general cargo vessels to increase their military utility. Modular Cargo Delivery Stations (MCDS) aboard the CAPE JOHNSON were activated and tested during FY 1996. Working in cooperation with the Department of

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## Offshore Petroleum Discharge System Ships

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MARAD works closely with the Department of the Navy to field test improvements to the OPDS installed on five MARAD-owned tankers. MARAD completed conversion of the fifth and last OPDS tanker SS MOUNT WASHINGTON during FY 1996. These ships provide the capability to discharge petroleum products from four miles offshore without benefit of shore facilities.

Early in FY 1996, MARAD transferred custody of a training barge and training Single Anchor Leg Mooring (SALM) to the Navy Expeditionary Warfare Training Group, Pacific, in San Diego, CA,

the Navy, MARAD personnel will maintain these stations during ROS using maintenance procedures developed by the Navy for this equipment.

Training in the maintenance and use of the equipment will be provided to ROS crew members at Earle, NJ. MCDS stations, installed forward and aft, permit RRF ships to send tensioned highlines to a naval ship and transfer cargo while both ships are underway.

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## Aviation Logistic Support Vessels

Under a special agreement with the DOD, MARAD maintains two Aviation Logistic Support Ships (T-AVBs) for use by the Marine Corps during mobilization. The SS WRIGHT (T-AVB3) and SS CURTISS (T-AVB4), are located in Baltimore, MD, and Port Hueneme, CA, respectively.

During FY 1996, the SS WRIGHT successfully completed drydocking and participated in HORNET's NEST 2-96, which took place off the coast of South Carolina during mid-April. A Marine Corps air wing activated the afloat Intermediate Maintenance Activity (IMA) aboard the vessel. IMAs are designed to support the repair of Marine Corps fixed-wing and rotary-wing aircraft units.

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## Schoolship Program

MARAD maintains vessels for use by State merchant marine academies to use as training platforms for students. Berthed at

MARAD replaces schoolship vessels on a periodic basis with modernized plants. Conversion of the ex-USNS TANNER to replace the Maine Maritime Academy's training vessel began in FY 1996. Delivery is scheduled for April 1997. Its cadets used the Massachusetts Maritime Academy's schoolship PATRIOT STATE to conduct their annual training. (See Chapter 9.)

MARAD Advisories rapidly disseminate information on Government policy, danger, and safety issues pertaining to vessel operations and other timely maritime matters.

In FY 1996, MARAD issued Advisories to the U.S. maritime industry on such topics as: potential anti-US terrorist threats throughout the world, embargoes on Iraq and Yugoslavia, Chinese naval gunnery exercises in the China Sea, and three Naval Control of Shipping exercises. In addition, a Special Warning to Mariners was coordinated with the State Department regarding situations in the Southern Red Sea's Hanish Islands.

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## Emergency Operations

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the academies, the schoolships provide a hands-on learning environment. The training ship GOLDEN BEAR (ex-USNS MAURY) was delivered to California Maritime Academy in May and successfully completed its maiden training cruise. Conversion of Texas A&M University's training ship was also completed and its maiden voyage completed in this reporting period.

In order to provide training similar to the commercial market,

MARAD, in cooperation with the Departments of State and Defense, continued to monitor previously agreed procedures facilitating the inspection of cargoes aboard U.S.-flag merchant vessels destined for Aqaba, Jordan. The United Nations Security Council's Iraq Sanctions Committee and the Multinational Interdiction Force (MIF) continued to operate against vessels attempting to violate the embargo by carrying contraband cargo.

The Agency also participated as National Shipping Authority in the Naval Control and Protection of Shipping (NCAPS) exercises BELL BUOY 96, UNIFIED SPIRIT, and the Canadian Atlantic Coast exercise. The doctrine tested is in line with the changing world situation where NCAPS is addressed on a regional scale.

MARAD maintains a Liaison Office at TRANSCOM, Scott AFB, IL, to provide coordinated, on-site support of the Defense Transportation System for maritime transportation planning and contingency operations.

MARAD continued to sponsor the National Sealift Training Program at the U.S. Merchant Marine Academy. The course is attended by active merchant mariner Masters and Chief Officers. This program comprises an integrated set of courses in defense communications, maritime security, and sealift readiness training.

MARAD personnel were involved in the emergency response to Hurricanes Bertha and Fran. Both hurricanes made landfall in the Carolinas, briefly closing ports.

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## Piracy and Attacks on Merchant Shipping

The maritime community continues to be a victim of high seas piracy and robbery incidents around the world. Various international maritime organizations cite the most active areas of piracy, and attacks on merchant shipping continue on the shores of the South China Sea including Indonesia, Vietnam, Hong Kong, China, and the Philippines; the Singapore and Malacca Straits; the Ivory Coast

and Horn of Africa; Brazil; and Bangladesh.

MARAD continues to alert mariners to potential problems and offers advice on effective countermeasures to deter pirates from boarding vessels at sea. MARAD actively participates with industry partners such as the Maritime Security Council on training techniques, information resource availability, threat dissemination, and incident reporting.

MARAD continues to promote the use of the Defense Mapping Agency Navigation Information Network's Anti-Shipping Activities Message system to report these incidents into a database available to all mariners. Unfortunately, a large number of incidents still go unreported (only one-third of the actual total are reported). There does appear, however, to be an increase in reported incidents.

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### **Scrapping or Removal of Obsolete Vessels**

No Government-owned vessels were sold for scrap in FY 1996. In September 1996, MARAD issued an Invitation for Bids (IFB) to purchase eight obsolete vessels for scrapping in the United States or approved foreign countries in compliance with a letter of "enforcement discretion" issued by the Environmental Protection Agency (EPA).

The enforcement discretion letter addresses the testing, handling, removal, and disposal of polychlorinated biphenyls (PCBs), which are regulated by EPA in accordance with the Toxic Substances Control Act.

EPA presumes the obsolete vessels contain PCBs in regulated

concentrations which are prohibited from export. The IFB requires that most of the PCBs onboard the obsolete vessels be removed in the United States. MARAD will determine if bidders are willing and/or able to purchase and dispose of the obsolete vessels under the terms specified by EPA.

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### **War Risk Insurance**

MARAD administers the standby emergency War Risk Insurance Program in accordance with the statutory authority of Title XII of the Merchant Marine Act, 1936, as amended. The program encourages the continued flow of U.S. foreign commerce during periods when commercial insurance cannot be obtained on reasonable terms and conditions. It protects vessel operators and seafarers against losses resulting from war or warlike actions.

As of September 30, 1996, the War Risk Revolving Fund (Fund) asset total was approximately \$26,705,000. There were four new assureds receiving five binders during FY 1996. The fund earned \$1,728,916 in investment income. Program expenses for FY 1996 totaled \$45,450.

As of September 30, 1996, there were 257 binders on vessels and barges providing eligibility for hull, protection and indemnity, and second seamen war risk insurance. No binders related to MARAD's standby war risk cargo insurance and builder's risk insurance programs have been issued. All binders are effective for 30 days following an automatic termination of commercial insurance.

Statutory authority covering the Title XII War Risk Insurance

Program expired on June 30, 1995. On February 10, 1996, Public Law 104-106 was passed which extended the program for 5 years, until June 30, 2000.

In addition to the standby war risk program, MARAD has activated the war risk program on several occasions at the request of the Secretary of Defense with the approval of the President.

MARAD wrote war risk insurance on 388 vessels during Operation DESERT SHIELD/DESERT STORM. In addition the President approved the procurement of war risk insurance by the Secretary of Defense from MARAD for 34 vessels for Operation RESTORE HOPE in Somalia and 15 vessels for Operation RESTORE DEMOCRACY in Haiti.

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### **RRF Claims Settlement**

MARAD continued to act as the claims agent for Government-owned RRF vessels during FY 1996.

From the inception of Desert Shield/Desert Storm through the end of September 1996, approximately 600 personal injury claims submitted by or on behalf of American merchant seamen had been settled, at a total cost of approximately \$19.1 million.

Among claims pending resolution as of the end of FY 1996 were those for mariners who crewed RRF vessels in support of Operation JOINT ENDEAVOR to Croatia. As of September 30, 1996, approximately 12 administrative claims submitted to MARAD remained pending. In addition, MARAD was assisting the U.S. Department of Justice in seeking the resolution of approximately 60 claims where

litigation against the United States was brought by or on behalf of the claimant.

### Title XI and Other Insurance Compliance

MARAD monitors the contractual requirements for marine insurance coverage placed in the commercial market on all

existing Title XI vessels on which MARAD holds the mortgage, together with vessels subsidized by the Government and Government-owned vessels on charter to private operators.

One aspect of this compliance is to assure that the American marine insurance market has the opportunity to compete for placement of marine insurance on

these vessels. As indicated in Table 3, MARAD approved marine hull and machinery insurance during fiscal year 1996, with 64 percent being placed in the American market and 36 percent being placed in foreign insurance markets. This compares with 42 percent American market placement for hull and machinery insurance during fiscal year 1996.

**Table 1: NATIONAL DEFENSE RESERVE FLEET--SEPTEMBER 30, 1996**

Home Port	NDRF Retention <sup>1</sup>	NDRF Non-Retention <sup>2</sup>	Reimbursable Custody <sup>3</sup>	Totals
James River, VA	30	32	36	98
Beaumont, TX	37	9	3	49
Suisun Bay, CA	16	23	45	84
Other Locations	69	3	0	72
Totals:	152	67	84	303

<sup>1</sup> Vessel being maintained for emergency activations, for historic display, or for spare equipment. Number shown includes RRF ships.

<sup>2</sup> Vessels pending disposal.

<sup>3</sup> Vessels not in the NDRF program and owned by other government agencies or by the Title XI program.



**Table 2: NATIONAL DEFENSE RESERVE FLEET, 1945--1996**

Fiscal Year	Ships	Fiscal Year	Ships
1945	5	1971	860
1946	1421	1972	673
1947	1204	1973	541
1948	1675	1974	487
1949	1934	1975	419
1950	2277	1976	348
1951	1767	1977	333
1952	1853	1978	306
1953	1932	1979	317
1954	2067	1980	303
1955	2068	1981	317
1956	2061	1982	303
1957	1889	1983	304
1958	2074	1984	386
1959	2060	1985	300
1960	2000	1986	299
1961	1923	1987	326
1962	1862	1988	320
1963	1819	1989	312
1964	1739	1990	329
1965	1594	1991	316
1966	1327	1992	306
1967	1152	1993	302
1968	1062	1994	286
1969	1017	1995	296
1970	1027	1996	303

**Table 3: MARINE AND WAR RISK INSURANCE APPROVED IN FY 1996**

Kind of Insurance	Total Amount	Percentage	
		American	Foreign
Marine Hull & Machinery	\$2,149,021,066	64	36
Marine Protection and Indemnity <sup>1</sup>			
War Risk Hull and Machinery	\$1,261,023,198	58	42
War Risk Protection & Indemnity	\$1,261,023,198	58	42

<sup>1</sup> Protection and Indemnity insurance coverage is obtained principally from assessable mutual associations managed in the British market and is unlimited, thereby making it impossible to arrive at the total amount or percentage figures for American and foreign participation.

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## Chapter 2

### Shipbuilding and Ship Conversion

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**F**ifty years ago, American shipyards and U.S. merchant ships were the key to Allied victory in World War II. Between 1939-1945, the United States built more than 5,000 cargo ships. Today, American shipyards and their workers remain unsurpassed in producing complex naval vessels. Naval ship orders are declining and more than 81,000 shipyard jobs have been lost since the early 1980s. American shipyards have also been at a competitive disadvantage in the world commercial shipbuilding market, largely due to foreign government shipyard subsidies and technological improvements in foreign shipyards.

The Clinton Administration developed a five-part program to assist the U.S. shipbuilding industry effectively compete in the international commercial shipbuilding market. The most important element of the plan extended Government guarantees to the financing of vessels purchased in U.S. shipyards by foreign owners and for the revitalization of U.S. shipyard facilities, through the existing Title XI domestic loan guarantee program. Other elements included efforts to ensure fair international competition, improve competitiveness, eliminate unnecessary Government regulation, and assist in international marketing.

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#### Title XI

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The benefits of the Administration's shipbuilding initiative are already evident. National and international interest in Title XI has been strong.

Title XI of the Merchant Marine Act, 1936, as amended, established the Maritime Guaranteed Loan Program (formerly known as the Federal Ship Financing Guarantee Program). As originally enacted, Title XI authorized the Federal Government to insure private sector loans or mortgages made to finance or refinance the construction or reconstruction of American-flag vessels. Title XI was amended in 1972 to provide direct Government guarantees of the underlying debt obligations, with the Government holding a mortgage on the equipment financed.

The National Shipbuilding and Shipyard Conversion Act of 1993 (Shipbuilding Act), [Public Law 103-160] expanded the existing Title XI program by authorizing the Secretary of Transportation to guarantee obligations issued to finance the construction, reconstruction, or reconditioning of eligible export vessels. It also authorized guarantees for shipyard modernization and improvement.

The Shipbuilding Act established a National Shipbuilding Initiative (NSI) program to support the industrial base for national security objectives. The NSI is expected to help reestablish the American shipbuilding industry as a self-sufficient internationally competitive industry.

Under the Title XI program, the U.S. Government insures or guarantees full payment to the lender of the unpaid principal and

interest of the mortgage obligation in the event of default by the vessel owners or general shipyard facility.

As of September 30, 1996, Title XI guarantees in force aggregated approximately \$2.5 billion, covering approximately 1,933 vessels and 116 individual shipowners.

Program participants are charged a one time filing and investigation fee plus a guarantee fee. There were no defaults and eight voluntary payoffs on Title XI guaranteed contracts in FY 1996.

Two of the 18 Title XI applications approved in FY 1996 involved shipyard modernization projects. (See Chart 1.) The FY 1996 approvals are shown on Table 4. As of September 30,

## TITLE XI FINANCING GUARANTEE APPROVALS FY 1996

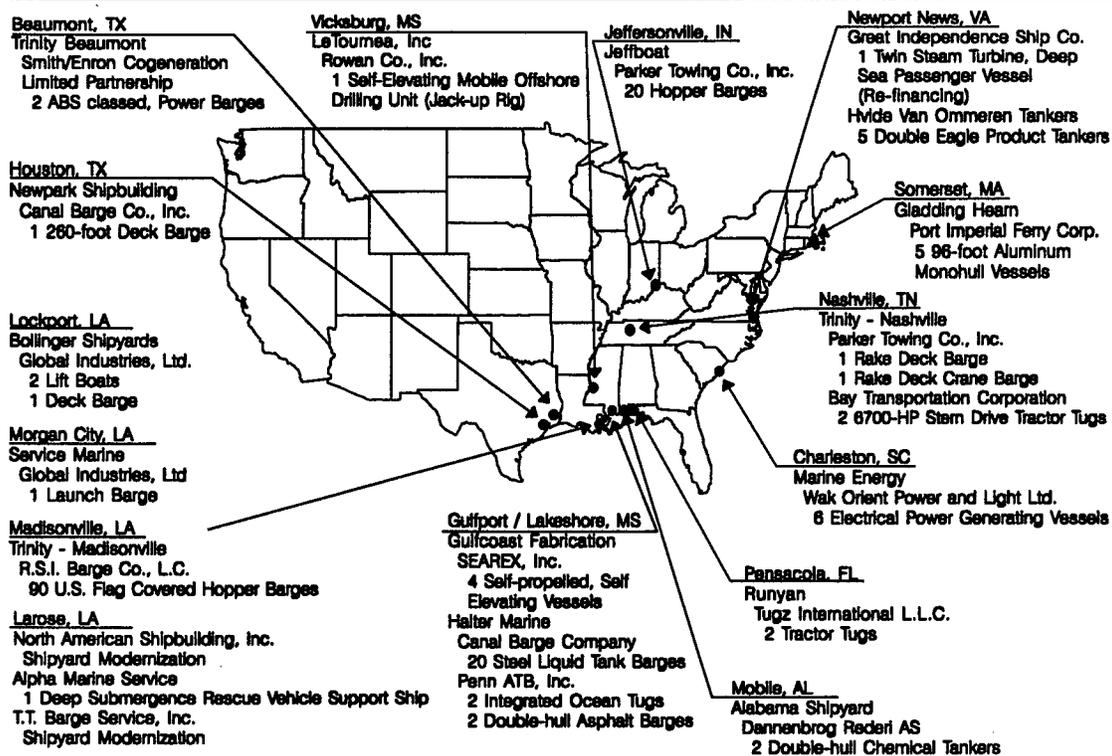


Chart 1

1996, there were 27 Title XI applications pending.

During FY 1996, the Federal Ship Financing Fund Liquidating Account (Fund) had offsetting collections of \$63.0 million. The unobligated balance of the Fund on September 30, 1996, was \$27,203,106. In accordance with the Credit Reform Act, MARAD determined its current needs and transferred the excess funds of \$421 million (two transfers were made: \$105 million and \$316 million) to Treasury.

The NSI also contains funds for industry initiated research and development projects under the MARITECH program. MARITECH is a 5-year Federal effort to provide

matching Government funds to encourage the shipbuilding industry to direct and lead in the development and application of advanced technology to improve its competitiveness and to preserve its industrial base. The program is jointly funded by Government and industry and administered collaboratively by MARAD and the Department of Defense's Advanced Research Projects Agency.

competitive ship designs, market strategies and modern shipbuilding processes and procedures. The second element is to encourage advanced ship and shipbuilding technology projects for promoting continuous product and process improvement.

The MARITECH program has been well received. In 3 years, 53 projects have been awarded. MARAD administers over 60

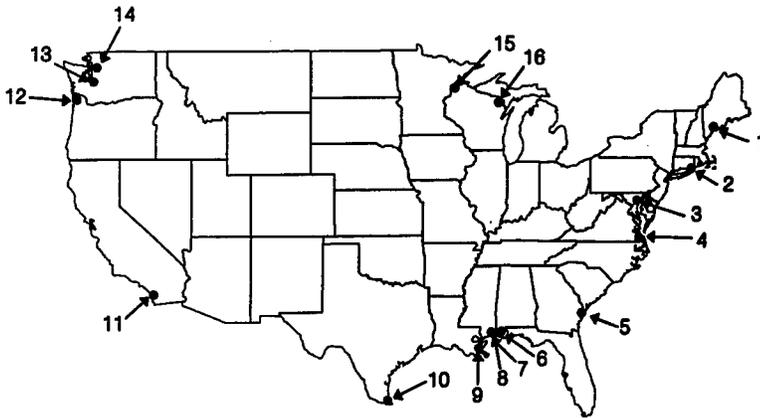
### MARITECH

The NSI also contains funds for industry initiated research and development projects under the MARITECH program. MARITECH is a 5-year Federal effort to provide

MARITECH's purpose is twofold. First, it is intended to assist industry in competing in the international marketplace with

percent of the MARITECH projects valued at \$160 million. These projects represent more than 170 private sector participants from 22 states and 9 foreign countries.

## MAJOR SHIPBUILDING FACILITIES IN THE UNITED STATES



- |                                         |                                         |
|-----------------------------------------|-----------------------------------------|
| 1. Bath Iron Works Corp.                | 10. AMFELS, Inc.                        |
| 2. Electric Boat Corp.                  | 11. National Steel and Shipbuilding Co. |
| 3. BethShip, Sparrows Point Yard        | 12. Gunderson, Inc.                     |
| 4. Newport News Shipbuilding            | 13. Tacoma Boatbuilding Co.             |
| 5. Intermarine USA                      | 14. Todd Pacific Shipyard Corp.         |
| 6. Alabama Shipyard, Inc.               | 15. Fraser Shipyards, Inc.              |
| 7. Halter Marine, Inc., Moss Point Div. | 16. Marinette Marine Corp.              |
| 8. Ingalls Shipbuilding, Inc.           |                                         |
| 9. Avondale Industries, Inc.            |                                         |

1996

Chart 2

Additionally, the projects represent research and development in a broad selection of ship types: double hull tankers, passenger vessels, dry and bulk carriers, containerships, high speed ferries, and off-shore service craft, resulting in 36 new commercial ship designs.

MARITECH coupled with Title XI has produced extremely positive results. For example, 16 commercial oceangoing vessels were added to the U.S shipbuilding orderbook, with a value of over \$600 million and support for 2,000 shipyard jobs. In addition, 23 pending new orders are awaiting Title XI approval, with over \$900 million in ship construction value.

The expanded Title XI program and the MARITECH program have assisted the U.S. shipbuilding industry modify and improve its operations to more effectively compete internationally. U.S. shipbuilders are closing the gap to

offer competitive prices for new construction projects in the international market. Shipyards have improved and enlarged their marketing approach to include the expanded Title XI program, developed commercially viable ship designs, and have entered into partnerships with international shipbuilders. The combined efforts of both the Government and the private sector have already led to the signing of contracts for the export of U.S.-built ships, and more are expected. This program is fulfilling President Clinton's vision of strengthening the American shipbuilding industry in the commercial market, as well as maintaining the Nation's defense readiness and vital shipyard worker skills.

### National Maritime Resource and Education Center (NMREC)

To further assist U.S. shipyards' ability to become internationally

competitive, MARAD through NMREC is working closely with regulations and standards-developing organizations, such as the International Maritime Organization (IMO), the U.S. Coast Guard (USCG), the International Organization of Standardization (ISO), the American National Standards Institute (ANSI) and the American Society for Testing and Materials (ASTM), to assist in the adoption of international ship construction and quality standards.

The principal NMREC mission is to promote elimination of unnecessary regulation, encourage development and use of consensus technical standards for the maritime industry, and to support U.S. participation in both national and international standards writing organizations.

Since President Clinton's shipyard revitalization plan was introduced, MARAD has:

- \* Acted as a facilitator for the shipbuilding industry with USCG to define areas for deregulation;
- \* Held quarterly meetings with USCG to maintain close cooperation in achieving reduction in regulations and for adopting consensus standards, both national and international;
- \* Established the Marine Industry Standards Library and provided over 35,000 pages of standards documents to industry;
- \* Actively participated in consensus technical standards promotion and development as

- Partner/facilitator with USCG in adopting consensus international standards in lieu of regulations;
- Government member of ANSI, the U.S. national standards writing organization;
- Member of Executive Committee of ASTM Committee on Shipbuilding & Marine Technology and membership on various ASTM standards writing subcommittees;
- Member of the U.S. Technical Advisory Group (USTAG) to the ISO;
- Heads of U.S. delegations to ISO/TC8 Subcommittees on Marine Environmental Protection, Piping and Machinery;
- Member of the Executive Control Board of the National Shipbuilding Research Program (NSRP) of the Society of Naval Architects and Marine Engineers (SNAME); and
- Member of the Government/Industry Advisory Board of the Gulf Coast Region Maritime Technology Center.

Support services and information available through NMREC include: Computer-Aided Design (CAD) Component Library, Marine Industry Standards Library, planned seminars, MARAD's Guideline Specifications for Merchant Ship Construction, MARITECH project information, Title XI approved and pending lists and other related maritime links. A

description of the breadth and scope of NMREC services is available on MARAD's World Wide Web Homepage located at <http://www.marad.dot.gov>.

NMREC also provides an ISO 9000 field consultant, trained and available to guide and assist industry in obtaining ISO 9000 certification. MARAD has participated in shipyard assessments/audits with registries such as American Bureau of Shipping, Det Norske Veritas, Lloyd's Register, and Underwriters Laboratories. ISO 9000 presentations have been given to SNAME through the NSRP for workshops and conferences.

MARAD is on the Executive Steering Group to the Government/Industry Quality Liaison Panel (G&IQLP), which was created by the Government and industry to encourage participation of interested Federal agencies and industry associations in the development and deployment of uniform quality management systems and advanced quality concepts. The main mission of the G&IQLP is consistent satisfaction of customer expectations through a Government and industry association partnership using world-class quality processes and practices to enhance international competitiveness.

NMREC is also actively involved in outreach to the shipbuilding industry. This outreach provides the shipbuilding industry with information and market leads to assist in increasing international sales, as well as to define the needs of U.S. shipyards.

Through NMREC, MARAD has also promoted and participated in industry trade expositions and trade missions and sponsored

conferences on international standards, international marketing, Title XI loan guarantees, competitiveness-benchmarking foreign vs. U.S. shipyards, cruise ship construction in the U.S., marine environmental protection, and safety reform in the shipbuilding industry.

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### **Capital Construction Fund (CCF)**

The Capital Construction Fund (CCF) Program was established under the Merchant Marine Act of 1970. It assists operators in accumulating capital to build, acquire, and reconstruct vessels through the deferral of Federal income taxes on certain deposits, as defined in Section 607 of the Merchant Marine Act, 1936, as amended.

The CCF Program enables operators to build vessels for the U.S. foreign trade, Great Lakes, noncontiguous domestic trade (e.g., between the West Coast and Hawaii), and the fisheries of the United States. It aids in the construction, reconstruction, or acquisition of a wide variety of vessels, including containerships, tankers, bulk carriers, tugs, barges, supply vessels, ferries and passenger vessels.

Since the program was initiated in 1971, fundholders have deposited \$6.2 billion in CCF accounts and withdrawn \$5.0 billion for the modernization and expansion of the U.S. merchant marine. As of September 30, 1996, a total of 123 companies were parties to CCF agreements.

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### **Construction Reserve Fund (CRF)**

The Construction Reserve Fund (CRF) encourages upgrading of

the American-flag fleet. This program allows eligible parties to defer taxation of capital gains on the sale or other disposition of a vessel if net proceeds are placed in a CRF and reinvested in a new vessel within 3 years.

The CRF is used predominately by owners of vessels operated in coastwise trades, the inland waterways, and other trades not eligible for the CCF Program. Its benefits are as broad as those of the CCF.

The number of companies with CRF balances increased from eight to ten during FY 1996 (See Table 8). The total monies on deposit increased from \$2.1 million to \$10.5 million.

**Metrication**

MARAD's goal is to convert to the System International (SI) measurement (metric) by 1997. To accomplish this, MARAD issued the "Guideline Specifications for Merchant Ship Construction" using only SI. MARAD also collects information and reference material for dissemination within Government and to industry.

The annual reports "Outlook for the U.S. Shipbuilding and Repair Industry" and "The Report on Survey of U.S. Shipbuilding and Repair Facilities" are published using the SI system. MARAD also has publications relating to the SI system of measurement available for dissemination to industry.

**Shipyard Activity**

The U.S. Major Shipbuilding Base (SB) is defined as privately owned shipyards that are open, having at least one shipbuilding position, consisting of an inclined

way, a launching platform, or a building basin capable of accommodating a vessel 122 meters in length or over.

With few exceptions, these shipbuilding facilities are also major repair facilities with drydocking capability. Utilizing this definition, as of January 1, 1996, there were 16 major shipbuilding facilities in the United States. (See Chart 2.)

A significant portion of the Navy's ship construction and conversion program is devoted to "T" ships. The "T" designates Government-owned, civilian-manned ships which, in most instances, are assigned to the Navy's Military Sealift Command.

As of September 30, 1996, 10 T-ships were on order or under construction in three privately owned U.S. shipyards. In addition, there were four T-ships undergoing conversion in two additional privately owned U.S. shipyards.

Three new T-ships and three T-ship conversions were completed and orders for two new ships were placed in FY 1996. The chart on page 22 lists the T-ships currently under construction or conversion.

As of September 30, 1996, there were 16 commercial oceangoing vessels larger than 1,000 gross tons on order from commercial shipyards in the United States. Orders for 15 of these vessels were facilitated by MARAD's Title XI Federal Ship Financing Program. Newport News Shipbuilding and Drydock Co. is constructing nine double hull product tankers. Four are being built for Eletson Corporation (Fleves Shipping Corporation) and five are being constructed for Hvide Van Ommeren Inc.

Avondale Industries, Inc., is reconstructing four product tankers for American Heavy Lift Shipping into double hull product tankers; this involves the removal of the

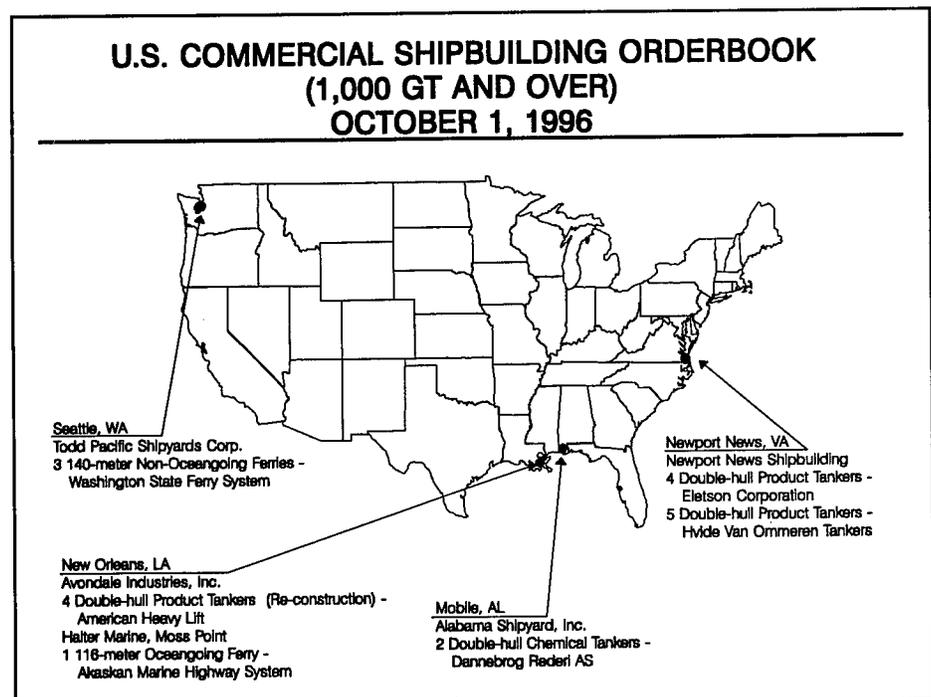


Chart 3

## T-SHIPS ON ORDER OR UNDER CONSTRUCTION

(as of October 1, 1996)

SHIPYARD	SHIP CLASS and HULL NUMBER	VESSEL NAME	ESTIMATED DELIVERY DATE	APPROXIMATE CONTRACT PRICE (in Millions)
<b>NEW CONSTRUCTION</b>				
Halter Marine	T-AGS 63	HENSON	02/20/1998	\$47.2
Halter Marine	T-AGOS 23	IMPECCABLE	12/20/1998	\$60.0
Avondale	T-AKR 300	BOB HOPE	01/31/1998	\$265.2
Avondale	T-AKR 301	- unnamed -	07/30/1998	\$210.0
Avondale	T-AKR 302	- unnamed -	01/31/1999	\$210.0
Avondale	T-AKR 303	- unnamed -	07/30/1999	\$206.4
National Steel	T-AKR 310	- unnamed -	09/30/1998	\$269.1
National Steel	T-AKR 311	- unnamed -	04/30/1999	\$218.0
National Steel	T-AKR 312	- unnamed -	09/30/1999	\$218.0
National Steel	<u>T-AKR 313</u>	- unnamed -	10/16/1999	<u>\$207.0</u>
	10 Ships			<u>\$1,910.9</u>
<b>CONVERSION</b>				
National Steel	T-AKR 297	YANO	11/30/1996	\$211.6
Newport News	T-AKR 298	GILLILAND	03/30/1997	\$212.8
National Steel	T-AKR 298	SODERMAN	09/30/1997	\$211.6
Norshipco	<u>T-AE 32</u>	FLINT	11/07/1996	<u>\$19.0</u>
	4 Ships			<u>\$655.0</u>

vessel's forebody and replacement with a new double hull forebody. Halter Marine Inc., Moss Point Division is constructing one oceangoing passenger/vehicle ferry for the Alaskan Marine Highway System.

Three non-oceangoing 140 meter passenger/vehicle ferries are being built at Todd Pacific Shipyards Corp. in Seattle, WA.

The vessels being constructed at Newport News represent the first order for U.S. built oceangoing commercial ships for export since 1957. These tankers are 183 meters in length and 46,500 deadweight tons.

The vessels being reconstructed at Avondale will be approximately 192 meters in length and over

38,300 deadweight tons. These ships will be the first U.S.- flag ships that meet the requirement of the Oil Pollution Act of 1990, which mandates double hulls.

The Alaskan ferry will be 116 meters in length with a 26 meter beam capable of carrying over 120 vehicles and 750 day passengers. Chart 3 shows the locations of the shipyards constructing commercial vessels greater than 1,000 gross tons at the end of FY 1996. Chart 4 shows the commercial shipbuilding orderbook at the end of each calendar year since 1975.

### Global Shipbuilding and Marketing

The Agency also participates in select international trade shows to

promote the U.S. shipyard industry.

In FY 1996, MARAD co-sponsored with industry the American International Shipbuilding Exposition, the first major international shipbuilding exhibition scheduled in the United States. It was held in New Orleans in April 1996.

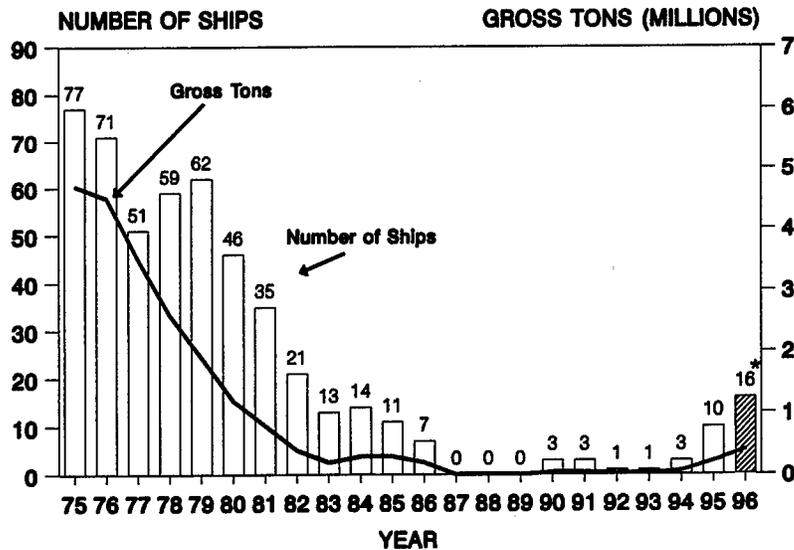
In addition, MARAD arranged for the United States to be named Partner Country for the world's largest shipyard related exhibition, the "Shipbuilding Machinery and Marine Technology" conference held in Hamburg, Germany from September 30 through October 5, 1996. Over 35,000 attendees from 51 nations visited the 70 U.S. exhibitors and 30 catalog displays.

others, MARAD conducted ship construction workshops and seminars on the subjects of marketing, environment, labor, and finance.

## COMMERCIAL SHIPBUILDING ORDERBOOK HISTORY (AS OF DECEMBER 31) OCEANGOING SHIPS OF 1,000 GROSS TONS AND OVER

### Shipyard Improvements

The U.S. shipbuilding and ship repair industry invested more than \$162 million in FY 1996 to upgrade and expand facilities. Much of this investment went to improve efficiency and competitiveness, including new building basins, floating drydocks, cranes, automated equipment, and highly mechanized production systems. The emphasis has been on introducing modular techniques, fabrication of larger subassemblies, and pre-outfitting of ship components. Information received by MARAD indicates that U.S. shipyards plan to spend approximately \$125 million for improvements in FY 1996. The industry's capital investments since 1970 have totaled almost \$5.6 billion.



\* Data as of October 1, 1996

Chart 4

**Table 4: Title XI Approved Guarantees in Fiscal Year 1996**

Company	No. Vessels	Type	Guarantee Amount
North American Shipbuilding, Inc.	N/A	Shipyard Modernization	\$6,386,000
SEAREX, Inc.	4	Self-propelled, self-elevating vessels	\$43,961,000
Great Independence Ship Co.	1	Twin steam turbines, deep sea passenger vessel	\$33,332,000
Parker Towing Company, Inc.	20 1 1	Hopper barges Rake deck barge Rake deck crane barge	\$5,570,000
Tugz International L.L.C.	2	Tracktor tugs	\$6,498,537
Dannebrog Rederi AS	2	Double-hull 16,000 DWT Tankers	\$46,615,000
Canal Barge Company, Inc.	20 1	Steel Liquid tank barges 260' deck barge	\$17,781,000
Smith/Enron Cogeneration Limited Partnership	2	ABS classed, power barges	\$50,000,000
Bay Transportation Corporation	2	67000 HP Stern Drive Tractor Tugs	\$10,908,958
Hvide Van Ommeren Tankers I-V L.L.C.	5	Double Eagle Product Tankers	\$215,862,500
Port Imperial Ferry Corp.	5	96-foot Aluminum Monohull Vessels	\$5,117,000
T.T. Barge Services, Inc. Mile 125	N/A	Shipyard Modernization	\$3,057,000
Alpha Marine Services, Inc.	1	Deep submergence rescue vehicle support ship	\$13,000,000
Global Industries, Ltd.	1 2 1	Launch Barge Lift Boats Deck Barge	\$19,966,375
R.S.I. Barge Company, L.C.	90	U.S.-flag Covered Hopper Barges	\$24,844,000
Wak Orient Power & Light Ltd.	6	Electrical power generating vessels	\$402,582,000
Penn ATB, Inc.	2 2	Integrated Ocean Tugs Double-hull Asphalt Barges	\$42,876,000
Rowan Companies, Inc.	1	Self-elevating mobile offshore drilling unit (Jack-up rig)	<u>\$153,091,000</u>
<b>TOTAL</b>			<b>\$1,101,448,370</b>

In FY 1996, 18 applications were approved. Two involved shipyard modernization and 16 involved new vessel construction. At year's end, there were 27 applications pending.

**Table 5: FEDERAL SHIP FINANCING GUARANTEE (TITLE XI) PROGRAM SUMMARY**  
**Principal Liability -- SEPTEMBER 30, 1996**

		Contracts in Force ----- -----
	Vessels Covered	Outstanding Amount (Millions)
Coastal	106	\$ 121,499,395.00
Bulk	67	1,122,246,467.82
Drill Rig	2	154,377,000.00
Drill Supply	1	43,961,000.00
Inland	1,422	190,475,428.00
Liner	294 <sup>1</sup>	29,884,000.00
Other	41 <sup>2</sup>	763,019,922.68
<b>Totals</b>	<b>1,933</b>	<b>\$2,525,463,213.50</b>

<sup>1</sup>Includes 289 LASH barges.

<sup>2</sup>Includes cruise vessels, dredging vessels, crane barges, pipe-laying barges, power plants, and improved projects.

Table 6: WORLDWIDE SHIP DELIVERIES - CALENDAR YEAR 1995

(Note: Tonnage in Thousands)

Country of Construction	Total All Types		Combination Pass. & Cargo		Freighters		Bulk Carriers		Tankers	
	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons
<b>Total</b>	<b>804</b>	<b>32,322</b>	<b>13</b>	<b>69</b>	<b>345</b>	<b>5,635</b>	<b>250</b>	<b>15,061</b>	<b>196</b>	<b>11,557</b>
United States	-	-	-	-	-	-	-	-	-	-
Argentina	1	10	-	-	-	-	-	-	1	10
Australia	1	3	-	-	-	-	1	3	-	-
Belgium	1	9	-	-	-	-	-	-	1	9
Brazil	6	271	-	-	2	53	3	183	1	36
Bulgaria	7	138	-	-	2	19	3	104	2	15
China	34	1,211	-	-	11	97	18	979	5	135
Croatia	6	297	-	-	1	6	1	38	4	253
Denmark	22	1,833	-	-	9	80	8	548	5	1,205
Egypt	2	9	-	-	1	2	1	7	-	-
Finland	5	38	4	25	-	-	1	13	-	-
France	3	152	1	5	-	-	-	-	2	147
Germany	71	1,135	3	13	61	977	2	76	5	69
India	5	54	-	-	4	11	1	43	-	-
Indonesia	6	20	-	-	-	-	-	-	6	20
Italy	13	453	3	15	-	-	3	224	7	214
Japan	327	14,351	-	-	100	2,005	152	8,222	75	4,124
Korea (South)	130	9,604	-	-	44	1,219	45	3,700	41	4,685
Lithuania	1	5	-	-	1	5	-	-	-	-
Malaysia	3	18	-	-	-	-	-	-	3	18
Malta	1	8	-	-	-	-	-	-	1	8
Netherlands	33	159	1	5	30	145	-	-	2	9
Norway	5	118	-	-	2	26	-	-	3	92
Poland	26	530	-	-	24	496	2	34	-	-
Portugal	3	18	-	-	2	10	1	10	-	-
Romania	11	365	-	-	6	37	2	201	3	128
Russia	12	60	-	-	8	39	1	7	3	15
Singapore	20	135	-	-	1	2	-	-	19	133
Slovakia	11	36	-	-	11	36	-	-	-	-
Spain	4	60	-	-	3	33	-	-	1	28
Sweden	1	6	1	6	-	-	-	-	-	-
Taiwan	12	717	-	-	9	265	3	453	-	-
Turkey	7	39	-	-	6	36	-	-	1	2
Ukraine	9	248	-	-	4	25	1	52	4	172
United Kingdom	5	212	-	-	3	11	1	164	1	37

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**Table 7: CAPITAL CONSTRUCTION FUND HOLDERS -- September 30, 1996**

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AFFCO, Incorporated	Edward E. Gillen Co.	Milwaukee Bulk Terminals, Inc.
Afram Lines (USA) Co., Ltd.	Eserman Offshore Service, Inc	Mogul Ocean Towing, Ltd.
Alaska Riverways, Inc.	Exxon Corporation	Montco Offshore, Inc.
Alpha Marine Services, Inc.	Falcon Alpha Shipping, Inc.	National Steel and Shipbuilding Co.
A.M.C. Boats, Inc.	Falcon Capital, Inc.	Newman Boat Line, Inc.
Amalgated Henway, Inc.	Farrell Lines, Inc.	Nicor, Inc.
Amak Towing Co., Inc.	First Island Company	Northland Services, Inc.
American Classic Voyagas, Co.	Foss Maritime Co.	Ocean Shipholdings, Inc.
American President Lines, Ltd.	Fred Devine Diving & Salvage, Inc.	Oceanic Research Services, Inc.
American Shipping, Inc.	G&B Marine Transportation, Inc.	O.L. Schmidt Barge Lines, Inc.
Anderson Tug & Barge Co.	GATX Corp.	Oglebay Norton Co.
Andover Company, L.P.	General Electric Credit and Leasing Corp.	OMI Corp.
Aquarius Marine Co.	General Electric Credit Corp. of Delaware	Otter Creek Co.
Atlantic Richfield Co.	General Electric Credit Corp. of Georgia	Overseas Shipholding Group, Inc.
Atlas Marine Company	General Electric Credit Corp. of Georgia	Pacific Hawaiian Line, Inc.
Bankers Trust New York Corp.	Gilco Supply Boats, Inc.	Rainbow Tours
Bethlehem Steel Corp.	Great Lakes Towing Co.	Ritchie Transportation Co.
Bigane Vessel Fueling	Hannah Brothers	Sacramento Tugboat Co.
Binkley Co., The	Hannah Marine Corp.	Sause Bros. Inc.
Bludworth, Richard W.	Hawaiian Electric Indus.	Sause Bros. Ocean Towing Co., Inc.
Blue Lines, Inc.	Hone Heke Corporation	Seabulk Tankers, Ltd.
Brice, Inc.	Hvide Shipping, Inc.	Sea-Land Corp.
C & C Boat Rentals, Inc.	Iberia Crewboats & Marine Service, Inc.	Sea-Mar Operators, Inc.
C & E Boat Rentals Inc.	Inland Steel Co.	Sheplers, Inc.
Campbell Towing Co.	Inter-Cities Navigation Corp.	Siegfried Co.
Cement Transit Co.	International Shipholding Corp.	Silver Bay Loggings Inc.
Citimarlease (Burmah I), Inc.	Interstate Towing Co.	Stan Stephens Charters, Inc.
Citimarlease (Burmah LNG Carrier), Inc.	Jade Marine Inc.	St. Bartholomey Corp., The
Citimarlease (Burmah Liquegas), Inc.	John E. Graham & Sons	St. Bernard Boat Rental Inc.
Citimarlease (Fulton), Inc.	Kenai Fjord Tours, Inc.	State Boat Corp.
Citimarlease (Whitney), Inc.	Kinsman Lines, Inc.	Steel Style Marine
Clipper Navigation, Inc.	L&L Marine Services, Inc.	TMT Corporation
Cook Inlet Tug & Barge Co., Inc.	L & M Botruc Rental, Inc.	Tobias, Inc.
Cowan Towing & Salvage Co.	Leppaluoto Offshore Marine, Inc.	Titus, Inc.
Crewboats Inc.	Lykes Bros. Steamship Co.	Totem Resources Corp.
Cross Marine, Inc.	Madeline Island Ferry Line, Inc.	Union Oil Co. of California
Crowley Maritime Corp.	Marine Investment Company of Delaware (Sun Co.)	Washington Island Ferry Line, Inc.
Danos Curole Marine Contractors, Inc.	Matson Navigation Company, Inc.	Waveland Marine Service, Inc.
Danos Marine, Inc.	Middle Rock, Inc.	West Travel, Inc.
Durocher Dock & Dredge	Miller Boat Line, Inc.	Western Pioneer, Inc.
Edison Chouest Offshore, Inc.		Windjammer Cruises, Inc.
		Y & S Marine, Inc.
		Zita Corp.

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**Table 8: CONSTRUCTION RESERVE FUND HOLDERS -- SEPTEMBER 30, 1996**

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American Heavy Lift Shipping Company	Central Gulf Steamship Corporation	Red & White Fleet, Inc.
C.P. Leasing Corp.	M.P. Leasing Corp.	Serodino, Inc.
Cenac Towing Co., Inc.	P.J. Brix L.L.C.	Special Expeditions
	Pacific Hawaiian Line, Inc.	

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## Chapter 3

### Legal Services, Agency Decisions, and Legislation

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#### Legal Services

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The Maritime Administration's (MARAD) Chief Counsel is responsible for legal aspects of all MARAD activities. In this reporting period, MARAD successfully defended two related challenges to the Title XI Ship Financing Program. In the first, a competitor objected to the issuance of a letter of commitment for \$216 million of construction loan guarantees issued by MARAD for the construction of five double-hulled tankers by Hvide Van Ommeren Tankers I-V, LLC.

The first challenge requesting a temporary restraining order was dismissed by the U. S. District Court for the District of Columbia. *Kirby Corp. v. Peña et al.*, No. CA96-0019 (D.D.C. January 16, 1996). The second challenge, based on the Administrative Procedure Act, was filed in the U. S. District Court for the Eastern District of Texas. *Kirby Corp. v. Peña et al.*, No. 96-0640 (S.D. Tex., May 29, 1996).

MARAD prevailed in the Eastern District of Texas. The plaintiff's appeal from dismissal of the suit by the Eastern District of Texas to the Fifth Circuit was outstanding at year's end. *Kirby Corp. v. Peña*, Nos. 96-60154 and 96-20582 (5th Cir.).

Disenrollment of a midshipman at the U.S. Merchant Marine Academy, due to development of insulin dependent diabetes, led to

United States Supreme Court review of a novel question under the Rehabilitation Act. The Court ruled in favor of the Government, holding that the United States had not waived sovereign immunity for compensatory damages under that Act. *Lane v. Peña*, 116 S. Ct. 2092 (1996). The midshipman was reenrolled into the Academy pursuant to an order of the lower court.

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*The Court ruled in favor of the Government, holding that the United States had not waived sovereign immunity for compensatory damages under that Act.*

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MARAD also was involved in a precedent-setting case in the U.S. Court of Appeals for the Fourth Circuit under the Suits in Admiralty Act. *Servis v. Hiller Sys.*, 54 F.3d 203 (4th Cir. 1995). The case stemmed from the deaths of two individuals aboard a MARAD owned ship due to the accidental release of carbon dioxide into an occupied engine room during dock trials. The Court of Appeals ruled that the exclusivity provisions of the Suits in Admiralty Act did not apply to independent contractors, such as the shipyard and the carbon dioxide contractor in the case. Therefore, strict construction of the Suits in Admiralty Act

requires that the term "agent" exclude Governmental liability for the negligence of independent contractors.

An important issue concerning the Capital Construction Fund (CCF) program also was resolved by the Department of Justice's Office of Legal Counsel.

The Departments of Transportation and of Commerce's authority to independently issue regulations and enter into binding contracts with regard to their respective CCF programs was confirmed in FY 1996.

Over the past 3 years, the Internal Revenue Service and the Department of the Treasury challenged that authority to make program determinations having tax consequences for individual taxpayers that are binding on the Government.

The CCF program offers fundholders entering into an agreement with MARAD or the National Oceanic and Atmospheric Administration (NOAA) the opportunity to defer taxes on deposits into a special purpose fund and to accumulate capital necessary for new vessels. MARAD administers the program for other commercial vessels and NOAA is responsible for fishing vessels.

Also during the year, MARAD reached final agreement with the Federal Acquisition Regulatory Council on proposed waivers of the cargo preference laws for the purchase of commercial items and commercial components under subcontracts.

As proposed, the waivers would have resulted in a loss of preference cargoes for U.S. ocean carriers. Meetings of the Council, the maritime industry, shippers, and MARAD resulted in a guidance memorandum from the Administrator of the Office of Federal Procurement Policy to clarify the policy and intent of the rule, to set out certain limits on its applicability, and to announce plans for a joint review by the Council and MARAD of the impact of the implementation of the rule over the next year.

The Council also agreed not to waive the cargo preference laws under a separate initiative that proposes to waive certain laws for the procurement of commercially available off-the-shelf items.

Negotiations with the Environmental Protection Agency (EPA) regarding the sale from the National Defense Reserve Fleet (NDRF) of obsolete vessels that may contain polychlorinated biphenyls (PCBs) resulted in the issuance of a letter of enforcement discretion from the EPA during the year. By statute, MARAD is directed to sell all obsolete vessels in the NDRF not later than September 30, 1999, and to maximize the proceeds to the Government (P.L. 103-451). The letter applies to the sale of two vessels from the NDRF that were offered in February 1995 and of eight vessels offered for sale in September 1996.

The enforcement letter requires removal in the United States of all PCBs (with the exception of applied oil-based paint) and notification of the country of import.

It is intended to be a short term solution to allow continued scrapping of obsolete vessels until a more permanent solution can be developed, such as the negotiation of a programmatic Federal facilities enforcement agreement or the promulgation of EPA's final regulations on the export of PCBs. Bids for the vessels offered in September 1996 will provide some indication of MARAD's ability to scrap vessels in the future.

At the end of the reporting period, approximately 95 merchant mariner injury cases were active. The Agency also continues as a defendant in an asbestos exposure class action. Over 300 seaman injury claims dating to World War II have been filed to date alleging asbestos exposure injuries while working aboard Government-chartered vessels.

In addition, the 1996 U. S. Coast Guard Authorization Act significantly impacts virtually every MARAD program. International safety standards for the construction and inspection of U.S. vessels would be adopted, and U.S. documentation requirements significantly altered. The conflict between Federal and State laws regulating gambling aboard cruise vessels will be resolved, allowing states to control gambling in state waters, in cruises-to-nowhere, and on other intra-state voyages.

## Maritime Subsidy Board

The Maritime Subsidy Board (MSB), by delegation of the Secretary of Transportation, awards, amends, and terminates contracts subsidizing the construction and operation of U.S.-flag vessels in the U.S. foreign commerce. The MSB holds public hearings, conducts fact-finding investigations, and compiles and analyzes trade statistics and cost data to perform its functions. MSB decisions, opinions, orders, rulings, and reports are final unless the Secretary undertakes a review of a decision.

The MSB is composed of the Maritime Administrator, who acts as Chairman of the Board, the Deputy Maritime Administrator, and the Agency's Chief Counsel. The Secretary of MARAD and of the MSB acts as an alternate member in the absence of any one of the three permanent Board members.

The MSB conducted regular meetings and published a number of notices in the *Federal Register* in FY 1996.

In FY 1996, the Maritime Administrator and the MSB took a number of administrative actions to help strengthen the U.S. Merchant Marine. Significantly, the MSB approved the sale of six container vessels by American President Lines, Ltd. (APL) to Matson Navigation Company, Inc. (Matson).

The sale was part of a broader agreement between the two U.S.-flag operators by which Matson would operate four of the six vessels on transpacific voyages on

which APL will charter slots for the carriage of U.S. foreign commerce cargo. The transpacific service will call at San Pedro, Hawaii, Guam, Korea and Japan. Matson will operate the other two vessels purchased from APL in its Pacific

Other notable bills signed into law were the Coast Guard Authorization Act of 1996, the Water Resources Development Act of 1996, the Alaska Power Administration Asset Sale and Termination Act, the National

### **Coast Guard Authorization Act of 1996 (CGAA)**

The CGAA, Public Law 104-324, contains several provisions affecting the commercial maritime industry that will improve safety

... Quite simply, without this legislation (the Maritime Security Act) the United States might have lost its merchant marine. Some of our nation's most honored former military leaders let us know last year, in no uncertain terms, just how costly that would be. Our Armed Forces are counting on the U.S.-flag merchant marine to bring them the supplies they need to sustain their operations on hostile shores. If history has taught us one lesson ... we should hold a deep appreciation for the importance of the U.S.-flag merchant marine to our nation's security.

Senator Trent Lott (R-MS),  
Majority Leader  
January 1, 1997

Coast service. Approval of the sale helped to ensure the continued registration of the six containerships under the U.S.-flag and the continued operation of at least four of those six vessels in foreign commerce.

The MSB also awarded a 5-year contract to Brookville Shipping, Inc. For payment of operation-differential subsidy (ODS). By approving this application, the payment of ODS to Brookville will permit five modern dry bulk carriers to operate in the U.S. foreign commercial dry bulk trades and assist in improving the low level of U.S.-flag participation in those trades. The vessels have an average cargo capacity of about 64,000 metric tons, and have historically offered the lowest U.S.-flag rates for carriage of such cargoes both commercially and in the preference trades.

### **Legislation**

The 104th Congress (1995-96) enacted a variety of maritime laws, the most significant of which was the Maritime Security Act of 1996.

Evasive Species Act of 1996, and the Termination Act of 1995.

### **Maritime Security Act**

Significant maritime legislation considered by the 104th Congress, which likely will be reintroduced in the 105th Congress, included changes to the Federal Maritime Commission, the Shipping Act of 1984, the Merchant Marine Act of 1920 (Jones Act and Passenger Vessel Act), and the cargo preference laws.

Legislation to revitalize the U.S. maritime industry was enacted by Congress during FY 1996. On December 6, 1995, the House passed the Maritime Security Act of 1996 (the Act) by voice vote. The Senate passed the Act on September 24, 1996, by a vote of 88 to 10.

and also promote competitiveness. Section 1137 of the CGAA allows vessels to be eligible for a certificate of inspection if they meet international standards prior to U.S. documentation and are classed by and designed in accordance with American Bureau of Shipping rules, or other qualified classification societies.

Legislation to revitalize the U.S. maritime industry was enacted by Congress during FY 1996. On December 6, 1995, the House passed the Maritime Security Act of 1996 (the Act) by voice vote. The Senate passed the Act on September 24, 1996, by a vote of 88 to 10.

Section 1113(d) of the CGAA allows a foreign owned lease financing company to finance U.S. coastwise-qualified vessels, if the foreign owner is primarily engaged in leasing and enters into a demise charter of at least three years with a qualified U.S. citizen who will control and operate the vessel.

Section 1113(b) of the CGAA eliminated U.S.-flag citizenship requirements for mortgagees and trustees. Section 1136(a) allows foreign citizens to be trust beneficiaries if the trust meets certain requirements.

Section 1129 of the CGAA permits cruise lines to insert contractual limitations to liability for negligent infliction of emotional distress and similar injuries.

Sections 901 and 902 of the CGAA requires oil spill regulations on barges, and fire safety regulations on towing vessels and requires the Coast Guard to complete certain safety measures by October 1, 1997.

Law 104-58. Maritime labor changed its traditional opposition to the export of ANS oil, provided U.S. crews were still required on vessels carrying the oil. Although there was foreign opposition to the U.S. crew requirement, the law was interpreted by the U.S. as compatible with free trade.

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### **The National Invasive Species Act of 1966 (NISA)**

NISA, Public Law 104-332, requires the Coast Guard to promulgate guidelines for ballast exchange by October 1997. If these initial steps are not adequate, high sea ballast exchange for all vessels entering

### **Jones Act**

Legislation to repeal the Jones Act was introduced in both the House and Senate in the 104th Congress. The "Coastal Shipping

Competition Act of 1996" would have amended the domestic commerce provisions of the Merchant Marine, of 1936, as amended, the Jones Act of 1920, as well as a number of other maritime statutes, including the Merchant Marine Act, 1936; the Shipping Act, 1916; the personal injury Jones Act; documentation requirements for coastwise, towing and dredging vessels; inspection standards for coastwise trade vessels; and approval

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*"My Administration also continues to support the Jones Act as essential to the maintenance of our nation's commercial and defense maritime interests...."*

President Bill Clinton  
February 3, 1997

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### **The Water Resources Development Act (WRDA)**

The WRDA, Public Law 104-303, authorizes the U.S. government to contribute to the disposal costs of dredging from the Harbor Maintenance Trust Fund. It also authorizes a number of specific port and inland waterway projects.

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### **The Alaska Power Administration Asset Sale and Termination Act**

The ban on the export of Alaskan North Slope crude oil was authorized to be lifted in Public

the U.S. may be mandatory within a few years.

Public Law 104-88 abolished the Interstate Commerce Commission as a separate body and transferred it to the Department of Transportation as the Surface Transportation Board. It remains an independent agency. The Intercoastal Shipping Act of 1933, was repealed, and modest amendments were made to several shipping statutes. This law also requires DOT to report to Congress on specific regulations affecting the non-contiguous trades.

requirements for the foreign transfer of vessels. No hearings on or markups of the bills occurred.

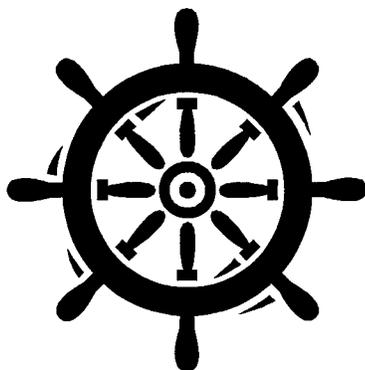
This legislation would have expanded the definition of U.S. citizen to include four new categories, and created a "coastwise trade" definition including the transportation of merchandise or passengers, towing and dredging between points in the United States, on the Great Lakes, on waters subject to the Outer Continental Shelf Lands Act and in the noncontiguous trade. It would have, however, excluded activities on the "inland waterways", except for those occurring on "mixed waters."

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Lastly, the legislation would have amended the tort statute governing the work place injury and death of seafarers to designate that in cases where the employer does not reside or

maintain a U.S. office, the district court with jurisdiction over the injury or death would be the one closest to the place of injury. Employers could also opt out of this coverage and choose to participate in the Longshore and Harbor Workers' Compensation Act.

Additional discussion of Jones Act-related activities during the reporting period is found in Chapter 5.



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# Chapter 4

## Port, Intermodal, and Environmental Activities

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**T**he Maritime Administration (MARAD) provides technical assistance in port, intermodal, and environmental planning and operations to State and local port authorities, terminal operators, private industry, agencies of the United States, and foreign governments. In times of national emergency or contingency, MARAD plans for the use of ports and port facilities and plans for the priority use and procurement of containers and other intermodal equipment to minimize disruption of inventory distribution. (See Chapter 1.) MARAD also coordinates and provides for environmental controls and abatements of ship-generated pollution caused by vessels under its jurisdiction.

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### Ports

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#### Ports

MARAD promotes development of technologically advanced, efficient, and competitive public and private ports serving the domestic and deep ocean maritime commerce of the United States both in peace and times of national emergency. The principal fiscal year (FY) 1996 activities are summarized below.

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#### Congressional Report on Public Ports

Public Law 96-371 requires the Secretary of Transportation to report biennially to the Congress on the status of U.S. public ports. The report for calendar years 1994 and 1995 covers the industry's economic activities and the critical issues it faces. It discusses the industry's economic importance, the volume and composition of waterborne commerce, marine terminal facilities, capital expenditures, and financial status. It also examines the major issues confronting the public port industry and its role in national security.

#### Port Facility Conveyance Program

Public Law 103-160 authorizes DOT to convey Base Realignment and Closure (BRAC) and other surplus Federal real property to public entities for the development or operation of a port facility. This authority was subsequently delegated to MARAD. The program provides a mechanism for local entities to acquire property, at no cost, that will be maintained as a port facility. This program helps to create jobs and revitalize communities negatively impacted by a base closure or other Federal action. MARAD processes applications, consults with other Federal agencies, conveys assigned property, and enforces compliance with the terms and conditions of the conveyance.

In FY 1996, two port facility conveyance applications were approved and assignment recommendations forwarded to disposal agencies. The first property was conveyed in September 1996 to the Port of Benton in Richland, WA. Five

applications were under review at the close of FY 1996.

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#### Technical Assistance to U.S. and Foreign Ports

MARAD continued to provide technical assistance to U.S. ports. Partnerships with State and/or local port authorities and private sector organizations resulted in projects to enhance the role of U.S. ports in economic development and national defense. These projects included analytical reports, methodologies, and data systems to improve planning, productivity, and the general efficiency of port management and marine terminal operations.

As foreign ports privatize facilities, train personnel, and improve security to modernize their capabilities, MARAD provides assistance. In FY 1996, the Agency:

- Headed the U.S. delegation to the Organization of American States (OAS) Ninth Inter-American Conference on Ports and Harbors, held in Asuncion, Paraguay in September 1996. MARAD played a leading role in developing two new agreements approved by the Conference delegates. The first provides a mechanism for mutual

technical assistance among the ports in the Americas. The second identifies a common set of principles for establishing an Inter-American port development policy.

- Served as a member of the U.S. delegation to the intergovernmental meeting of the Permanente International Association of Navigation Congresses (PIANC) held in Durban, South Africa in May 1996. With the U.S. Section of PIANC, chaired by the U.S. Army Corps of Engineers, MARAD initiated proposals to establish international technical working groups, to focus on advances in maritime intermodal freight and economic evaluation of environmental investments.

- Chaired the OAS Committee on Port Training which developed and conducted eight courses for 261 Latin American and Caribbean port officials.

These events ranged in duration from 1 to 3-weeks and took place throughout the hemisphere, including on-the-job training at several U.S. ports under a joint program "Puertos Amigos," with the American Association of Port Authorities (AAPA). Training topics included port management; security; privatization; intermodal transportation; strategic planning; labor reform; control of drugs, chemicals, and dangerous goods; marketing; finance and inland waterway transportation.

- Prepared a National Planning Guide for Developing Maritime/Port Security Standards at ports in OAS member countries and assisted the Port of Miami (FL) in publishing a comprehensive training manual based on the instructional material presented at the

3-week OAS Inter-American Course on Port Security,

held at the Port of Miami during the last quarter of 1995.

- Met with Mexico's east coast ports in Merida, Mexico, to discuss MARAD's Maritime System of the Americas program and the promotion of waterborne transportation to handle the increasing trade between the United States and Mexico. MARAD also facilitated and



Courtesy: Port of Seattle

participated in the first joint meeting of U.S. and Mexican gulf ports in Veracruz, Mexico. As a result, the Mexican gulf ports were incorporated as official members of the U.S. Gulf Ports Association.

- Analyzed the investment opportunities and impediments for U.S. firms to construct and operate port facilities, dredge navigation channels, and sell cargo handling equipment in the Peoples Republic of China as part of a Federal interagency task force.

- Assisted Japan's Ministry of Transportation in a study of the U.S. and Japanese port systems. This included a comparison of port laws and regulations; wages and hours of port workers; construction, operation and maintenance of port facilities; port charges; and intermodal transport services.

- Assisted the Departments of State and Transportation, as co-

chairs of the U.S. delegation to the Asia-Pacific Economic Cooperation (APEC) Transportation Working Group, in preparing an initiative to improve port efficiency in the Asian-Pacific region for handling intermodal container freight. Also participated in an APEC sponsored study of the nature and location of transportation congestion at sea ports in the region in order to provide each country with information on options for developing a more efficient regional transportation system.

- Hosted and briefed port delegations from Russia, Tunisia, Japan, Australia, Canada, Mexico, China, Viet Nam, and Poland on the nature and composition of the U.S. port industry.

### Port Readiness

MARAD continued its efforts to ensure that port facilities will be available to the military when troops and supplies are deployed. The Agency issues planning orders to inform selected strategic ports of the specific facilities which the military plans to use in a deployment. This year MARAD:

- Became chair of the National Port Readiness Steering Group and the National Port Readiness Working Group.

- Provided monthly reports to the military concerning availability of facilities at ports with planning orders.

- Visited all strategic ports with the military to identify which facilities should be listed in planning orders. A newly devised readiness assessment form was used for these visits.

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- Issued new planning orders to replace those which expired to add new facilities needed.

- Drafted a revised National Port Readiness Network Brochure which provides basic information on all the member agencies.

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### **Maritime Intelligence and Security**

U.S. cargoes on ocean vessels or in any port worldwide can be jeopardized by maritime security threats including piracy, terrorism, smuggling of stowaways and drugs, cargo theft and fraud, bribery, and extortion. MARAD's Maritime Intelligence and Security Program, through its Security Working Group, seeks to improve the security of U.S.-flag merchant ships, U.S. ports, and U.S. cargo moving in vessels of all flags or while in foreign ports. Key activities in FY 1996 included:

- Coordination of Federal/maritime industry interaction on courses of action, facilitation of effective solutions, the exchange of information on maritime security issues, and dissemination of intelligence to the commercial maritime industry.

- Electronic dissemination of warning and threat information to ships at sea worldwide and U.S. port authorities, pertaining to piracy, terrorism, or other activities detrimental to commercial shipping.

- Distribution to the commercial maritime industry of the quarterly Agency publication, *Maritime Security Report*, spotlighting international criminal activity and security issues which could pose a threat to U.S. commercial maritime interests and

the movement of U.S. civilian cargoes in foreign trade.

- Coproduced with other Federal agencies and the commercial maritime industry, *International Perspectives On Maritime Security*, a publication on maritime intelligence and security.

- Provided information on the problems of piracy and cargo theft in Brazilian ports, for inclusion into the language of the U.S.-Brazil Maritime Agreement, signed in May 1996.

- Assisted in conducting shipboard security training conducted at the U.S. Merchant Marine Academy.

Provided technical assistance and interagency coordination in the development and conduct of maritime security training for foreign port officials.

Provided augmentation to the DOT Crisis Management Center during a port-related bomb-threat emergency.

- Provided coordinated responses to the Secretary of Transportation's Office of Intelligence and Security for requested inputs to various reports, including the annual reports on transportation security to the Secretary and to the Congress.

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### **Public Port Financing**

MARAD completed, *Another Look At Public Port Profitability and Self-Sufficiency*, an addendum to the Agency's 1994 report on U.S. public port financing. It investigates, for the 10-year period 1985 to 1994, whether geographical location, port size, type of organization and operation,

and strategic planning affect the profitability of U.S. public ports. The research was a cooperative effort between MARAD and the AAPA and will be published in 1997.

In FY 1996, MARAD also:

- Updated an extensive database of U.S. port financial data from 1978-1995, which allows for more in-depth analyses.

- Continued examining the public port industry's capital expenditure program. The publication, *United States Port Development Expenditure Report*, was completed and analyzes the industry's capital expenditures for 1994 and the proposed expenditures for 1995 through 1999. It also examines the financing methods used to fund these expenditures.

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### **Risk Management**

MARAD and the AAPA agreed to establish an industry-MARAD working group to update the *Agency's Port Risk Management Guidebook*. This Guidebook provides port executives with the basic skills and information needed to establish and maintain appropriate, cost-effective insurance programs. It is aimed at assisting small and medium U.S. ports which lack full-time risk managers. The revised *Guidebook* will also familiarize experienced risk managers with the special requirements of public port authorities.

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### **Maritime System of the Americas (MSA)**

The MSA explores transportation opportunities on the inland waterways that connect the central

and eastern United States, Canada, Mexico, and Latin America. The research focuses on economic, operational, and technological trends for water transportation and analyzes river, short sea, and intermodal operations. Phase IV of the program, completed in FY 1996, investigated the potential for waterborne transportation via the upper reaches of the Mississippi River, Illinois River, and Great Lakes. This phase completes MARAD's comprehensive analysis of the potential for waterborne commerce and the use of existing or new vessels capable of navigating all or portions of the mid-America inland waterway system.

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### **Land Use and Access Conflicts**

The Agency published *Resolution of Land Use and Port Access Conflicts at Inland Waterway Ports*. This report analyzed land use and traffic access conflicts created by the redevelopment of inland waterway waterfront areas, ports, and terminals. It provides a useful tool for local transportation and land use planners, waterway users and operators, state and municipal decision makers, and relevant Federal, State, and local government entities.

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### **Automated Tools for Improved Port Planning and Operations**

To assist in improving port planning and operation capabilities, MARAD continued its efforts to develop automated tools for the port industry. These tools estimate advances in productivity and contributions to the local and national economies as well as enhancing military deployments through commercial ports.

### ***Development of GIS for Port Planning***

MARAD continued developing an in-house capability to use geographic information system (GIS) technology for policy,

impacts on normal service patterns.

It can also be useful to minimize costs of direct impacts of disruption. Additionally, the model can quantify the effects of service

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## **Intermodal Development**

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planning, and program management applications. GIS is defined as a "a system of hardware, software, and procedures designed to support the capture, management, manipulation, analysis, modeling, and display of spatially referenced data for solving complex planning and management problems."

A specific cargo flow demonstration model was developed showing import cargo from foreign ports to a selected U.S. port and three metropolitan areas. This preliminary cargo flow model has the potential to be used for port and intermodal planning purposes at the national, regional, and local levels.

### ***Disruption of Maritime Transportation Systems***

An automated tactical/operational model to evaluate the effects on commercial cargo and port facilities from various causes of maritime transportation disruption was developed by MARAD during FY 1996. This computerized model provides maritime transport users and providers with flexibility to adopt an alternative planning framework to avoid and/or minimize adverse disruption

disruptions in future transactions and incorporate risks into market analysis and planning.

MARAD continued to expand coverage of and involvement in marine-related intermodal transportation development. One of its primary missions is to promote development and improved utilization of marine-related intermodal transportation systems and advanced cargo handling technologies.

Primary focus has been on program development for a system-level approach to addressing the marine intermodal transportation needs of the public, private, and defense sectors of the Nation; intermodal freight infrastructure development with emphasis on access to marine ports and terminals, and intermodal freight systems and equipment that enhance U.S. international competitiveness.

MARAD's initiatives largely support commercial implementation of innovative intermodal systems, cargo handling techniques, and cutting-edge technologies that advance productivity gains and cost-effectiveness of intermodal transportation in the United States.

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## **Intermodal Programs**

MARAD is focusing on broader coverage of freight mobility, national security needs, and emergency response requirements in marine-related transportation.

During the reporting period, MARAD proactively worked with the industry to develop ways to address key issues, trends, and problems expeditiously, including initiating a process to determine a system-level assessment of technology requirements to maintain and enhance U.S. global competitiveness.

A significant effort was devoted to working with the public and private sectors to address critical infrastructure requirements. This has led to MARAD's support of increased military use of the nations commercial transportation system and infrastructure.

### ***Intermodal Freight Infrastructure Development***

Today, international and domestic freight moves along integrated "pipeline" systems from origin to destination, linking various modes of transportation and distribution networks operating in major regions, States, and metropolitan areas.

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Reliance on just-in-time production and inventory management practices has increased the demand for more efficient, reliable freight transportation.

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Inefficiencies at any point in the pipeline can disrupt the total system, resulting in reduced productivity and profitability of the

transportation providers and, ultimately, add costs to freight shippers and the general public.

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It is important that marine intermodal transportation infrastructure, as a vital link in the U.S. transportation network, be given adequate policy, planning, and funding consideration within DOT.

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The combination of waterways, lakes, oceans, and ports comprise the U.S. waterborne transportation system which plays a strategic role, not only in terms of facilitating the Nation's intrastate, interstate, and international trade, economic and defense needs, but also in terms of providing an essential link to the land transportation modes in integrating the origin to destination movement of freight and passengers.

As such, MARAD has continued to work with the public and private sectors and DOT to increase the planning and funding of critical infrastructure requirements under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

As called for under provisions of ISTEA, progress was marked by the enactment of the National Highway System (NHS) Designation Act of 1995, which has resulted in the identification of 240 marine terminals connectors to the NHS through the cooperative efforts of several organizations, including the Federal Highway Administration, MARAD, DOT, the port industry, and State and local governments.

This total includes the designation of 104 marine terminal connectors in the Act and the

additional 136 connectors identified in a comprehensive report submitted to Congress by DOT, *Pulling Together: The National Highway System and Its Connections to Major Intermodal Terminals*, in May 1996.

MARAD also completed a focused outreach initiative pertaining to the upcoming reauthorization of ISTEA, during the Summer and Fall of 1996. This effort was designed to supplement Departmental and operating administrations' initiatives that addressed freight and intermodal transportation infrastructure requirements and expanded coverage under the next authorization.

The primary objective of the MARAD effort was to increase communication and dialogue with private sector marine freight interests to enhance their involvement in initiatives that shape transportation policies, planning, and funding at DOT and to specifically explore ways to leverage limited dollars needed to address critical transportation infrastructure requirements facing the Nation.

MARAD concentrated on getting input to the reauthorization process from regional industry representatives, freight advisory groups affiliated with metropolitan planning organizations, and national and regional associations and organizations in the Washington, DC area.

### ***Intermodal Systems and Equipment***

The development of innovative technology continued to be the focus of this program area, such as marine-rail interface technology. The Agency also continued its focus on the Cargo Handling

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Cooperative Program (CHCP) whose primary mission is to increase the productivity of ocean/marine container cargo transportation companies through the implementation of cargo handling research and development.

Efforts are underway to expand the scope and membership of the cooperative to include interests of the broad intermodal freight industry. One of the technologies examined under the present structure was the assessment of bar coding within a marine terminal environment.

## **Intermodal Initiatives**

The following initiatives were completed, ongoing, or initiated in FY 1996.

### **Completed Initiatives**

#### ***Intermodal Systems and Technology***

The CHCP began 14 years ago to assist U.S.-flag shipping companies become more productive in cargo handling capabilities and has expanded into data management and computer related areas. With significant changes occurring in the transportation industry the current members of the CHCP have expanded membership and scope of efforts under a new agreement.

#### ***Intermodal Data and Information***

One project completed in FY 1996, the National Maritime Information System, includes a new automated system that allows MARAD to profile major access infrastructure projects for internal

analyses and studies. The system will be used by region offices to input a series of data fields to describe intermodal infrastructure projects in their respective region. It has a series of pull-down menus to help region personnel quickly enter data to describe a project and will allow information to be manipulated in a number of ways to assist sorting data by region, state, subject, or date of input.

The Agency also completed a draft report of the Emergency Container Adequacy study undertaken by the CHCP to review current and projected world container inventories. The study will be distributed to Department of Defense agencies and commercial intermodal companies to describe how well military container requirements can be covered during contingencies. As part of the study, a meeting to solicit suggestions to ensure adequate intermodal equipment availability during any contingency will be held.

#### ***Interagency Activities and Outreach***

MARAD actively participated in various Departmental and operating administrations' initiatives pertaining to the reauthorization of ISTEA, including a vigorous outreach effort. As a result, the report, "Listening to America," which summarized the outreach initiative was prepared.

The report focused on discussions held through the country specifically as it related to economic development, U.S. competitiveness in international markets, maximizing return on investment and system performance, and partnerships and flexibility in making transportation choices, and outcomes for people and communities.

MARAD also conducted outreach meetings during the summer and fall of 1996, which were designed to complement the outreach efforts by the Department and other DOT operating administrations. These meetings focused exclusively on freight transportation infrastructure requirements that should be considered under provisions of the proposed reauthorization of ISTEA. The primary objective of the outreach effort was to increase public awareness of freight transport requirements, increase private sector freight interests involvement in initiatives at DOT that shape policies, planning, and funding of transportation infrastructure, and explore innovative approaches to public-private partnerships which go beyond traditional understanding of who is responsible for infrastructure development.

#### ***Military/Defense Liaison***

MARAD established procedures to coordinate work with Department of Defense agencies on intermodal transportation issues. As a result of these efforts, the Agency participated in exercise TURBO INTERMODAL SURGE during the fiscal year.

MARAD's goal is to assist both the military and industry in assessing the adequacy of intermodal commercial transportation systems to move military cargo during contingencies.

MARAD enhanced its participation in several joint military-commercial activities in FY 1996, including the Joint Intermodal Container Working Group which seeks to increase the utilization of marine containers in military cargo moves. The Agency also worked with the U.S. Transportation Command through the Center for the Commercial

Development of Transportation Technology, which was established to find existing and emerging technologies to assist the military in deployments.

## **Intermodal Training**

MARAD initiated, developed, and presented a Marine Intermodal Freight Transportation course to provide DOT policy personnel with an overview of marine intermodal transportation issues. The course presented history, current trends, and future vision of the U.S. marine intermodal industry.

### **Ongoing Projects**

#### ***Interagency Activities***

MARAD continued to work with DOT to address the coverage of intermodal freight infrastructure requirements, particularly under the reauthorization of ISTEA. A key concern of the industry is expansion or increased flexibility of the existing statewide and metropolitan planning provisions to provide linkages with plans that address landside and waterside access to ports and terminals. In addition, MARAD's outreach initiative addressed DOT efforts to reauthorize ISTEA and the importance of waterside access to transportation planning.

MARAD continued to provide maritime and seaport perspectives to the North American Free Trade Zone Land Transport Standards System. The goal is compatibility of land transportation standards among the United States, Canada, and Mexico. The Agency also continued to provide the maritime and seaport perspective to the

Border Efficiency Task Force on Border Issues, Program, and Barriers to Further Improvements established by the National Economic Council in response to results of the ISTEA Section 6015 Border Crossing Study.

The Agency continued implementing key provisions of memoranda of understanding between MARAD and other DOT agencies which seek to remove land transportation bottlenecks affecting the flow of cargo and people to and from the Nation's ports.

MARAD continued its participation in the Transportation Research Board Committee for the Study of Policy Options for Intermodal Freight that has been formed to: (a) highlight the importance of intermodal freight transportation efficiency, (b) identify options to overcome major impediments, (c) indicate areas where research could resolve or reduce existing problems, (d) examine implications of trends in intermodal technology and in trade, and (e) identify changes in public policy that could foster more efficient intermodal freight movements.

#### ***Intermodal Data and Information***

Continued to update the *Inventory of American Intermodal Equipment* database by contacting U.S. based leasing companies and U.S.-flag shipping companies. The 1996 database revealed that two shipping companies sold off their intermodal equipment inventories to concentrate on the shipping business, and a large leasing company bought out another leasing company to form the largest container leasing firm in the world.

#### **Initiated Projects**

## ***Intermodal Systems and Technology***

A new initiative to restructure and expand the scope and membership of the CHCP to include the major intermodal transportation interests has been agreed to and approved. MARAD plans to sign a new 5-year cooperative agreement with organizations in the following categories: ocean carriers, railroads, port authorities, terminal operators/ stevedores, and government entities responsible for ocean/marine container transport. The new agreement will reflect the intermodal nature of the U.S. transportation industry today.

## **Environmental Activities**

MARAD monitors the development of the national and international environmental standards affecting the maritime industry.

Significant MARAD environmental activities and accomplishments in FY 1996 follow.

### **Dredging**

MARAD continued to address dredging and dredged material management issues that face many of the Nation's ports and harbors and remained an active participant in the activities of the National Dredging Team (NDT) and in the formation of Regional Dredging Teams (RDTs).

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The NDT seeks to facilitate communication, coordination, and resolution of dredging issues among participating Federal agencies and assure that dredging of U.S. harbors and channels is conducted in a timely and cost-effective manner, while ensuring environmental protection. The RDTs are designed to resolve regional dredging issues. Such issues are elevated to the national level for resolution by the NDT if regional discussions are unsuccessful.

The NDT serves as a forum for promoting implementation of the National Dredging Policy and the 18 recommendations in the December 1994 Report to the Secretary of Transportation, *The Dredging Process in the United States: an Action Plan for Improvement*. Participating Federal agencies include the Environmental Protection Agency (EPA), the Army Corps of Engineers (COE), the National Oceanic and Atmospheric Administration (NOAA), the Fish and Wildlife Service (FWS), and MARAD.

The National Dredging Policy was built on several principles: the regulatory process must be timely, efficient, and predictable, to the maximum extent practicable; advanced dredged material management planning must be conducted on a port or regional scale by a partnership that includes the Federal Government, the port authorities, State and local governments, natural resource agencies, public interest groups, the maritime industry, and private citizens; dredged material managers must become more involved in watershed planning to emphasize the importance of point and non-point source pollution controls to reduce harbor sediment contamination; and dredged

material is a resource, and environmentally-sound beneficial use of dredged material for such projects as wetland creation, beach nourishment, and development projects must be encouraged.

MARAD's commitment to resolving dredging issues was also reflected by other activities related to disposal and management of contaminated dredged material. These included: participation in various activities of the New York and New Jersey Dredged Material Management Forum, which is working to resolve the dredging crisis in the Port of New York and New Jersey caused by the large volume of contaminated harbor sediments, and assisting in the formulation of the Administration's July 1996 Dredging Plan for the Port of New York and New Jersey.

Also during FY 1996, the National Research Council's Marine Board completed its assessment of the capability for cleaning up and remediating or managing contaminated marine sediments. The COE, EPA, Navy, NOAA, and MARAD funded this study, which will serve as a technical tool and provide guidelines on the optimum utilization of decontamination technologies.

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### **Environmental Standards**

As part of its effort to remove barriers to U.S. maritime industry competitiveness, MARAD continued its high level involvement in the development of national and international standards. For example, the Agency serves on the International Organization for Standardization (ISO) Technical Advisory Group, Technical Committee on Ships and Marine Technology (TC8), MARAD is the U.S. delegate to the Marine

Environmental Protection Subcommittee (SC2).

MARAD also participated on the ASTM F-25 Shipbuilding Standards Committee, Environmental Subcommittee; the National Shipbuilding Research Program (NSRP), SP-1 Environmental Panel; and the Interagency Coordinating Committee on Oil Pollution Research. The Agency also actively participated in Departmental and interagency committees involved in environmental issues affecting the maritime industry.

MARAD took part in the activities of the U.S. Shipping Coordinating Committee (SHC). The SHC and its subcommittees and working groups, which are generally chaired by the U.S. Coast Guard, prepare U.S. positions for meetings of the Assembly, Council, committees, and subcommittees, as well as for special international conferences, of the International Maritime Organization. Topics focus on international maritime safety and marine environmental protection issues and standards development.

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### **Industry Support**

MARAD continued to assist the U.S. shipbuilding and ship repair industries with their efforts to comply with environmental laws and regulations and to establish working relationships with Federal and State regulatory agencies to provide economically and environmentally sound environmental regulatory policies and practices.

The Agency was actively involved in research and development organizations to support the R&D efforts designed

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to enhance the competitiveness and viability of the U.S. maritime industry.

The Agency also continued its support of interagency environmental research regarding marine engine air pollution monitoring and control and shipboard ballast technologies and practices for controlling introductions of nonindigenous aquatic organisms.

MARAD prepared and distributed four issues of its quarterly *Report on Port and Shipping Safety and Environmental Protection*. These reports summarized activities at the international and national levels concerning safety and environmental protection matters related to ports and shipping.

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### **Environmental Compliance and Compliance Management**

MARAD completed the second round of environmental compliance assessments and training for the five MARAD facilities: the U.S. Merchant Marine Academy, Great Lakes Fire Training Center, James River Reserve Fleet, Beaumont

Reserve Fleet, and Suisun Bay Reserve Fleet. The Agency is working to correct deficiencies self-detected during these environmental reviews and to implement the Presidential executive orders dealing with pollution prevention, recycling, and environmental justice.

MARAD continued research on shipbreaking, which is a maritime industry confronted with growing environmental problems. The study of environmentally sensitive shipbreaking in the United States involves: hazardous materials sampling, testing, and analysis of ships destined for scrapping; assessing current and advanced technologies for ship breaking/recycling; surveying of ships and materials for ship breaking/recycling; reviewing the legal regime for ship breaking/recycling; and assessing the markets, costs, and benefits of ship breaking/recycling in the United States.

MARAD prepared an environmental assessment for its shipbreaking program and has worked with other Federal agencies, including the U.S. Navy, U.S. Coast Guard and NOAA, in an effort to address the environmental and economic issues associated with scrapping Government vessels.

The Agency also continued to fulfill its legal, financial, and technical responsibilities for evaluating and implementing remediation plans and actions involving two contaminated sites in California that were World War II shipyards under U.S. Government control.

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## Chapter 5

### Domestic Operations

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The domestic shipping segment of the American merchant marine operates on the Great Lakes, the inland waterways, and in the coastwise, intercoastal, and domestic offshore trades. During FY 1996, this segment handled a combined total of over 1 billion short tons of cargo, which is about 24 percent of all domestic surface transportation traffic. Domestic water operation contributes \$7 billion to the gross domestic product, and is the most environmentally friendly form of surface transportation.

In FY 1996, the Maritime Administration (MARAD) supported the domestic shipping industry through technical assistance and research.

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#### Technical Assistance

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MARAD provided technical assistance to the domestic shipping industry, State and local governments, as well as other Federal departments and agencies in FY 1996. In May 1996, MARAD, in cooperation with the tug and towing industry and the American Waterways Operators (AWO), released a video, *Barging into the 21st Century*. It highlights the efficiency and reliability of the U.S. domestic barge and towing industry. The Agency also served on the Inland Waterways Users Board and advised the domestic tanker industry of the forecast for the winter heating oil season, and coordinated efforts to promote the employment of the domestic tanker fleet.

In addition, MARAD provided the Water Transportation Committee of the American Association of State Highway and Transportation Officials with studies on the economic and environmental advantages of domestic waterborne transportation. The Agency also served as a Federal advisor to the Upper Mississippi River Basin

Association and the Illinois River Carrier Association.

Furthermore, MARAD supported the Tri-Rivers Development Association in its efforts to secure maintenance dredging and served as the Department of Transportation advisor to the Long-Term Resource Management Program. The Agency also provided technical assistance to the U.S. Coast Guard (USCG's) Towing Safety Advisory Committee, the Transportation Research Board, the Permanent International Association of Navigational Congresses' Shallow-Draft Waterways and Ports Standing Committee, and assigned an advisor to the Missouri River Basin Association and to the Secretary of the Army on the Revised Master Water Use Plan for the Missouri River.

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#### Technical Research

MARAD participated in a number of domestic shipping research projects with universities, trade organizations, and other

Federal Agencies. These research efforts ranged in scope and addressed a variety of environmental, economic impact, and trade issues.

In cooperation with the University of Memphis, MARAD produced two reports: *Navigable Shallow Draft Interior Waterways of the United States: An Industry Assessment*, and *An Assessment of Port, Terminal and Navigation Impacts Resulting from the 1993 Upper Mississippi River Flood*. The Agency also worked with the AWO on collecting and analyzing data to assess the impact of the barge and towing industry on the U.S. economy.

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#### Jones Act Support

The Jones Act embodies America's coastwise laws. It requires that maritime cargoes and passengers moving between U.S. ports be transported in vessels built and maintained in the U.S., owned by American citizens, and crewed by U.S. mariners. The Jones Act promotes reliable domestic shipping service and ensures the existence of a domestic maritime industry completely subject to U.S. control in time of national emergency.

The Jones Act generates environmentally sound transportation and thousands of jobs for American citizens touching every region of the Nation. In addition, more than 80 million passengers and 1 billion tons of cargo worth about \$222 billion were transported in FY 1996 under the Jones Act trade, which is 24 percent of the domestic inter-city cargo in America for just 2 percent of the entire domestic freight bill.

During this reporting period, MARAD reaffirmed the importance of the Jones Act to America's

## Industry Trends And Profile

There are three major sectors of U.S. domestic shipping: Great Lakes, Inland Waterways, and Domestic Ocean.

### Great Lakes

The U.S.-flag Great Lakes bulk fleet consisted of 70 self-propelled vessels of 1,000 gross registered tons and over. Fifty-two of these vessels were active and three were temporarily inactive on September 30, 1996. This represents nearly full utilization of the vessels

This was welcome news as extreme ice conditions caused many delays at the start of the 1996 shipping season.

Shippers are using river barges to transport cargo between Great Lakes ports in Lake Michigan and the Illinois Waterway via Chicago. Such use of river barges is a relatively new innovation and has resulted in the Port of Milwaukee's gain of nearly 500,000 tons of new business over the past three years. In addition, the Michigan ports of

"And, we must preserve the Jones Act. The Jones Act ensures the United States that it will always have a safe, reliable and economically efficient domestic maritime system -- providing America the vital waterborne commerce it needs and deserves."

Senate Majority Leader Trent Lott, (R,MS), 1997

national security, including the need for guaranteeing America's control of essential transportation assets and related infrastructure in both peace and war and ensuring that U.S.-owned, U.S.-crewed, and U.S.-built ships will be available to transport domestic cargo during a national emergency.

MARAD also provided assistance to shippers looking for coastwise qualified, U.S.-flag vessels. These referrals resulted in over \$2 million in additional revenue to U.S. carriers. Many of these actions in 1996 involved point-to-point movements of one-time specialized cargo or cargo that required special handling such as chemical products.

MARAD is required to respond within 48 hours to formal Jones Act waiver requests. No waivers were granted for commercial operations in FY 1996.

capable of competitive operation in the region's bulk trades.

The primary dry bulk cargoes of iron ore, coal, and limestone shipped through United States Great Lakes ports during the 1996 shipping season totaled 111 million short tons.

This was up from the 1995 total of 110 million tons and continued the upward trend from the 1994 figure of 105 million tons. The 1996 season ended on a high note as the industry saw an 11 percent year end increase in shipments of iron ore, stone, and coal at the end of September.

St. Joseph/Benton Harbor, Holland, Grand Haven, and Muskegon have also been approved by the USCG for Great Lakes Domestic Load-Line barge service. Great Lakes shippers, however, cannot use river barges to transport cargo between Lake Michigan ports.

During the 1996 shipping season, Canadian-flag Great Lakes self-unloading vessels continued the operation of direct ship-to-river barge cargo transfer offshore at the harbor entrance to the Calumet River at Chicago. This new transfer technique between self-unloader vessel to river barge has been used primarily for salt, coal, quartzite, and liquid chemicals imported from Canadian ports within the Upper Great Lakes and destined to U.S. cities as far away as the Gulf Intracoastal Waterway. This integration of the inland waterway system with the

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Great Lakes provides a year-round service and is an integral part of America's national transportation strategy for full utilization of the Nation's waterway system.

## Inland Waterways

According to U.S. Army Corps of Engineers (COE) statistics, 617.4 million tons of freight moved on the Nation's inland waterways in 1995, which is close to the record 622.6 million tons moved in 1990. Future annual growth rates are expected to be in the 1 to 2 percent range. The COE predicts that between 715 and 865 million tons of freight will be moving on the inland waterway system by 2010.

The shallow-draft industry experienced dramatic growth in the transportation of steel industry commodities, especially northbound shipments of pig iron and ore.

This influx of import tonnage, coupled with a solid export grain market, has reduced the available number of barges to the point where coal exporters have been forced to seek alternatives to their normal routing down the Mississippi River. Consequently, Illinois Basin coal shippers have had to use rail to the Port of Mobile, and those exporters in eastern Kentucky and West Virginia have routed their shipments to terminals on the East Coast.

If not for the tight barge supply, the amount of tonnage through waterside coal facilities in Louisiana would have been at record levels in 1996. Rates to ship coal from the Ohio River and the mid-Mississippi area to the Gulf

were at levels not seen since the coal export boom of the early 1980s. Regarding the future, U.S. coal exports are expected to increase, especially as European coal subsidies disappear.

The U.S. Feed Grain Council is predicting that American farmers should see a bonanza in grain exports over the next decade, as importing nations turn to the U.S. to supply their growing needs for livestock and meat production. The latest forecast from the Council calls for an 83 percent increase in the worldwide consumption of feed grains, (corn, barley, sorghum and oats) by 2004. In addition, as a result of a recently-passed farm bill, U.S. corn production is expected to rise nearly 30 percent to 240 million tons annually.

Most carriers have increased profits over the last 3 years, largely due to enhanced equipment use and increased inbound and outbound cargo movements. Higher average freight rates and volumes for most commodities, combined with improved operating conditions, have more than offset increases in fuel costs and operating expenses. In addition, both total tonnage and ton-miles increased.

Acquisitions and consolidations within the shallow-draft industry have slowed considerably, with the notable exception of ContiCarriers & Terminals' marine assets, being taken over by American Commercial Lines in January 1996. The acquisition involved 12 towboats, 413 barges, and 3 drydocks.

## Barge and Towing Industry Concerns

Freight rates are compensatory, profits are growing, and new bottoms are being delivered. However, the industry has voiced concern with certain regulatory and legislative issues including the funding level for the COE, increased licensing requirements for towing vessel operators, and new environmental regulations.

The waterway industry's challenge is to assure that they have a viable and well-maintained waterway system. Therefore, with reduced Federal funding, cost-sharing may be a solution. The basic premise of these changes is shifting from a centrally directed program financed by all taxpayers to one that is State and regionally financed by a project's beneficiaries.

While commercial shallow-draft navigation continues to be a fundamental mission of the COE, budget constraints are of concern. Reduced funding requires the COE to stretch construction schedules, find innovative designs to reduce costs, and institute more small-scale improvements.

Maintenance of the aging infrastructure (by the year 2000, over half the locks on the inland system will be over 50 years old) through a modest construction program will be its central focus. Some suggestions for financing needed projects include establishing minimum tonnage criteria for waterway maintenance, increased taxes, and transferring funding responsibilities to State and local entities.

The industry is concerned about the impact of higher user taxes and attempts to close some lower-volume waterways, which may

stifle regional development and limit the flexibility of companies to reach inland markets.

Another industry concern is upgrading licensing requirements which affects 15,000 license holders. The revised licensing structure splits the licenses into two categories, the criterion of greater or lesser than 3000 horsepower.

Endangered species, environmental regulations, and dredging costs are also areas of concern to the industry. A number of environmental management programs have been established, especially throughout the upper Mississippi River Basin, that are designed to address the multiple use characteristics of the river and foster a balanced relationship among navigation, recreation, and environmental preservation. Some states have passed environmental laws that impact on commercial operations on the waterways. For example, the State of Wisconsin requires escort tugs for single-hull tank barges carrying petroleum, and similar legislation has been introduced in adjoining states.

propelled vessels. Of these, 132 were tankers, 33 were intermodal vessels comprised of 20 containerships and 13 Roll-On/Roll-Off (RO/RO) vessels, and 12 miscellaneous types of vessels. In addition to the self-propelled vessels, there were 89 oceangoing tank barges, and several oceangoing dry cargo barges employed in the domestic trades.

A large upsurge in demand for domestic transport of heating fuel from the Gulf to the northeast in early 1996 resulted in some of the highest shipping rates in years. In addition, the State of California instituted new reformulated gasoline requirements. This requirement resulted in the waterborne shipment of important chemical components used in the manufacture of the newer gasoline from the Gulf Coast to the West. The most active market, however, is the movement of petroleum product by barge, especially in the northeastern United States. In this market, the larger tug and barge operators expanded their operations adding new tow vessels and barges.

On the other hand, the slowdown in the transportation of

years. One-third of the current tankers will be ineligible to operate after the year 2000 because of the Oil Pollution Act of 1990 requirements to phase out single hull tankers.

Tanker construction and rebuilding have rebounded significantly in the last year.

As of June 1996, there were eight new product tankers on order or under construction, as well as four product tankers undergoing major reconstruction, all of which will be capable of servicing the Jones Act trade.

The dry cargo liner trades are less volatile than the petroleum market. Two recent developments in this trade include Matson Navigation Company's decision to dedicate a larger container vessel to the West Coast domestic trade and Crowley Maritime Company's growth in the Puerto Rican market. Crowley has converted its RO/RO trailer barges into standard cellular type container vessels.

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## Domestic Ocean

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The domestic ocean component of the U.S. merchant fleet transports petroleum products, bulk, and liner service cargo. Approximately 75 percent of the domestic trade is in oil-based commodities with the remaining 25 percent composed of dry bulk and containerized cargo.

As of September 30, 1996, the U.S.-flag, coastwise-qualified fleet was comprised of 177 self-

domestic crude oil is predominantly due to the reduced output from the Alaskan North Slope (ANS) as existing fields mature. The annual shipment of Alaskan crude oil was down over 15 percent from 1987 levels, a reduction that has resulted in the lay-up of several crude oil tankers.

One overall concern with the domestic oceangoing fleet is its median age, presently over 25

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## Offshore Service Vessels

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This was a banner year for the offshore industry. The utilization rate, an indicator of supply and demand conditions, reached 97 percent in July of 1996 -- more than 10 percent higher than the previous year. Both the 1995 and 1996 annual utilization rates were significantly above the 1992 industry low of 55 percent which indicates a sustained demand that has often resulted in vessel shortages. These shortages have forced smaller utility boats into service to support drilling operations in shallow waters.

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Long-term prospects, however, are not so bright for the utility boat industry. The future appears to be in the ultra-deep sea operations far from the coast. In this deep water market, customers are looking for larger vessels to assume multiple roles, including anchor handling and towing, as well support in the traditional supply role because smaller (under 110 feet) vessels are losing ground to the larger (120 - 140 feet) crew boats. These larger boats are preferred because they can move equivalent amounts of crew and cargo faster and cheaper while simultaneously supporting specialized tasking.

High utilization rates were accompanied by near record high daily rates in 1996. The day rate paid for tug/supply boats and other support craft is a function of the number of working offshore petroleum product rigs. As a rule of thumb, each working rig means work for 1.5 to 2 support/supply vessels. Most jobs for these support vessels are put out to bid by the oil companies on a "day rate" basis. Demand for work boats remained exceptionally high through the end of 1996. According to a recent trade publication, the average rate for an assortment of 95 vessels reached

\$1,321 per day in July 1996. This is up over 16 percent from 1995 but does not reflect the premium customers must frequently pay to acquire the most popular larger offshore service vessels (OSVs) which are small supply vessels used to transport crews, supplies and equipment to oil fields.

With vessel scrappings and new builds at an equal level this year, the total number of vessels and offshore marine employees remained constant from 1995. On September 30, 1996 approximately 16,054 marine employees were employed on 1,188 U.S. flag OSVs.

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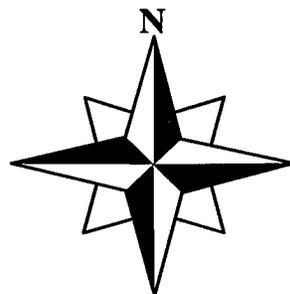
### Shipyard Activity

Second-tier (small and medium-sized) shipyards continued to position themselves at the forefront of the industry's efforts to compete in the world commercial market. With domestic demand also on the rise, the future looks promising for this sector of the shipbuilding industry. Shipyard executives across the Gulf Coast are optimistic because of new construction contracts on their order books, and some yards have reentered the market while

others are building or buying extra capacity in anticipation of additional demand for new equipment.

For the past few years, building river boat casinos has been a mainstay for many Gulf Coast shipyards. Future casino work, however, will probably consist largely of conversion to larger vessels of smaller, first-generation boats in the 250-foot range, and some replacements for earlier ones.

Operators of barges and towboats have begun ordering new equipment and inland shipyards are building many replacement vessels. According to a recent survey, 32 new towboats and a total of 583 inland cargo and liquid cargo barges (91 deck, 396 hopper, and 96 tank) were delivered in 1995, and approximately 1,100 barges were expected to be delivered in 1996.



**Table 9: U.S.-FLAG GREAT LAKES BULK FLEET <sup>1</sup>--SEPTEMBER 30, 1996**

	Vessels	Gross Registered Tons	Estimated Deadweight Tons
<b>Total</b>	<b>70</b>	<b>1,042,988</b>	<b>2,008,361</b>
<b>Bulk Carriers</b>	<b>62</b>	<b>1,011,960</b>	<b>1,994,141</b>
Active	52	928,554	1,844,941
Temporarily Inactive	3	23,668	37,390
Laid Up Inactive (More than 12 months)	7	59,738	111,3810
<b>Tankers</b>	<b>2</b>	<b>9,758</b>	<b>14,220</b>
Active	2	9,758	14,220
Temporarily Inactive	0	0	
	0		
<b>Others <sup>2</sup></b>	<b>6</b>	<b>21,270</b>	<b>-</b>
Active	1	4,244	-
Temporarily Inactive	0	0	-
Laid Up Inactive (More than 12 months)	5	17,026	-

<sup>1</sup> Self-propelled vessels of 1,000 gross registered tons and over.

<sup>2</sup> Includes railroad car ferries and auto ferries.

## Chapter 6

### Ship Operations

#### U.S.-Flag Fleet Profile

The U.S.-flag, privately owned, deep-draft merchant fleet (including the Great Lakes fleet shown in Table 9) totaled 375 vessels with an aggregate carrying capacity of about 16 million deadweight tons (dwt.) on September 30, 1996.

The oceangoing segment of the privately owned fleet comprised 305 vessels of 14.5 million dwt., of which 281 ships of 12.7 million dwt. were active. The latter included 18 breakbulk cargo ships, 117 intermodal vessels (containerships, barge-carrying vessels and roll-on/roll-off vanships known as RO/ROs), 1 combination passenger-cargo ship, 133 tankers (including liquefied natural gas carriers), and 12 bulk carriers. (See Table 10.) The remaining 24 vessels were inactive and laid up.

Employment of the U.S.-flag oceangoing merchant fleet (including Government-owned ships) shown in Table 11.

The privately owned, American-flag merchant fleet ranked 11th in the world on a dwt. basis and 24th in the total number of ships on January 1, 1996. (See Table 12.)

Commercial cargoes carried by ships of all flags in the U.S. oceanborne foreign trade totaled 971.3 million metric tons during calendar year 1995. U.S.-flag foreign trade tonnage decreased from 35.5 million metric tons in 1994 to 32.5 million metric tons in 1995, and the U.S.-flag share of total tonnage decreased from 3.9 percent in 1994 to 3.2 percent in

1995. Commercial cargoes transported in U.S. oceanborne foreign trade from calendar year 1986 through calendar year 1995 are shown in Table 13 by tonnage and value, and the portion carried by U.S.-flag vessels.

#### Operating-Differential Subsidy

U.S.-flag vessels which operate in essential foreign trade are eligible for operating-differential subsidy (ODS) which is administered by MARAD. ODS is designed to offset certain lower ship operating costs of foreign-flag competitors. Net subsidy outlays during FY 1996 amounted to \$164.7 million. There were no subsidized voyages terminated in the Great Lakes trade during FY 1996.

ODS accruals and expenditures from January 1, 1937, through September 30, 1996, are summarized in Table 14. Accruals and outlays by shipping lines for the same period are shown in Table 15. ODS contracts in force are shown in Table 16.

#### Subsidy Rates

The Subsidy Index System, established by the Merchant

Marine Act of 1970, provides for payment of seafaring wage subsidies in per diem amounts. The rate of change in the index is computed annually by the Bureau of Labor statistics and is used as the measure of change in seafaring employment costs. ODS rates also are calculated for maintenance and repairs, hull and machinery insurance, and protection and indemnity insurance for both premiums and deductibles.

MARAD has substantially completed the 1995 subsidy rates applicable to liner and bulk vessel operations.

#### Section 804

Section 804 of the Merchant Marine Act, 1936, as amended, prohibits any contractor receiving ODS or any holding company, subsidiary, affiliate, or associate of such contractor, directly or indirectly to own, charter, act as agent or broker for, or operate any foreign-flag vessel which competes with an essential U.S.-flag service, without prior approval of the Secretary of Transportation. The prohibition also applies to any officers, directors, agents, or executives of such an organization. Waivers are approved under special circumstances or if good

causes are shown.

During the year, MARAD approved waivers for APL:

- to operate two foreign-flag vessels of approximately 2,700 twenty equivalent units (TEUs) capacity in APL's Extension Services in the range between Kaohsiung and Fujayrah (May 24, 1996, for one vessel, August 8, 1996 for the second vessel), and
- to increase from 50 FEU to 195 FEU both inbound and outbound, the number of weekly slots on the Transportation Maritima Mexicana S.A., de C.V. vessels that APL may use for the carriage of U.S. Manzanillo foreign commerce cargo among Manzanillo, San Pedro, Yokohama, Kobe, Hong Kong, and Kaohsiung (June 28, 1996).

MARAD also approved Farrell's requests for waivers:

- to charter and operate a German-flag containership (PATRICIA RICKMERS) for one round voyage between the U.S. Atlantic coast ports and ports in the Mediterranean Sea commencing in the Mediterranean in late December 1995, in place of the EXPORT FREEDOM, one of the vessels devoted to that trade, which was scheduled to undergo drydocking in January 1996 (December 5, 1995),
- to charter and operate a foreign-flag vessel for a one-way voyage to Mediterranean from the U.S. east coast commencing about August 4, 1996 (July 23, 1996) and
- to charter and operate a foreign-flag vessel for one round trip voyage between U.S. Atlantic ports and ports in the Mediterranean Sea commencing in

late April 1996 (April 26, 1996).

MARAD also approved Lykes requests for waivers:

- to permit the charter and operation of a Ukrainian-flag vessel for one round voyage commencing in the Mediterranean due to repairs required on Lykes' scheduled U.S. flag vessel (March 1, 1996),
- to permit the charter and operation of the Ukrainian-flag vessel for one additional round voyage in order to maintain scheduling due to the scrapping of one of Lykes' vessels and the need to drydock another (April 18, 1996),
- to allow the carriage of a knock down crane between Norfolk, Va, and Mersin, Turkey, since no suitable Lykes or other U.S.-flag vessel was available (July 17, 1996), and
- to permit participation in a space charter and sailing agreement with Transportation Maritima Mexicana, S.A. de C.V., and Contiship Containerlines Ltd. In the trade between the Atlantic coast of Florida and U.S. Gulf and Mediterranean ports in Spain, Italy, and France and between ports on the Atlantic coast of Florida and the U.S. gulf coast and ports on the gulf coast of Mexico (September 18, 1996).

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### Foreign Transfers

Under Section 9 of the Shipping Act of 1916, as amended, MARAD approved the transfer of 46 ships of 1,000 gross tons and over to foreign ownership and/or registry. Fifteen privately owned vessels were sold for scrapping abroad. Permission also was granted for seven vessels of less than 1,000 gross tons to be registered in Russia.

Public Law 100-710 authorizes the Secretary of Transportation to determine the criteria for approval of citizen and noncitizen trustees for mortgages held for the benefit of noncitizens who cannot qualify as a preferred mortgagee. During FY 1996, seven new banks were approved as trustees and two companies were approved as preferred mortgagees. All approvals were published in the *Federal Register*.

MARAD's approval of the transfer of vessels of 3,000 gross tons and over to foreign ownership and/or registry are subject to the terms and conditions of 46 CFR Part 221. As such the vessels require MARAD approval for any subsequent transfer of ownership and/or registry and are available for requisitioning if needed. At year's end, there were a total of 225 vessels subject to these terms, 61 of which were approved for subsequent transfer of ownership and/or registry during the year.

User charges for processing applications for foreign transfers and similar actions totaled \$37,890 in this reporting period, including fees filed pursuant to contracts reflecting the terms and conditions stipulated in 46 CFR Part 221.

Activities under Section 9 of the Shipping Act, 1916, as amended, are summarized in Table 17.

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### Ship Operations Cooperative Program

The Ship Operations Cooperative Program (SOCP) is a cost-shared Government/industry partnership. Its objective is to improve the competitiveness, productivity, efficiency, safety, and environmental responsiveness of vessel operations. Last year, five valuable new members joined the

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SOCP, bringing the total to 20 members. Among the valuable new members are the Maritime Institute of Technology and Graduate Studies and the Calhoun MEBA School. Work proceeded on four projects: development of a

reliable, available, and maintainable database system for machinery; a shipboard demonstration of a Forward Looking Infrared Radar (FLIR) system; a CD-ROM based interactive training system for

shipboard inspections; and an analysis of selected shipboard regulations. The FLIR project was completed during the year and a video was provided. Three projects were ongoing at year's end.

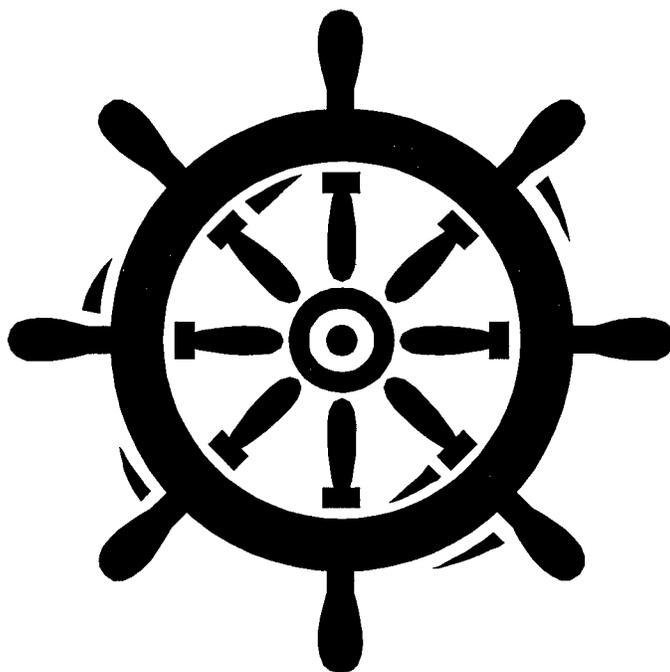


Table 10: U.S. OCEANGOING MERCHANT MARINE<sup>1</sup> --September 30, 1996

	Privately Owned			Government-Owned <sup>2</sup>			Total		
	Number Ships	Deadweight Tons (000)	Number Ships	Deadweight Tons (000)	Number Ships	Deadweight Tons (000)	Number Ships	Deadweight Tons (000)	
<b>Active Fleet:</b>									
Passenger/Pass. Cargo	1	7	3	30	4	37			
General Cargo	18	313	5	53	23	366			
Intermodal	117	3,503	0	0	117	3,503			
Bulk Carriers	12	536	0	0	12	536			
Tankers	133	8,368	1	17	134	8,385			
<b>Total Active Fleet</b>	<b>281</b>	<b>12,727</b>	<b>9</b>	<b>100</b>	<b>290</b>	<b>12,827</b>			
<b>Inactive Fleet:</b>									
Passenger/Pass. Cargo	2	20	9	82	11	102			
General Cargo	4	45	105	1,468	109	1,513			
Intermodal	2	49	43	1,048	45	1,097			
Bulk Carriers	3	76	0	0	3	76			
Tankers	13	1,537	27	869	40	2,406			
<b>Total Inactive Fleet</b>	<b>24</b>	<b>1,727</b>	<b>184<sup>2</sup></b>	<b>3,467</b>	<b>208</b>	<b>5,194</b>			
<b>Total Active and Inactive:</b>									
Passenger/Pass. Cargo	3	27	12	112	15	139			
General Cargo	22	358	110	1,521	132	1,879			
Intermodal	119	3,552	43	1,048	162	4,600			
Bulk Carriers	15	612	0	0	15	612			
Tankers	146	9,905	28	886	174	10,791			
<b>Total U.S.- Flag</b>	<b>305</b>	<b>14,454</b>	<b>193</b>	<b>3,567</b>	<b>498</b>	<b>18,021</b>			

<sup>1</sup> Self-Propelled Vessels of 1,000 gross tons and over-Includes Integrated Tug/Barges; Excludes Great Lakes Vessels

<sup>2</sup> Includes 44 NDRF, 92 RRF, and 48 non-retention vessels.

Table 11: DEPLOYMENT OF U.S.-FLAG OCEANGOING MERCHANT FLEET<sup>1</sup>--September 30, 1996

Status Ownership Type of Deployment	Vessel Type (tonnage in thousands)											
	Total		Passenger/ Pass. & Cargo		General Cargo		Intermodal		Bulk Carriers		Tankers	
	No.	Deadweight Tons	No.	Deadweight Tons	No.	Deadweight Tons	No.	Deadweight Tons	No.	Deadweight Tons	No.	Deadweight Tons
<b>Grand Total</b>	<b>498</b>	<b>18,021</b>	<b>15</b>	<b>139</b>	<b>132</b>	<b>1,879</b>	<b>162</b>	<b>4,600</b>	<b>15</b>	<b>612</b>	<b>174</b>	<b>10,791</b>
<b>Active Vessels</b>	<b>290</b>	<b>12,827</b>	<b>4</b>	<b>37</b>	<b>23</b>	<b>366</b>	<b>117</b>	<b>3,503</b>	<b>12</b>	<b>536</b>	<b>134</b>	<b>8,385</b>
<b>Privately-Owned</b>	<b>281</b>	<b>12,727</b>	<b>1</b>	<b>7</b>	<b>18</b>	<b>313</b>	<b>117</b>	<b>3,503</b>	<b>12</b>	<b>536</b>	<b>133</b>	<b>8,368</b>
U.S. Foreign Trade	89	3,261	-	-	8	106	59	2,031	8	416	14	708
Foreign-to-Foreign	25	1,476	-	-	-	-	8	271	1	37	16	1,168
<b>Domestic Trade</b>	<b>129</b>	<b>6,998</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>56</b>	<b>28</b>	<b>627</b>	<b>3</b>	<b>83</b>	<b>94</b>	<b>6,225</b>
Coastal	70	2,520	-	-	3	56	4	114	3	83	60	2,267
Noncontiguous	59	4,478	1	7	-	-	24	513	-	-	34	3,958
<b>M.S.C. Charter</b>	<b>38</b>	<b>992</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>151</b>	<b>22</b>	<b>574</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>267</b>
<b>Government-Owned</b>	<b>9</b>	<b>100</b>	<b>3</b>	<b>30</b>	<b>5</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>17</b>
Ready Reserve Force (RRF)	2	24	1	9	1	15	-	-	-	-	-	-
Other Reserve (NDRF)	4	37	2	21	2	16	-	-	-	-	-	-
Other Custody	3	39	-	-	2	22	-	-	-	-	1	17
<b>Inactive Vessels</b>	<b>208</b>	<b>5,194</b>	<b>11</b>	<b>102</b>	<b>109</b>	<b>1,513</b>	<b>45</b>	<b>1,097</b>	<b>3</b>	<b>76</b>	<b>40</b>	<b>2,406</b>
<b>Privately Owned</b>	<b>24</b>	<b>1,727</b>	<b>2</b>	<b>20</b>	<b>4</b>	<b>45</b>	<b>2</b>	<b>49</b>	<b>3</b>	<b>76</b>	<b>13</b>	<b>1,537</b>
Temporarily Inactive	-	-	-	-	-	-	-	-	-	-	-	-
Lay up	23	1,693	2	20	4	45	2	49	3	76	12	1,503
Laid up (MARAD Custody)	1	34	-	-	-	-	-	-	-	-	1	34
<b>Government-Owned (MARAD Custody)</b>												
<b>National Defense Reserve Fleet</b>	<b>184</b>	<b>3,467</b>	<b>9</b>	<b>82</b>	<b>105</b>	<b>1,468</b>	<b>43</b>	<b>1,048</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>869</b>
Ready Reserve Force (RRF)	92	1,910	-	-	43	624	39	982	-	-	10	304
Other Reserve (NDRF)	44	892	-	-	31	484	4	66	-	-	9	342
Nonretention <sup>2</sup>	48	665	9	82	31	360	-	-	-	-	8	223

<sup>1</sup> Self-Propelled Vessels - Includes Integrated Tug/Barges; Excludes Great Lakes Vessels.

<sup>2</sup> Vessels not actively maintained.

**Table 12: MAJOR MERCHANT FLEETS OF THE WORLD--SEPTEMBER 30, 1996**

(Tonnage in Thousands)

Country	Deadweight Tons	Rank by Deadweight	No. of Ships <sup>1</sup>	Rank by No. of Ships
Panama	119,150	1	3,948	1
Liberia	97,405	2	1,595	3
Greece	48,628	3	879	8
Cyprus	39,841	4	1,474	5
Bahamas	37,654	5	963	7
Malta	31,628	6	1,114	6
Norway(NIS)	29,115	7	621	12
China	23,411	8	1,512	4
Singapore	23,409	9	742	9
Japan	21,554	10	741	10
United States <sup>2</sup>	18,021	11	498	15
Hong Kong	13,828	12	223	29
Philippines	13,256	13	530	13
India	11,420	14	306	24
All Other	189,297		11,618	
<b>Total</b>	<b>717,617</b>		<b>26,764</b>	

<sup>1</sup> Ongoing merchant ships of 1,000 gross tons and over.

<sup>2</sup> Includes 193 United States Government-owned ships of 3,567,000 dwt.

Table 13: U.S. OCEANBORNE FOREIGN TRADE <sup>1</sup>

Millions Metric Tons										
Calendar Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total Tons	685.6	730.2	798.6	849.7	867.6	846.1	867.4	884.5	913.5	971.3
U.S.-Flag Tons	29.0	29.2	31.1	37.0	35.2	34.3	34.2	36.8	35.5	32.5
U.S. Percent of Total	4.2	4.0	3.9	4.4	4.1	4.1	3.9	4.2	3.9	3.3
Liner Total Tons	72.9	80.7	84.6	93.1	97.9	104.3	106.4	111.6	122.8	137.1
Liner U.S.-Flag Tons	14.5	12.0	14.2	17.8	17.1	17.5	17.3	17.3	17.3	16.1
Liner U.S. Percent	19.9	14.9	16.8	19.1	17.4	16.7	16.2	15.5	14.1	11.7
Nonliner Total Tons	313.9	332.3	366.9	372.5	384.5	385.4	369.0	344.1	337.8	408.6
Nonliner U.S.-Flag Tons	5.0	6.4	6.2	6.3	7.1	7.9	6.4	8.4	8.4	8.8
Nonliner U.S. Percent	1.6	1.9	1.7	1.7	1.8	2.1	1.7	2.5	2.5	2.2
Tanker Total Tons	298.7	317.1	347.1	384.1	385.1	350.8	385.8	428.7	455.9	425.6
Tanker U.S.-Flag Tons	9.4	10.8	10.7	12.9	11.0	8.9	10.6	11.0	9.8	7.6
Tanker U.S. Percent	3.2	3.4	3.1	3.4	2.8	2.5	2.7	2.6	2.2	1.8
Value (\$ Billions)										
Total Value	320.5	359.4	397.7	437.0	451.5	458.3	487.3	501.4	564.6	618.3
U.S.-Flag Value	49.0	44.8	57.7	71.3	69.8	70.7	73.6	74.1	76.8	75.3
U.S. Percent of Total	15.3	12.5	14.5	16.3	15.5	15.4	15.1	14.8	13.6	12.2
Liner Total Value	199.9	221.9	253.4	279.7	299.5	322.5	344.7	368.4	426.9	462.7
Liner U.S.-Flag Value	46.5	41.7	53.1	65.0	64.5	66.5	69.2	68.6	70.9	68.1
Liner U.S. Percent	23.3	18.8	21.0	23.3	21.5	20.7	20.1	18.6	16.6	14.7
Nonliner Total Value	83.2	92.1	98.9	100.7	88.0	81.6	86.9	77.8	79.1	93.2
Nonliner U.S.-Flag Value	1.3	1.6	3.2	4.4	3.6	2.8	2.9	4.0	4.5	6.0
Nonliner U.S. Percent	1.6	1.8	3.2	4.3	4.1	3.5	3.3	5.2	5.7	6.4
Tanker Total Value	37.4	45.4	45.4	56.6	64.0	54.2	55.7	55.2	56.4	62.4
Tanker U.S.-Flag Value	1.2	1.5	1.4	1.9	1.7	1.3	1.5	1.5	1.3	1.2
Tanker U.S. Percent	3.2	3.2	3.1	3.3	2.6	2.4	2.7	2.7	2.3	1.8

Source: U.S. Census Bureau

<sup>1</sup> Table includes Government-sponsored cargo; excludes U.S./Canada translake cargoes and certain Department of Defense cargoes.

**Table 14: ODS ACCRUALS AND OUTLAYS--JANUARY 1, 1937, TO SEPTEMBER 30, 1996**

Calendar Year of Operation	Accruals		Outlays		Total Amount of Net Accrued Paid	Net Accrual Liability
	Subsidies	Recapture	Subsidy Accrual	Paid in FY 1996		
1937-1955	\$682,457,954	\$157,632,946	\$524,825,008	\$-0-	\$524,825,008	\$-0-
1956-1960	751,430,098	63,755,409	687,674,689	-0-	687,674,689	-0-
1961	170,884,261	2,042,748	168,841,513	-0-	168,841,513	-0-
1962	179,396,797	4,929,404	174,467,393	-0-	174,467,393	-0-
1963	189,119,876	(1,415,917)	190,535,793	-0-	190,535,793	-0-
1964	220,334,818	674,506	219,660,312	-0-	219,660,312	-0-
1965	183,913,236	1,014,005	182,899,231	-0-	182,899,231	-0-
1966	202,734,069	3,229,471	199,504,598	-0-	199,504,598	-0-
1967	220,579,702	5,162,831	215,416,871	-0-	215,416,871	-0-
1968	222,862,970	3,673,790	219,189,180	-0-	219,189,180	-0-
1969	230,256,091	2,217,144	228,038,947	-0-	228,038,947	-0-
1970	232,541,169	(1,908,643)	234,449,812	-0-	234,449,812	-0-
1971	202,440,101	(2,821,259)	205,261,360	-0-	205,261,360	-0-
1972	190,732,158	-0-	190,732,158	-0-	190,732,158	-0-
1973	219,475,963	-0-	219,475,963	-0-	219,475,963	-0-
1974	219,297,428	-0-	219,297,428	-0-	219,297,428	-0-
1975	260,676,152	-0-	260,676,152	-0-	260,676,152	-0-
1976	275,267,465	-0-	275,267,465	-0-	275,267,465	-0-
1977	294,779,691	-0-	294,779,691	-0-	294,779,691	-0-
1978	285,075,424	-0-	285,075,424	-0-	285,075,424	-0-
1979	279,347,897	-0-	279,347,897	-0-	279,347,897	-0-
1980	386,309,467	-0-	386,309,467	-0-	386,309,467	-0-
1981	351,675,849	-0-	351,675,849	-0-	351,675,849	-0-
1982	366,654,502	-0-	366,654,502	-0-	366,654,502	-0-
1983	278,716,168	-0-	278,716,168	-0-	278,716,168	-0-
1984	342,756,506	-0-	352,756,628	-0-	342,756,628	-0-
1985	367,368,710	-0-	367,368,710	-0-	367,368,710	-0-
1986	317,963,824	-0-	317,963,824	-0-	317,963,824	-0-
1987	183,188,408	-0-	183,188,408	-0-	183,188,408	-0-
1988	219,079,931	-0-	219,079,931	-0-	219,079,931	-0-
1989	221,564,961	-0-	221,564,961	-0-	221,564,961	-0-
1990	231,208,232	-0-	231,208,232	-0-	231,208,232	-0-
1991	216,365,214	-0-	216,365,214	2,134,348	216,365,214	-0-
1992	213,129,380	-0-	213,129,380	2,111,844	213,129,380	-0-
1993	214,105,066	-0-	214,105,066	1,203,210	214,105,066	-0-
1994	213,716,552	-0-	213,716,552	981,224	213,716,552	-0-
1995	197,851,660	-0-	197,851,660	24,032,376	197,851,660	-0-
1996	178,559,375	-0-	178,559,375	134,224,963	134,224,963	44,334,412
<b>Total Regular ODS</b>	<b>\$10,213,817,247</b>	<b>\$238,186,435</b>	<b>\$9,975,630,812</b>	<b>\$164,687,965</b>	<b>\$9,931,296,400</b>	<b>\$44,334,412</b>
<b>Soviet Grain Program <sup>1</sup></b>	<b>\$147,132,626</b>	<b>\$-0-</b>	<b>\$147,132,626</b>	<b>\$-0-</b>	<b>\$147,132,626</b>	<b>-0-</b>
<b>Total ODS</b>	<b>\$10,360,949,873</b>	<b>\$238,186,435</b>	<b>\$10,122,763,438</b>	<b>\$164,687,965</b>	<b>\$10,078,429,026</b>	<b>\$44,334,412</b>

<sup>1</sup>No longer operative.

Table 15: ODS ACCRUALS AND OUTLAYS BY SHIPPING LINES--JANUARY 1, 1937, TO SEPTEMBER 30, 1996

LINES	Accruals			Outlays		Net Accrued Liability
	ODS	Recapture	Net Accrual	ODS Paid		
Aeron Marine Shipping	\$26,079,663	\$0	\$26,079,663	\$26,079,663	\$0	
American Banner Lines <sup>1</sup>	2,626,512	0	2,626,512	2,626,512	0	
American Diamond Lines <sup>1</sup>	185,802	28,492	157,310	157,310	0	
American Export Lines, Ltd. <sup>2</sup>	693,821,868	10,700,587	683,121,281	683,121,281	0	
American Mail Lines <sup>3</sup>	158,340,739	7,424,902	150,915,837	150,915,837	0	
American Maritime Transport	10,813,074	0	10,813,074	10,813,074	0	
American President Lines <sup>3</sup>	1,748,857,911	17,676,493	1,731,181,418	1,717,661,874	13,519,544	
American Shipping Co.	21,220,420	0	21,220,420	21,220,420	0	
American Steamship Co.	76,462	0	76,462	76,462	0	
Aquarius Marine Co.	53,188,862	0	53,188,862	52,162,142	1,026,720	
Aries Marine Shipping	25,291,415	0	25,291,415	25,291,415	0	
Asco-Falcon II	587,268	0	587,268	587,268	0	
Atlantic & Caribbean S/N <sup>1</sup>	63,209	45,496	17,713	17,713	0	
Atlas Marine Co.	61,054,864	0	61,054,864	60,143,664	911,200	
Baltimore Steamship <sup>1</sup>	416,269	0	416,269	416,269	0	
Bloomfield Steamship <sup>1</sup>	15,588,085	2,613,688	12,974,397	12,974,397	0	
Brookville Shipping, Inc.	5,510,142	0	5,510,142	4,173,151	1,336,991	
Chestnut Shipping Co.	90,330,252	0	90,330,252	88,705,860	1,624,392	
Delta Steamship Lines	575,053,817	8,185,313	566,868,504	566,868,504	0	
Ecological Shipping Co.	4,968,943	0	4,968,943	4,968,943	0	
Equity Carriers, Inc.	1,497,110	0	1,497,110	1,497,110	0	
Farrell Lines Incorporated	749,283,811	1,855,375	747,428,436	743,029,572	4,398,864	
First American Bulk Carriers Corp.	37,151,918	0	37,151,918	35,673,334	1,478,584	
Gulf & South American Steamship	34,471,780	5,226,214	29,245,566	29,245,566	0	
Lachmar	8,635,287	0	8,635,287	6,090,457	2,544,830	
Lykes Bros. Steamship Co., Inc.	2,167,008,234	52,050,598	2,114,957,636	2,110,261,390	4,696,246	
Margate Shipping Co.	143,675,309	0	143,675,309	143,675,309	0	
Moore-McCormack Bulk Transport	135,455,237	0	135,455,237	132,636,112	2,819,125	
Moore-McCormack Lines <sup>8</sup>	734,212,876	17,762,445	716,450,431	716,450,431	0	
N.Y. & Cuba Mail Steamship	8,090,108	1,207,331	6,882,777	6,882,777	0	
Ocean Carriers	45,259,825	0	45,259,825	45,259,825	0	
Ocean Chemical Carriers, Inc.	11,235,748	0	11,235,748	10,267,483	968,265	
Ocean Chemical Transport, Inc.	12,707,358	0	12,707,358	10,563,669	2,143,689	
Oceanic Steamship <sup>5</sup>	113,947,681	1,171,756	112,775,925	112,775,925	0	
Pacific Argentina Brazil Line <sup>1</sup>	7,963,936	270,701	7,693,235	7,693,235	0	
Pacific Far East Line <sup>6</sup>	283,693,959	23,479,204	260,214,755	260,214,755	0	
Pacific Shipping Inc.	18,840,400	0	18,840,400	18,840,400	0	
Prudential Lines <sup>4</sup>	641,647,708	24,223,564	617,424,144	617,424,144	0	
Prudential Steamship <sup>1</sup>	26,352,954	1,680,796	24,672,158	24,672,158	0	
Sea Shipping	25,819,800	2,429,102	23,390,698	23,390,698	0	
Seabulk Transmarine I & II, Inc.	35,845,320	0	35,845,320	35,845,320	0	
South Atlantic Steamship <sup>1</sup>	96,374	84,692	11,682	11,682	0	
States Steamship	231,997,100	5,110,997	226,886,103	226,886,103	0	
United States Lines <sup>7</sup>	750,518,013	54,958,689	695,559,324	695,559,324	0	
Vulcan Carriers	26,802,659	0	26,802,659	23,143,531	3,659,128	
Waterman Steamship Corp.	450,102,851	0	450,102,851	446,896,017	3,206,834	
Worth Oil Transport	17,428,314	0	17,428,314	17,428,314	0	
<b>Total Regular ODS</b>	<b>\$10,213,817,247</b>	<b>\$238,186,435</b>	<b>\$9,975,630,812</b>	<b>\$9,931,296,400</b>	<b>\$44,334,412</b>	
<b>Soviet Grain Programs <sup>9</sup></b>	<b>\$147,132,626</b>	<b>\$0</b>	<b>\$147,132,626</b>	<b>\$147,132,626</b>	<b>\$0</b>	
<b>Total ODS</b>	<b>\$10,360,949,873</b>	<b>\$238,186,435</b>	<b>\$10,122,763,438</b>	<b>\$10,078,429,026</b>	<b>\$44,334,412</b>	

<sup>1</sup> No longer subsidized or combined with other subsidized lines.

<sup>2</sup> AEL was acquired by Farrell Lines, March 29, 1978.

<sup>3</sup> APL merged its operations with AML's October 10, 1973.

<sup>4</sup> Changed from Prudential-Grace Lines, Inc., August 1, 1974.

<sup>5</sup> Purchased by Lykes Bros. Steamship Co., Inc.

<sup>6</sup> Went into receivership August 2, 1978

<sup>7</sup> Ceased to be subsidized in November 1970, returned as a subsidized carrier in January 1981.

<sup>8</sup> Purchased by United States Lines, Inc. October 1983.

<sup>9</sup> No longer operative.

<sup>10</sup> Farrell Lines merged its operations with Argonaut, December 20, 1994.

Table 16: ODS CONTRACTS IN FORCE--SEPTEMBER 30, 1996

A. Liner Trades

Operator and Contract No.	Contract Duration	Number Subsidized Ships	Service (Trade Route/Area)	Annual Sailings	
				Minimum	Maximum
American President Lines, Ltd. MA/MSB-417	1-01-78	8	Transpacific Service - TR 2*	48	188
	to 12-31-97		United States/Far East U.S. West Coasts Transpacific Extension <sup>1,2</sup>	6	80
Farrell Lines Incorporated MA/MSB-482	1-01-81 to 12-31-97	4	U.S. Atlantic/Mediterranean Service (TRs 10, 13)	44	66
First American Bulk Carriers Corporation MA/MSB-451(a)	8/29/90 to 12/31/98	2	U.S./Europe and Mediterranean (TR 1) <sup>5,8</sup>	-	20**
Lykes Bros. Steamship Co., Inc. MA/MSB-451	1-01-79 to 12-31-97	7	U.S./Europe and Mediterranean (TR 1) <sup>3,8</sup>	69	98**
			U.S. Gulf/Far East (TR 22) <sup>3,4,5,6,8,11</sup>	36	60 Overall maximum
			U.S. Gulf/East Africa		451 & 451(a)
			U.S. Gulf/South & East Africa (TR 15-B) <sup>3,5,7,8,11</sup>	18	24 not to exceed 330
			U.S. Atlantic & Gulf/West Coast South America (TR 31/2) <sup>9</sup>	24	48
			U.S. Pacific/Far East, North (TR 29) <sup>10</sup>	20	80
			U.S. Pacific/Far East, South (TR 17/29) <sup>10</sup>	20	
Mid-Atlantic National Bank MA/MSB-425 <sup>12</sup> (formerly United States Lines, Inc. (S.A.) and Delta Steamship Lines, Inc.)	6-17-78 to 12-31-97	0	U.S. Atlantic/Caribbean (TR 4)	22	33
Waterman Steamship Corporation MA/MSB-450	11-21-78 to 12-31-96	4	U.S. Atlantic-Gulf/India, Persian Gulf & Red Sea, Indonesia, Malaysia, Singapore, Brunei (TRs 18, 17)	8	- <sup>13</sup>
<b>Total Liner Trades</b>		<b>25</b>			

The designations TR 2 and TR 1 are as defined in the eight Essential Trade Routes promulgated May 7, 1987. All other trade route designations in this Table are as defined prior to May 7, 1987 (30 Essential Trade Routes plus 5 Essential Trade Areas), in the Operators' service descriptions in 20-year operating subsidy contracts. \*The Maritime Subsidy Board approved the transfer from Lykes to First American Bulk Carriers Corp. of ODS rights to 20 annual sailings on the former Trade Route 21 U.S. Gulf/North Europe) and the obligation to replace two vessels. As part of the action, the MSB approved the time charter by Lykes of two C6-M-F146a ships owned by FABC, for 36 months with subsequent charter extensions of 36 months (through December 31, 1998). Sailings to/from ports in southwest Asia from Suez to Burma, inclusive, and Africa on the Red Sea and Gulf of Aden shall count against the maximum for such geographic areas under both Contract MA/MSB-451 and Contract MA/MSB-451(a).

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Table 16: ODS CONTRACTS IN FORCE--SEPTEMBER 30, 1995 (continued)

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- <sup>1</sup> Service to/from U.S. Atlantic ports is on a privilege basis with a maximum of 28 sailings.
- <sup>2</sup> Includes required service to Indonesia, Malaysia (except Sarawak and Sabah), and Singapore. Numbers of required sailings are a portion of the required sailings on TR 2.
- <sup>3</sup> Lykes is permitted to make 24 sailings annually between U.S. North Atlantic and Mediterranean ports on a privilege basis in conjunction with required service on TR 15B, 22, and TR 1.
- <sup>4</sup> Lykes is permitted to make 24 sailings annually between U.S. Atlantic and South and East Africa on a privilege basis in conjunction with required service on TR 15B.
- <sup>5</sup> Lykes has the option to perform additional sailings on TRs 22 and 15B over maximum sailings if the minimum sailings are made on all other services: on TR 22, nine additional sailings; on TR 15B, five additional sailings. The overall maximum for all services must not exceed 330 annual sailings in Contracts MA/MSB-451 and 451(a).
- <sup>6</sup> Subject to stipulation that a minimum of 12 and a maximum of 30 sailings per annum shall include ports in Indonesia and Malaysia (including Singapore).
- <sup>7</sup> Lykes is also permitted to make 12 sailings annually from the U.S. Gulf to West Africa on a privilege basis in conjunction with required service on TR 15B.
- <sup>8</sup> Lykes is permitted to make 16 sailings annually between U.S. Atlantic and Gulf ports and Southwest Asian ports (Suez to Burma) in conjunction with required service on TR 15B, TR 22 and TR 1.
- <sup>9</sup> Caribbean Subservice--a maximum of 24 sailings per annum may provide limited TR 19 service exclusively between U.S. Gulf ports and ports on the Atlantic coast of the Republic of Panama, the former Panama Canal Zone, and the north coast of Colombia.
- <sup>10</sup> Lykes stopped service on TR 29 and TR 17/29 in July 1986.
- <sup>11</sup> Lykes may make privilege calls from the U.S. Atlantic to the Far East in conjunction with required service on TR 22.
- <sup>12</sup> No service under the subsidy contract is provided since USL(S.A.) Bankruptcy.
- <sup>13</sup> ODS contract limited to four ship years of subsidy, no maximum sailing requirement.
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Table 16: ODS CONTRACTS IN FORCE--SEPTEMBER 30, 1996 (continued)

B. Bulk Trades:

Operator and Contract No.	ODS Agreements		Number of Subsidized Ships 9/30/96	Service
	Contract Effective Date	Contract Termination Date		
Atlas Marine Co. MA/MSB-274	12-30-76	12-29-96	1	Worldwide Bulk Trade
Brookville Shipping, Inc. MA/MSB-542	1-1-96	12-31-2000	5 <sup>1</sup>	Worldwide Bulk Trade
Chestnut Shipping Co. MA/MSB-299(a) MA/MSB-299(b)	12-22-93	11-30-96	6 <sup>2</sup>	Worldwide Bulk Trade
	12-22-93	2-28-97	1 <sup>2</sup>	" " "
Equity Carriers, Inc. MA/MSB-439	5-24-81	5-23-2001	0 <sup>3</sup>	Worldwide Bulk Trade
Lachmar MA/MSB-421	12-1-94	12-31-97	2	Worldwide Bulk Trade
Mormac Marine Transport, Inc. MA/MSB-295(c)	12-22-93	1-31-97	3 <sup>4</sup>	" " "
Ocean Chemical Carriers, Inc. MA/MSB-442	9-19-81	9-18-2001	1	Worldwide Bulk Trade
Ocean Chemical Transport, Inc. MA/MSB-440	3-26-81	3-25-2001	1	Worldwide Bulk Trade
OMI Courier Transport, Inc. MA/MSB-167(c)	12-22-93	1-26-97	1 <sup>5</sup>	" " "
OMI Rover Transport, Inc. MA/MSB-167(d)	12-22-93	1-28-97	2 <sup>5</sup>	" " "
<b>Total Bulk Trades</b>			<b>23</b>	

<sup>1</sup> Total of 10 ship years of subsidy for five years, but no limitation as to number of subsidy days that may be used in any one year by any of the five vessels.

<sup>2</sup> Five vessels (CHILBAR, FREDERICKSBURG, CHERRY VALLEY, CORONADO, and CHELSEA) are eligible to share ODS under Chestnut's two ODS contracts, not to exceed two ship years of subsidy annually.

<sup>3</sup> Vessels have been sold, company in bankruptcy.

<sup>4</sup> Two vessels (MORMACSTAR and MORMACSUN) are eligible to share ODS under Mormac's one ODS contract, not to exceed one ship year of subsidy annually.

<sup>5</sup> OMI COLUMBIA, is eligible to share ODS under OMI's two ODS contracts, not to exceed two ship years of subsidy annually.

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**Table 17: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS--FY 1996<sup>1</sup>**

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<b>A. Program Summary</b>	<b>Number</b>	<b>Gross Tons</b>
<b>U.S. PRIVATELY-OWNED VESSELS</b>		
<b>Transfer to Foreign Ownership and/or Registry</b>		
Vessels of 1,000 Gross Tons and Over	61	703,146
Vessels of Under 1,000 Gross Tons	7	3,286
<b>Total</b>	<b>68</b>	<b>706,432</b>
Modifications	5	
Violations		
Reported	10	
Mitigated or Settled	9	
Rescissions (Sales to Aliens)	2	
Mortgages to Aliens	5	
Denials	0	
<b>U.S. GOVERNMENT-OWNED VESSELS</b>	<b>0</b>	

<sup>1</sup>Approvals granted by MARAD pursuant to Section 9, Shipping Act of 1916, as amended.

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**Table 17: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS--FY 1996 (continued)**

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**B. FOREIGN TRANSFER APPROVALS--Vessels of 1,000 Gross Tons and Over**

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	Pursuant to Section 9 (U.S.-Owned and U.S. Documented)	
	No. of Vessels	Gross Tons
Tankers	7	113,755
Cargo/Containership	12	440,351
Passenger	0	-
Miscellaneous	42	149,040
<b>Total</b>	<b>61</b>	<b>703,146</b>

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Recapitulation by Nationality	Number	Gross Tons
Argentinean	3	4,515
Bahamian	3	13,986
Belizean	1	2,713
Cayman Islands	1	1,352
Chinese	1	3,158
Columbian	3	3,247
Liberian	1	29,479
Maltese	2	40,040
Panamanian	19	252,615
Russian	5	11,501
Singaporean	1	1,553
Turkish	2	53,054
Vanuatuan	3	7,367
West African	1	1,048
<b>Total</b>	<b>46</b>	<b>425,628</b>

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Sale to Foreign Nationals for Scrapping	15	277,518
<b>GRAND TOTAL</b>	<b>61</b>	<b>703,146</b>

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## Chapter 7

### Cargo Preference

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**T**he Maritime Administration (MARAD) is responsible for monitoring the administration of and compliance with U.S. cargo preference laws and regulations by Federal agencies as they relate to individual programs which generate oceanborne cargoes.

MARAD is responsible for ensuring that cargo preference compliance is achieved. It also encourages Federal agencies to maximize the use of U.S.-flag vessels, monitors bilateral and similar agreements, and identifies discriminatory or potentially discriminatory trade practices against U.S.-flag vessels.

Major programs monitored include humanitarian aid shipments provided by the U.S. Department of Agriculture (USDA) and U.S. Agency for International Development (AID), commodities financed by the Export-Import Bank (Eximbank), foreign military sales, and Department of Defense (DOD) cargo shipped by commercial ocean carriers.

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### Preference Cargo

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Monitoring compliance with United States cargo preference laws is essential in encouraging Federal agencies to maximize the use of U.S.-flag vessels. MARAD is required to report annually to Congress on compliance with the three major cargo preference laws:

- **The Cargo Preference Act of 1954** (P.L. 83-664), as amended, requires that at least 50 percent of the gross tonnage of all Government-generated cargo be transported on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates. In 1985, the Merchant Marine Act of 1936 was amended to require that the percentage of certain agricultural cargoes required to be carried on U.S.-flag vessels increase from 50 to 75 percent.

- **The Cargo Preference Act of 1904** requires all items procured for or owned by U.S. military departments and defense agencies

be carried exclusively (100 percent) on U.S.-flag vessels available at fair and reasonable rates. These cargoes are generated primarily by DOD contracts with domestic and foreign contractors. Cargo preference applies not only to the end product but also to component parts.

- **Public Resolution (P.R.) 17** of the 73rd Congress requires that all cargoes generated by the Export-Import Bank be shipped on U.S.-flag vessels, unless a waiver is granted. MARAD monitors the shipping activities of Federal agencies, independent entities, and Government corporations (See Table 18). Statistics are maintained on a calendar year (CY) basis or on a 12-month program maintained over the life of a loan or guarantee.

In FY 1994 and 1995, the Department of Justice (DOJ) responded to a Military Sealift Command (MSC) request to resolve its disagreement with

MARAD's approval of conditions in time and space charters of U.S.-flag ships. These agreements are privately negotiated between the shipowner and noncitizens and prohibit noncitizens from carrying preference cargoes in space on U.S.-flag ships chartered by such companies. This matter remains under active review at the Federal Maritime Commission.

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#### Civilian Agencies

##### Israeli Cash Transfer

Under the Israeli Cash Transfer Program, a "side letter" was in effect from FY 1980 to FY 1989. The agreement allows U.S.-flag carriers to transport 50 percent of the grain which was generated by the program. The Government of Israel (GOI) did not execute a "side letter" with AID for FY 1991. The GOI issued a new "side letter" to AID for FY 1992 and for each year thereafter. During FY 1995, U.S.-flag vessels

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transported approximately 800,000 metric tons and earned a revenue of approximately \$21 million.

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### **Export-Import Bank (Eximbank)**

One-hundred percent of Eximbank shipments are required to move on U.S.-flag vessels. If a recipient country meets United States requirements and requests a general waiver, it would be allowed to carry 50 percent of the cargoes on national-flag vessels.

Since Lykes Bros. Steamship Co., Inc., terminated its break bulk vessels requests for non-availability waivers for Eximbank cargoes has increased by 400 percent. A *Federal Register* notice seeking comments on an extended waiver, which would allow shippers to bid long-term ocean rates on project outsized cargoes will be published in FY 1997.

preponderance of DOD cargoes moves on vessels chartered-in to the MSC and the Military Traffic Management Command (MTMC). However, a significant amount of DOD cargo moves in the commercial sector. Cargo preference applies not only to the end item but also to its component parts and supplies. Under DOD Acquisition Regulations, it does not apply to certain subcontractors, when ocean transportation is not the subject of the contract.

MARAD and MTMC signed a "Memorandum of Agreement" (MOA) which establishes procedures for reporting DOD-sponsored shipments of personal effects. The MOA was signed on March 2, 1996, by the MTMC Commander and the Maritime Administrator. MTMC will provide MARAD with quarterly reports on the movement of these personal effects, including copies of reports indicating approval to use foreign-flag vessels.

## **DOD Services and Agencies**

### **Defense Security Assistance Agency**

The Defense Security Assistance Agency (DSAA) is the sponsoring DOD agency for the Foreign Military Financing (FMF)/Military Assistance Program Merger (MAP) and related programs authorized within the scope of the Foreign Assistance Act of 1961, as amended (FAA). The movement of excess defense articles within these programs is consistent with the continued drawdown of U.S. forces, especially from Northern Europe, and the closure of U.S. military bases worldwide.

The statistics reflected in Table 18 from the FMF/MAP Merger and related FAA programs represent combined tonnage and revenue data for those ocean shipments arranged by the foreign recipients' freight forwarders. They also reflect cargoes that were authorized to move within the Defense Transportation System (DTS) and which were processed by the MTMC and the MSC.

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## **Military Cargoes**

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MARAD initiates and recommends regulations and procedures for DOD agencies to follow in administering cargo preference. Program efforts concentrate on meetings and discussions with DOD contractors, suppliers, freight forwarders, and shipping companies to focus attention on meeting the needs of all constituents within the context of U.S.-flag carriage requirements.

The Cargo Preference Act of 1904 requires that items procured for or owned by the military departments or defense agencies be carried exclusively (100 percent) on U.S.-flag vessels, if available at reasonable rates. The

Since 1994, MARAD has been receiving data on the movement of privately owned vehicles (POVs) being transported between selected turn-in points in CONUS to six points in the Republic of Germany. The ocean carrier awarded the contract reports ocean tonnage and revenue.

MARAD, major U.S.-flag carriers, and representatives from industry associations, reached a compromise on preference shipment of commercial items and parts with the National Economic Council and the Acquisition Streamlining Office.

U.S.-flag participation meets the compliance requirements as set forth in the governing cargo preference law and reflects MARAD's efforts to maximize the use of U.S.-flag vessels. Continuing its support of the U.S. merchant marine and its cooperation with MARAD, DSAA extends its 100 percent U.S.-flag shipping policy for the FMF/MAP Merger programs to the related FAA program transfer. DSAA policy incorporates general waivers, thereby allowing a recipient's national-flag vessels to participate in the ocean carriage of cargo within each program.

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## **Air Force**

This program has decreased significantly within the last 2 years largely due to the continued use of air transportation, the DTS and the downsizing of the U.S.-flag fleet. It is predicted that this trend will continue, based on the steady decline over the last year years.

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## **Army/Corps of Engineers**

As a result of DOD downsizing and budgetary cutbacks, a slight reduction in Army program tonnage resulted in CY 1995. The Corps of Engineers, however, showed an increase in metric tons reported.

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## **Defense Logistics Agency (DLA) and Defense Nuclear Agency (DNA)**

The DLA program remains in compliance with the cargo preference laws, although the number of contracts requiring commercial ocean transportation has decreased. The DNA area is growing and is subject to cargo preference.

## **Navy/Marine Corps**

The Navy program was in compliance with the cargo preference laws during this reporting period. Total tonnage is about 30 percent higher, while the revenue is lower. This is due to construction contracts in Diego Garcia and Cuba, in which U.S.-flag tug and barge service was used for these movements. Continued MARAD communication with contracting officers, shipyard personnel, and construction contractors has resulted in better compliance with cargo preference procedures.

## **Agricultural Cargoes**

The statutory sources of agricultural cargo preference programs are Titles I, II, and III of P.L. 83-480; Section 416 of the Agricultural Act of 1949; and the Food for Progress Act of 1985. These programs have a 75 percent U.S.-flag shipping requirement. Collectively, 79.3 percent of the 3.4 million metric tons of humanitarian aid commodities were transported on U.S.-flag vessels during the 1995/1996 Cargo Preference Year (CPY). Shipments this CPY were 2.8 million metric tons (45 percent) lower than the previous year due mainly to funding reductions for the humanitarian aid programs.

- **Title I** provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. Approximately 945 thousand metric tons of bulk grain were shipped during the current CPY.

- **Title II** is a donation program administered by AID which generated approximately 1.3 million metric tons of packaged, processed, and bulk commodities for least developed countries.

- **Title III**, Food for Development Program, was established under this bilateral grant program, agricultural commodities are donated to less developed countries. Shipments under the Title III program began during Cargo Preference Year 1991/1992. Approximately 441 thousand metric tons of bulk grain were shipped during the current CPY.

- **Section 416** is a donation program established primarily to distribute surplus commodities to the extent such surpluses exist, which generated approximately 6,000 metric tons of bulk grain and other surplus agricultural

commodities for less developed countries.

- **Food for Progress** provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the current CPY, 600,000 metric tons of commodities, principally bulk grain, were donated.

MARAD, USDA, and AID have conducted numerous discussions concerning the adoption of certain commercial shipping terms for bulk humanitarian aid cargoes. During the CPY, USDA issued new Title I regulations which provide for free out discharge, non-reversible laytime, 100 percent payment of freight upon arrival at discharge port, and USDA will no longer share in despatch earning. With their cooperation, it is hoped that the agricultural shipping agencies will continue to allow cargo to be fixed on a more commercial basis, which should reduce carrier risk and lower ocean carriage costs.

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## **Ocean Freight Differential (OFD)**

The Food Security Act of 1985 (1985 Act) increased the required percentage for U.S.-flag carriage from 50 to 75 percent of gross tonnage under agricultural programs discussed earlier.

The Department of Transportation is responsible for financing any increased ocean freight charges resulting from the application of the increased U.S.-flag portion. MARAD reimburses USDA for its share of the OFD costs above 50 percent of the gross tonnage, up to but not exceeding the additional 25 percent. OFD cost is defined as the difference between the cost of shipping cargo on a U.S.-flag vessel as compared to shipping the

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same cargo on a foreign-flag vessel.

MARAD reimbursed the Commodity Credit Corp. (CCC) \$13.6 million for OFD invoices and documents submitted for the CPY which started on April 1, 1995. Additional OFD obligations covering the fourth quarter of the CPY remain outstanding and will be paid upon receipt of invoices from USDA. CCC was not reimbursed for OFD that included inland freight and bagging and stacking costs.

Based on payments made during the CPY, the average OFD cost for which MARAD reimbursed USDA was \$17.96 per metric ton, a reduction of \$5.25 per metric ton, or 23 percent. This decrease was due, in part, to lower agricultural program funding levels, increased competition for decreased tonnage, and strong foreign-flag rates during the early portion of the CPY. However, fourth quarter OFD obligations that remain outstanding are expected to increase the average OFD paid for the CPY to about the same level as the previous year.

This could be attributed to the softness of foreign-flag rates as new tonnage enters the market and increased U.S.-flag rates due to a substantial reduction in the tonnage capacity of the U.S.-flag dry bulk fleet.

Under the 1985 Act, if the total obligations incurred by USDA and CCC for ocean freight and OFD on exports of agricultural commodities and products under certain agricultural programs exceed 20 percent of the value of the commodities exported under these programs, plus the ocean freight and OFD, MARAD must reimburse CCC for the excess. In 1994, MARAD paid USDA \$35.2 million for such excess freight costs relating to FY 1992. That payment was in addition to the OFD reimbursement during the year. USDA is reviewing program costs for FY 1993 and FY 1994 to determine if such shipping costs exceeded the 20 percent threshold.

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### Minimum Tonnage

The minimum tonnage for agricultural products was created by the Food Security Act of 1985 and established under Section 901c(a)(1) of the Merchant Marine Act, 1936, as amended. This includes P.L. 480, Section 416, and the Food for Progress programs. The purpose of formulating a minimum average was to ensure that U.S.-flag carriers continue to receive a fair share of Government-generated agricultural exports.

Based on MARAD's preliminary program tonnage for FY 1996, a total of 2,866,671 metric tons of such agricultural products were exported. The minimum tonnage for FY 1996, as calculated, is 8,342,640 metric tons. This represents a deficit of 5,559,969 metric tons.

The foreign food aid tonnage exported during FY 1995 was below the average of the base period because of lower Congressional appropriations, higher average commodity costs, and reduced tonnage for the Section 416 program. Table 18 provides information concerning U.S. Government-sponsored cargo volumes for 1995 as reported by the indicated agencies.



**Table 18: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1995**  
 (Note: These numbers do not include domestic shipments)

**PUBLIC LAW 664 CARGOES:**

Program	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
<b>Agency for International Development (AID):</b>				
Loans and Grants				
Liner	11,664	63,936	37,404	58.5
Bulker	2,064	51,442	51,442	100.0
Tanker	0	19,494	0	0.0 <sup>1</sup>
TOTAL	13,728	134,872	88,846	65.8
P.L. 480 - Title II <sup>2</sup>				
Liner	65,576	709,811	559,155	78.8
Bulker	36,439	494,234	424,583	85.9
Tanker	7,195	117,800	117,800	100.0
TOTAL	109,210	1,321,845	1,101,538	83.3 <sup>3</sup>
P.L. 480 - Title III <sup>2</sup>				
Liner	272	5,273	2,042	38.7 <sup>4</sup>
Bulker	21,650	392,312	277,325	70.7 <sup>5</sup>
Tanker	4,593	66,273	66,273	100.0
TOTAL	26,515	463,858	345,640	74.5 <sup>6,7</sup>
<b>Department of Agriculture:</b>				
P.L. 480 - Title I <sup>2</sup>				
Liner	3,650	43,830	36,907	84.2 <sup>8</sup>
Bulker	32,624	875,843	648,972	74.1 <sup>9</sup>
Tanker	663	25,256	13,001	51.5 <sup>10</sup>
TOTAL	36,937	944,929	698,880	74.0 <sup>11,12</sup>
Section 416 <sup>2</sup>				
Liner	2,322	6,311	5,909	93.6 <sup>13</sup>
TOTAL	2,322	6,311	5,909	93.6 <sup>7</sup>
Food for Progress <sup>2</sup>				
Liner	23,351	116,476	89,636	77.0 <sup>14</sup>
Bulker	17,220	427,325	339,810	79.5 <sup>15</sup>
Tanker	5,281	106,651	103,309	96.9
TOTAL	45,852	650,452	532,755	81.9 <sup>7</sup>

**Table 18 : GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1995 (continued)**  
 (Note: These numbers do not include domestic shipments)

Department of Energy: Western Area Power	7	21	21	100.0
National Aeronautics and Space Administration	13	57	22	38.5 <sup>1</sup>
National Science Foundation	5,201	39,457	38,326	97.1
General Services Administration	184	476	245	51.4
Department of Transportation Federal Transit Administration	1,556	4,243	2,085	49.0 <sup>1,16</sup>
Coast Guard	146	1,965	1,389	70.7
U.S. Information Agency	114	614	214	34.8 <sup>1</sup>
Voice of America	174	1,176	1,053	89.5
Department of State: Foreign Building Office	405	3,591	1,201	33.4 <sup>1</sup>
Other Agencies	3,861	8,917	6,097	68.0

**PUBLIC RESOLUTION 17 CARGOES:**

	Total Metric Tons	U.S.-Flag Metric Tons	Total Freight Revenue	U.S.-Flag Freight Revenue	Percentage U.S.-Flag
Eximbank	127,290	68,171	47,628,010	27,962,398	53.5

**Table 18: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1995 (continued)**  
 (Note: These numbers do not include domestic shipments)

**CARGO PREFERENCE ACT OF 1904 CARGOES:**

	Total Metric Tons	Metric Tons Dry Cargo	Metric Tons Petroleum	Percentage
Department of Defense Troop Support Cargoes:				
Military Sealift Command (MSC)				
U.S.-flag privately-owned vessels	1,126,691	1,126,691	0	21.4
U.S. Government-owned vessels	129,669	129,669	0	2.5
MSC chartered vessels	3,590,878	261,496	3,329,381	68.2
MSC Charter Foreign Flag	29,322	29,322	0	.5
Foreign-Flag vessels	387,257	73,293	313,965	7.4
<b>Total carriage MSC Troop Support Cargo</b>	<b>5,263,817</b>	<b>1,620,471</b>	<b>3,643,346</b>	<b>100.0</b>

	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Department of Defense Commercial Contractor Cargoes:				
Army Materiel Command	1,554	10,848	10,652	98.0
Air Force	565	1,765	1,572	89.0
Corps of Engineers	2,878	12,492	12,460	100.0
Defense Logistics Agency	3,162	35,485	35,037	99.0
Navy	3,448	49,075	48,685	99.0
POV	7,659	9,810	9,810	100.0
Other	64	127	127	100.9
<b>Total U.S.-Flag carriage of Department of Defense Commercial Contractor Cargoes</b>	<b>19,330</b>	<b>119,602</b>	<b>118,343</b>	<b>99.0</b>

**Defense Security Assistance Agency (DSAA):**

	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Foreign Military Financing and MAP Merger Programs				
Liner:	21,666	74,975	57,497	76.7
Tanker:	11,099	318,964	318,964	100.0
<b>TOTAL</b>	<b>32,765</b>	<b>393,939</b>	<b>376,461</b>	<b>95.6</b>

**Notes:**

1. Imbalance due to non-availability of U.S.-flag service.
2. The Food Security Act of 1985 (P.L. 99-198) impacted on the P.L. 480 Section 416, Titles I, II and III, and the Food for Progress programs by changing the reporting period from a calendar year to a 12-month period

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commencing April 1, 1986, through March 31, 1987, and by increasing the U.S.-flag share from 50 to 75 percent over a three year period. The required U.S.-flag share for the current reporting period, April 1, 1995 to March 31, 1996, is 75 percent.

3. Cargo preference is monitored on a global basis by vessel type for the Title II program.
4. Haiti (0 percent) did not ship any preference cargo on U.S.-flag liner vessels.
5. Bangladesh (72 percent) and Mozambique (64 percent) failed to meet the requirement due to insufficient U.S.-flag offers. Haiti (72 percent) and Nicaragua (54 percent) failed to meet the requirement and Honduras (0 percent) shipped no cargo on U.S.-flag bulk vessels.
6. After giving effect to the non-availability of certain U.S.-flag vessels, the Title III program met the 75 percent requirement.
7. Cargo preference compliance is monitored by country and vessel type.
8. Congo (CF-5007, 0 percent) and Suriname (NS-5008, 0 percent) did not ship any liner cargo on U.S.-flag vessels.
9. The following countries did not ship any cargo on U.S.-flag bulk vessels: Angola (AO-5003, 0 percent), Guyana (GY-5015, 0 percent) and Jordan (JO-5023, 0 percent). The following countries also failed to meet the 75 percent requirement due to insufficient, or no, U.S.-flag offers: Belarus (BO-5007, 31 percent, BO-5009, 56 percent), Ivory Coast (IV-5005 0, percent) and Lithuania (LH-5007 0, percent).
10. The following countries did not meet the 75 percent requirement for tankers: El Salvador (ES-5009, 59 percent) and Croatia (HR-5002, 0 percent due to U.S.-flag refusal).
11. The Title I program is monitored by individual Purchase Authorization.
12. After giving affect to the non-availability of certain U.S.-flag vessels, the Title I program met the 75 percent requirement.
13. Russia (72 percent) failed to meet the 75 percent requirement for U.S.-flag liner vessels.
14. Armenia (67 percent), Georgia (74 percent due to insufficient U.S.-flag offers) and Russia (59 percent) did not meet the U.S.-flag requirement for shipment on liner vessels.
15. Three of the seven participating countries failed to meet the 75 percent requirement on U.S.- flag bulk vessels: Armenia (67 percent), Georgia (74 percent) and Ukraine (0 percent due to no U.S.-flag offers).
16. These program tonnages are reflected in metric tons for uniformity only. Cargo preference compliance for those programs involving high cube/low density cargo is achieved on a gross revenue ton basis. Percentage reflected on a weight tonnage basis for such programs do not necessarily represent the exact extent of the programs' compliance with the statue. U.S.-flag vessels achieved 50 percent of the revenue tons.

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## Chapter 8

### Market Promotion

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The Maritime Administration (MARAD) engages in a variety of marketing programs designed to increase U.S. participation in global commerce.

MARAD's programs focus on improving communications between U.S. ocean carriers and importers/exporters, and providing assistance on sea transport to U.S. manufacturing firms active in international trade. As part of the Administration's shipbuilding initiative, MARAD developed a marketing program to promote U.S. shipyards in the international commercial market place.

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#### Marketing Program -- Carriers

MARAD's marketing program for U.S. ocean carriers focused on assisting companies through market leads and personal contacts with exporters and importers to encourage them to give preference to U.S. vessels for their ocean transport needs. The Market Lead System refers to market intelligence collected from both private and Government sources which MARAD, in turn, makes available to U.S. vessel operators. Over 5,000 market leads were distributed to U.S. carriers and exporters during fiscal year 1996.

MARAD has offices strategically located throughout the country which consult with the transportation policymakers of import and export firms. In this reporting period, MARAD trade specialists consulted with over 2,000 firms to encourage use of U.S. vessels. Voluntary reports from carriers and shippers indicate that over \$50 million in additional ocean freight revenues for U.S. vessels resulted from these policy consultations. Over the last 12 years, in excess of \$400 million in

additional revenue for U.S. carriers has been generated by this program. To improve the quality of information provided to U.S. carriers and to enhance the effectiveness of meetings with shippers, MARAD's computer data base was enhanced which enables quick access to vital shipper information from America's importers and exporters.

During FY 1996, MARAD participated in more than 250 seminars, forums, workshops, and other meetings dealing with international trade and transportation. The Agency sustained the visibility of its marketing mission for support of the U.S. merchant marine by taking an active role in Government and private export promotion programs. Those programs include interacting with export trade promotional organizations such as the Association of South East Asian Nations Council and Japan External Trade Organization. MARAD also is an active member of the Trade Promotion Coordinating Committee, consisting of 19 Government

agencies engaged in the promotion of U.S. international trade. In addition, MARAD is a member of the Presidential Award for Excellence in Exporting selection committee.

MARAD provided U.S.-flag carriers with promotional materials for distribution at nationwide, multi-city export workshops and seminars sponsored by the U.S. Department of Commerce. These meetings presented an opportunity to provide information on transport economics and practices to shippers, carriers, freight forwarders, and other maritime interests. They also enabled the Agency to brief executives of firms involved in foreign trade on the national policy benefits which result from shipper usage of U.S. services.

MARAD's Shipper Award Program recognizes importers and exporters who patronize U.S. carriers with a substantial share of their international cargoes. In FY 1996, a total of 305 companies based in the United States were presented with MARAD's U.S. Merchant Marine Certificates of Appreciation for carrying from 40 up to 100 percent of their goods on U.S. ships. The program continued to recognize foreign companies which support U.S.

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vessels, with 265 exporters and importers in Brazil, India, Costa Rica, Dominican Republic, Philippines, and Thailand receiving certificates.

Under the Executive Contact Program, a select group of shippers was contacted by senior MARAD executives to encourage and enhance their use of American carriers. During FY 1996, emphasis again was placed on contact with high volume, high value importers and exporters.

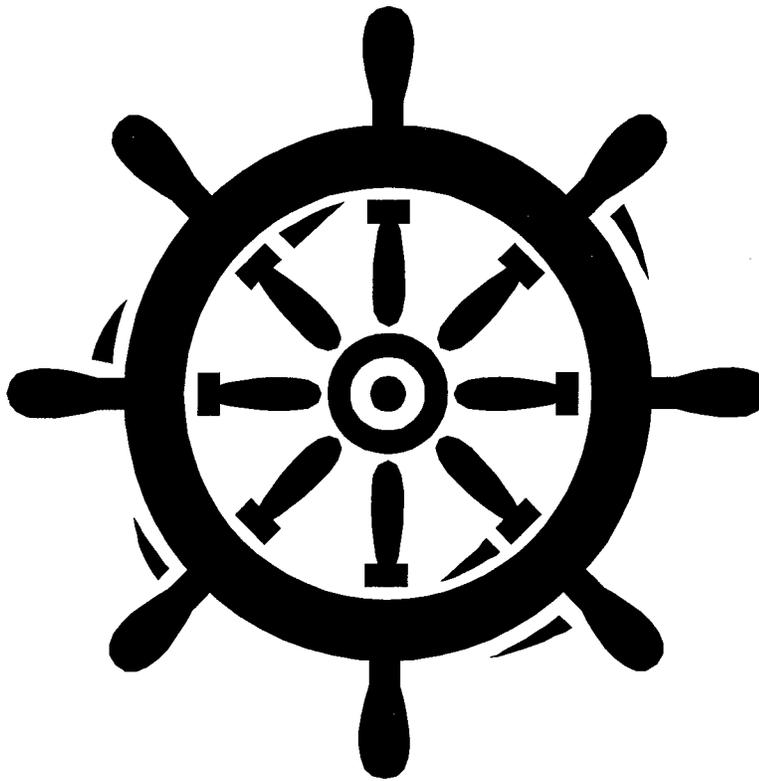
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## Marketing Program -- Shipyards

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MARAD and agencies at the Departments of Commerce, State, and Defense, and the U.S. Trade Representative's office have developed proactive, focused and integrated programs to support the U.S. shipbuilding industry's marketing efforts.

The United States continues to implement a country team concept for commercial activities. The heads of all agencies at missions abroad take a coordinated approach to commercial planning. The Secretaries of State and Commerce have pledged to encourage use of U.S. firms in international competition.



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## Chapter 9

### Maritime Labor, Training, and Safety

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**T**he Maritime Administration (MARAD) supports the training of merchant marine officers and crew members with a focus on safety in U.S. waterborne commerce. The Agency also monitors national and international maritime industry labor-management practices and policies and promotes healthy labor-management relations. MARAD's focus is to foster a safe and efficient maritime transportation system through the effective use of human resources.

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### U.S. Merchant Marine Academy

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MARAD operates the U.S. Merchant Marine Academy at Kings Point, NY, to educate young men and women to become officers in the American merchant marine.

Graduates receive Bachelor of Science degrees and U.S. Coast Guard (USCG) licenses as deck or engineering officers, or both, and a commission in the U.S. Naval Reserve or another uniformed service. The Academy is an integral component of the defense readiness called for in our national security policy, and it guarantees a

As a key component of MARAD's national security effort, all Academy graduates incur an 8-year U.S. Navy Reserve commitment which (unless they apply for or are accepted in another uniformed service) obligates them to serve in time of war or national emergency. The critical maritime skills developed with their military training and obligations significantly increase our Nation's defense readiness.

Academy graduates also are committed to a 5-year maritime service obligation. This requires

satisfied in the merchant marine as an officer aboard U.S. merchant ships, or in shoreside maritime or intermodal transportation industry positions if afloat employment is not obtainable. Active military duty in the National Oceanic and Atmospheric Administration also satisfies the obligation.

The Class of 1996 comprised 79 third mates, 101 third assistant engineers, and 7 graduates who completed the dual deck/engine license program. Twenty-nine of the third mate licensees earned endorsements as Qualified

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"Today, after two centuries, the Merchant Marine is every bit as important and every bit as vital to the commerce and defense of our nation as it ever has been. In addition to America's commercial interests, which included the movement of more than 900 million long tons last year, the U.S. military depends on sealift to move 95 percent of the material required for a major regional contingency."

General John M. Shalikashvili,  
Chairman, Joint Chiefs of Staff, February 1997

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source of merchant marine officers to meet our domestic and international trade requirements.

graduates to obtain a merchant marine officer's license on or before graduation and to maintain the license for at least 6 years. This service obligation may be

Members of the Engine Department (QMED) in the fourth year of the Academy's ship's officer program. These students completed selected engineering

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courses which increased their knowledge of today's technologically advanced ships, where both navigation and power are controlled from the bridge. All graduates complete required nautical science and maritime business courses.

Twenty-six women were among the 1996 graduates bringing the total number of women graduates to 313 since the first coeducational graduating class in 1978. Three students from the Russian Federation were in the graduating class, one of whom graduated first in the class and delivered the valedictory address. Albert J. Herberger, Maritime Administrator, delivered the commencement address.

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Within 3 months after graduation, about 85 percent of the 187 graduates had found employment in the maritime or transportation industry--aboard ship or ashore--or were serving on active military duty.

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Average enrollment at the Academy during the year was 899. At the beginning of the 1996-97 academic year, the regiment of midshipmen included 98 women, 23 of whom were scheduled to graduate in June 1997. Members of Congress nominated 1,322 constituents for the Class of 2000 and a total of 299 appointments were made in FY 1996.

The Academy is accredited by the Middle States Association of Colleges and Schools. The Marine Engineering Systems curriculum is approved by the Accreditation Board of Engineering and Technology.

In addition to classroom study, Academy midshipmen are assigned to U.S.-flag merchant ships for two 6-month periods for practical shipboard experience.

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### State Academies

MARAD provides financial assistance to six State maritime academies to train merchant marine officers by authority of the Maritime Education and Training Act of 1980. The six academies and their locations are: California Maritime Academy, Vallejo, CA; Great Lakes Maritime Academy, Traverse City, MI; Maine Maritime Academy, Castine, ME; Massachusetts Maritime Academy, Buzzards Bay, MA; State University of New York Maritime College, Fort Schuyler, NY; and, Texas State Maritime Program, Texas A & M University at Galveston, TX.

State maritime academy cadets who participate in the Student Incentive Payment Program (SIP) receive a maximum of \$3,000 annually to offset school costs. Participating cadets are obligated to remain employed in the maritime industry for 3 years, to accept at least a 6-year reserve service obligation, and to renew or upgrade their USCG merchant marine license at least once after graduation. A total of 258 students received the SIP in 1996.

MARAD provides training vessels to five sea coast academies for use in at-sea training and as shoreside laboratories. The Texas and California academies replaced their aging schoolships in FY 1996. The new training vessels sailed on their first annual training cruise during the reporting period. The CHAUVENET, a decommissioned Navy Survey vessel, replaced the TEXAS CLIPPER, and the

MAURY, an oceanographic survey ship, replaced the California Maritime Academy's GOLDEN BEAR. The TANNER, sistership to the MAURY, currently is being converted to replace the STATE OF MAINE. Conversion is scheduled to be completed in time for the 1997 annual training cruise. (See Chapter 1.)

Jerry Aspland, formerly President of ARCO Marine, replaced Dr. Mary E. Lyons as President of the California Maritime Academy.

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### Supplemental Training

MARAD provides supplemental training for seafarers in marine firefighting, intermodalism, and defense readiness. In FY 1996, 2,227 maritime personnel were trained in ship and barge firefighting.

Participants included U.S. citizen seafarers and others concerned with maritime fire safety, including United States Coast Guard (USCG) personnel and port city professional firefighters. MARAD-sponsored basic and advanced firefighting training is offered at its fire school at Swanton, OH; the U.S. Navy-Military Sealift Command/MARAD fire training facility in Earle, NJ; and the U.S. Navy fire training installation at Treasure Island, San Francisco, CA.

This was the fifth year of MARAD's National Sealift Training Program for Masters and Chief Mates at the U.S. Merchant Marine Academy. This program was developed to improve U.S.-flag strategic sealift support capability and reduce vulnerability to piracy and hostage threats. The course combines the Master Mariners Readiness Course with course modules in Defense

Communications and Maritime Security, which integrates defense communications, maritime security, and sealift readiness training drawing from lessons learned from operations EARNEST WILL, DESERT SHIELD/DESERT STORM, UPHOLD DEMOCRACY, and RESTORE HOPE. In FY 1996, 66 senior deck officers completed this program.

The third annual "Commercial International Freight Transportation" course was sponsored by MARAD in FY 1996 at the U.S. Merchant Marine Academy. Military officers and civilians newly assigned to transportation/logistics activities within the Department of Defense, Department of Transportation (DOT), and other Federal agencies are the primary focus for this class. Commercial carrier personnel are also eligible to take this 2-week course which provides students with an in-depth understanding of the principles of intermodal transportation systems and their application to military/contingency logistics. Fifty transportation professionals have completed this new program.

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### Merchant Marine Awards

Public Law 100-324, the Merchant Marine Decorations and Medals Act, authorizes the Secretary of Transportation to recognize outstanding and meritorious service or participation in national defense action. Under this authority, MARAD assisted in replacing merchant marine decorations issued to merchant mariners who served during World War II, Korea, Vietnam and Operation DESERT STORM. In FY 1996, MARAD responded to over 2,000 inquiries on awards and related issues.

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## Labor

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### Labor Data

In FY 1996, average monthly U.S. seafaring employment in all sectors (private, Government contract, and Great Lakes) decreased to 11,205, down 8 percent from the FY 1995 average of 12,204. (See Table 19.) The total work force in selected U.S. commercial shipyards decreased 5 percent, from 73,339 in FY 1995 to 69,353 in FY 1996. Longshore employment remained at the same level which was 22,427 in FY 1995 and 22,829 in FY 1996.

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### Labor

#### Seafaring

Most seafaring labor collective bargaining agreements were negotiated and ratified effective July 1996 through June 1999. The agreements provide wage increases of 5 percent the first year and 3.5 percent in each of the remaining years.

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#### Annual Crewing Assessment of U.S. Merchant Mariners

Approximately 2,638 mariners would be required to activate all reserve sealift billets not currently manned; this is nearly 5 percent fewer than estimated a year ago. United States sealift ships include the 96 RRF ships operated by MARAD, 2 hospital ships, and 8 fast sealift ships operated by the Military Sealift Command.

During MARAD's annual RRF readiness exercise, American maritime labor unions reported that approximately 8,221 active

mariners were available to meet reserve sealift needs; this is nearly 7 percent less available than reported a year ago. This active mariner base would be sufficient for at least two crew rotations to meet initial crewing requirements and to staff the ships for the first few months of the crisis.

The Maritime Security Act of 1996 authorizes funding of up to 47 American vessels crewed by U.S. citizen mariners. The Act also provides U.S. mariners with basic reemployment rights. This is a new incentive for qualified inactive mariners to volunteer and sail in support if needed.

#### Longshore

On the West Coast the International Longshoremen's and Warehousemen's Union (ILWU) negotiated and ratified a master agreement with the Pacific Maritime Association (PMA) effective July 1996 through June 1999. The agreement will increase wages a total of 14 percent over the 3-year period, increase pensions and expand ILWU jurisdiction to include vessel planning, container repair and drayage and dock and terminal transportation.

On the East and Gulf Coasts, the International Longshoremen's Association (ILA) negotiated and ratified a 5 year master agreement with shipping lines and shoreside employers. Individual port issues are being negotiated separately and locally. Most ports have reached agreement, or are expected to do so in the near term. The master agreement will increase wages by a total of 19

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percent over the term of the agreement. Employers gained a reduction in container handling crews from 18 to 15 and flexibility in the time that labor will be available to receive and deliver cargo.

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## Safety

MARAD continues to sharpen its focus on safety and human performance in the maritime industry by focusing on the combined effects of human factors, training, management, organization, operating procedures, design, construction, and ship and shore relationships on the safe and efficient operation of vessels.

Human factors have been proven to contribute to about 80 percent of all accidents. They are key to achieving reliable, efficient, and competitive marine transportation that is safe for crew, passengers, and freight while reducing the potential for pollution from accidents.

This area is of equal concern in the shipbuilding, ship repair, and longshore industries. MARAD is working with other DOT modal administrations through the Department's Human Factors Coordinating Committee and "Fatigue Group" to identify common interests, research, and approaches to collectively address operator performance issues. MARAD also participated on the

National Science and Technology Council Transportation Interagency Coordinating Committee's Subcommittee on Human Performance in Transportation Systems.

A national multi-agency strategic plan for transportation research on "Human-Centered Transportation Systems" was drafted by the group and a Federal Research and Development initiative approved.

An international workshop on Ship Squat was coordinated in October 1995 with the Society of Naval Architects and Marine Engineers. This workshop brought together the world's experts to address the phenomena of the physical sinkage and trimming of a ship's hull when operating in shallow or constricted waterways. A better knowledge of this phenomena by pilots and ship operators permits ships to be more efficiently loaded and safely operated in our shallow channels resulting in more efficient transportation.

The Maritime Advisory Committee for Occupational Safety and Health (MACOSH) was formed by the Department of Labor to advise the Occupational Safety and Health Administration (OSHA) on maritime issues. MARAD is working with the industry to support this committee, which is focusing on shipbuilding alongshore issues of standards and safety. A 1-year temporary committee, MACOSH was extended in 1996 for an additional 2 years. The committee

and subgroups from the committee held several meetings during the year and a draft report, "Basic Elements of Marine Occupational Safety and Health Program Standard" was completed. The facilitator will coordinate maritime affairs at OSHA and provides a single point of contact and coordination for the marine industry.

In FY 1996 the State and Federal maritime academies continued to work together under the Human Factors Cooperative Research Program. A series of research projects that focus on the future and address critical human factors issues in maritime transportation are being developed.

The Vessel Piloting Cooperative Program addresses improvements in ship piloting and vessel navigation systems where the safety of ship operations in harbors and waterways is affected. The study of the potential utility of portable navigation systems by pilots continued in FY 1996. These devices are carried onboard by the pilots and utilize differential global positioning system signals to provide a highly accurate location in the waterway. Intermediate results are very promising. Proper implementation of this advanced technology will assist pilots and improve safe operations in pilotage waters.

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**Table 19: MARITIME WORK FORCE AVERAGE MONTHLY EMPLOYMENT**

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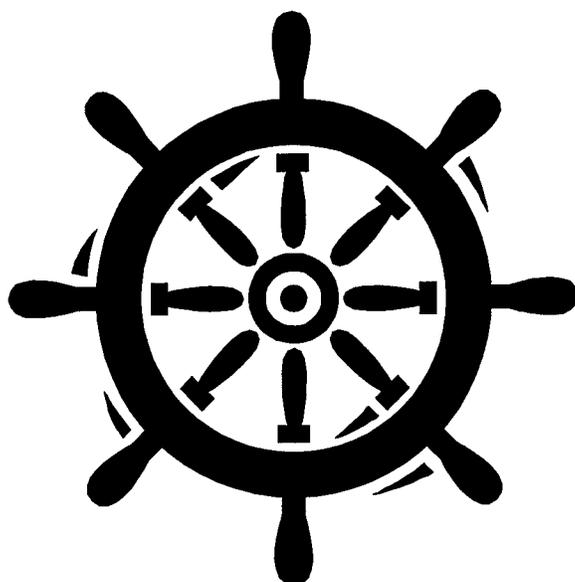
Year	Average Monthly Employment in Fiscal	
	1995	1996
<b>Seafaring Shipboard Jobs:<sup>2</sup></b>	<b>12,204</b>	<b>11,205</b>
<b>Shipyards:<sup>1</sup></b>	<b>73,339</b>	<b>69,353</b>
Production Workers	48,796	
Management and Clerical	24,543	
<b>Longshore:</b>	<b>22,427</b>	<b>22,829</b>

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<sup>1</sup>Commercial yards in the Active Shipbuilding Base.

<sup>2</sup>Includes Great Lakes, but excludes inland waterways.

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# Chapter 10

## International Activities

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**T**he Maritime Administration (MARAD) continued its efforts to obtain equitable treatment for U.S.-flag carriers in world trade and for the U.S. shipbuilding industry.

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### **New Maritime Agreement with Brazil**

In ceremonies at the U.S. Department of Transportation on May 31, 1996, the Maritime Administrator and the Brazilian Ambassador formally signed a new agreement. Like previous accords, this agreement assures equal access to Brazilian government cargoes for U.S. carriers. It also underscores the commitment of both countries to continuing to liberalize their maritime trade. Liberalization has become increasingly important as Brazil takes steps to establish a modern intermodal system in its ports.

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### **Understanding with China**

U.S. delegations, led by the Maritime Administrator, met with Chinese officials on two occasions to discuss bilateral maritime transport issues and renegotiation of the bilateral maritime agreement. The top issue of U.S. carriers involves the inability to own and operate their own container management operations in China and freedom to carry out unrestricted trucking of international trade goods. Chinese officials were told that the United States considered unacceptable over the long term the joint venture requirement for U.S. carriers' trucking operations. In an understanding signed in June, the United States agreed to

temporarily extend the maritime agreement while Chinese authorities acted to approve licenses for U.S. carriers' container management companies.

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### **Consultations with Japan**

The Maritime Administrator led a U.S. delegation that met in Washington, DC, January 29-30, 1996, with a Japanese delegation representing the Ministry of Transport and Ministry of Foreign Affairs.

The maritime issues discussed at the meeting included the restrictive practices of the Japan Harbor Transport Association, Japanese government policy with respect to the transportation of automobiles to the United States, and the Japanese government role in the transportation of American produced rice to Japan.

On April 22, 1996, the Maritime Administrator met with the Vice Minister of Transport for International Affairs in Tokyo and held maritime consultations for the first time with the Japan Fair Trade Commission. In both sessions, he expressed U.S. concerns over the "prior consultation" process operated by the Japan Harbor Transport Association.

### **Negotiations with Russia**

In July 1996, MARAD officials led a U.S. delegation to Moscow for consultations on the renegotiation of the bilateral maritime agreement. Key aspects of the agreement discussed included port access of national-flag carriers, cargo carriage, and applicability of the provisions of the Controlled Carrier Act to Russian-flag vessels. The timing of the next round of negotiations was also discussed.

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### **General Agreement on Trade in Services (GATS)**

After more than 2 years of extended negotiations in the World Trade Organization (WTO), on June 28, 1996, in Geneva, Switzerland, delegates from more than 50 maritime nations agreed to suspend any further talks until the next round of comprehensive WTO trade negotiations scheduled to begin in the year 2000. The decision to suspend the negotiations was strongly supported by the United States delegation, which included a MARAD representative at all stages of the talks.

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## Organisation for Economic Cooperation and Development (OECD)

Actions aimed at completing U.S. ratification of the OECD Shipbuilding Agreement were continuing at year's end. MARAD has worked closely with the U.S. Trade Representative in support of the effort to achieve congressional approval of the OECD Agreement that would end shipbuilding subsidies.

MARAD also participated in meetings of the OECD's Maritime Transport Committee. The Committee considered shipping industry and policy matters in OECD member countries and discussed maritime developments with major maritime economies outside the OECD: Argentina, Brazil, Chile, Hong Kong, Malaysia, Singapore, and Taiwan.

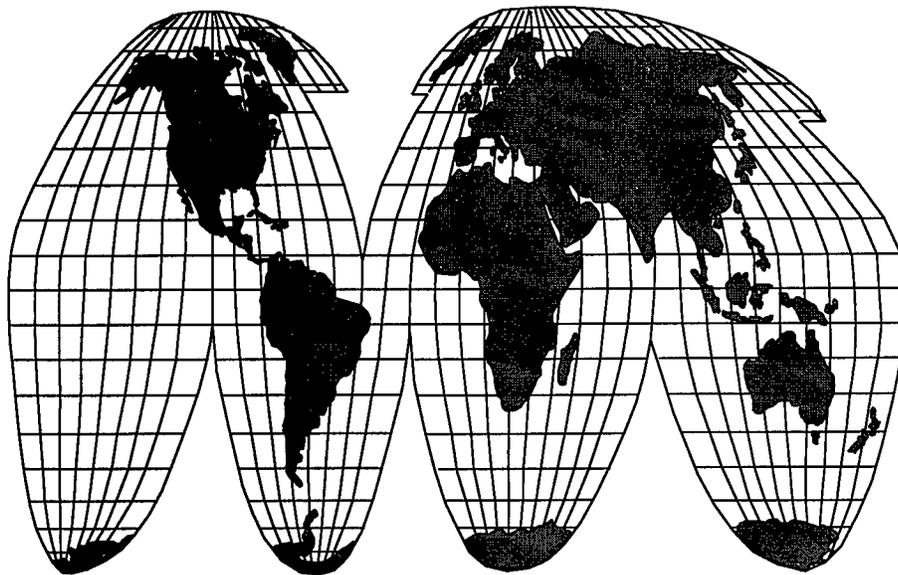
## Other Activities

In October 1995, the second meeting under the Transportation, Science, and Technology Exchange Agreement between the U.S. Department of Transportation and the Japanese Ministry of Transport took place in Washington, DC. MARAD's areas of interest included: oil spill prevention from tankers, marine-engine-air emission reduction, automatic transportation equipment identification, intelligent ship navigation systems, and related human factors. All participants agreed to share information on progress in each area.

MARAD also participated in the annual meeting of the Transport Canada-U.S. Department of Transportation Emergency Planning Committee for Civil Transportation, held in Ottawa, Ontario, Canada, in May of 1996.

Additionally, MARAD participated in meetings and training sessions of various subsidiary groups of the North Atlantic Treaty Organization (NATO). The Maritime Administrator was elected as the sole Chairman of the Planning Board for Ocean Shipping (PBOS), effective October 1, 1996; MARAD will assume all PBOS Secretarial responsibilities on April 1, 1997. The Agency also participated in selected activities of NATO's Senior Civil Emergency Planning Committee, including planning for a Crisis Management Exercise and training of international shipping executives.

MARAD technical assistance to American and international ports is discussed in Chapter 4.



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# Chapter 11

## Administration

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The administrative actions taken in support of the mission and programs of the Maritime Administration (MARAD) in fiscal year (FY) 1996 are summarized below.

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### Strategic Planning

In 1996, MARAD quantified program goals and formulated performance measures for major programs as a step toward full implementation of the Government Performance and Results Act of 1993 (GPRA). The GPRA is aimed at measuring the effectiveness of Federal programs against performance goals derived from the strategic planning process. Key program performance goals and measures were presented in MARAD's FY 1998 budget submission to the Office of Management and Budget and to Congress. The GPRA requires complete inclusion of program goals and performance measures into the FY 1999 budget which will be developed in FY 1997.

(Title XI), the electronic bulletin board (MARlinespike), National Maritime Resource & Education Center (NMREC), and the U.S. Merchant Marine Academy customer service plans.

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Two new Customer Service Plans on MARAD's shipbuilding initiatives and marketing programs were published in FY 1996.

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These customer service plans provide information on the purpose of each program, services provided, definition of guaranteed customer response times, and feedback on how well the program performed in meeting customer needs.

information and data sharing opportunities can be expanded, and the Federal telecommuting program can be effectively supported.

MARAD's ongoing microcomputer application software training program, which is used to empower employees with the knowledge and skills required to increase the use of technologies, will create a more effective and productive internal organization.

The Agency's World Wide Web (WWW) site was established as a vehicle for communicating with the maritime industry and the public. The MARAD Website enhances the public's ability to access Government information. MARAD's Website complements MARlinespike, MARAD's bulletin boards service. MARlinespike can be accessed via direct dial or the Website Home Page. The address is <http://marad.dot.gov>.

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## Customer Service Initiatives

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Executive Order 12862, "Setting Customer Service Standards," mandates a customer needs-driven approach to providing Government services to the public, as does the Department of Transportation's (DOT) Strategic Plan. In FY 1996, MARAD placed its Customer Service Plans on the Internet. The Home Page address is <http://www.marad.gov>. The Agency evaluated customer reactions to the Maritime Guaranteed Loan Program

### Information Resources Management

MARAD has an ongoing information resources management planning program which supports short-and long-range mission goals defined in the Agency's Strategic Plan.

MARAD continues to concentrate technology resources toward strengthening its network infrastructure so that internal communication can be enhanced,

The MARAD Electronic Forms Program was initiated in FY 1996. Electronic forms software automates standard Government forms and MARAD-specific forms.

Electronic mail services were expanded. MARAD offices exchange data and information via the network. Network access to other Federal agencies and private sector organizations also is available via Internet telecommunications gateways.

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Application systems were developed supporting agency contracting offices and ports and intermodal programs.

Application system migration is underway from a Unix environment to a client-server scenario; a by-product of this process will be the elimination of antiquated hardware technology.

MARAD continued to manage its Occupational Safety and Health

conducted 98 medical examinations of James River Reserve Fleet employees.

During the fiscal year, MARAD continued to administer its Respiratory Protection Program at its field installations to safeguard employees against possible work-related airborne hazards. The program, originally begun in 1990, provides each employee, as needed, with a respirator approved by the National Institute for

employees assigned to foot hazardous areas and operations in the performance of their duties. This program is intended to provide foot protection against falling objects and loss of footing and to reduce the number of employee injuries and compensation claims.

Specialized training was provided to groups of employees at each of the fleets. Several employees received training to enable them to give immediate medical care to fellow employees who suffer on-the-job injuries.

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## Safety Program

Program (OSH) to provide the safest and healthiest work environments possible.

During FY 1996, MARAD continued its Action Plan for the prevention of asbestos exposures and uses in MARAD programs. MARAD's policy is to prohibit or stringently limit personnel exposure to airborne asbestos fibers. The Plan is geared to the elimination of asbestos materials from MARAD programs. It encompasses the repair or replacement of such materials already installed, modified work procedures, and employee training.

MARAD's Asbestos Medical Surveillance Program provides preplacement, periodic, and pre-separation medical examinations to designated MARAD employees exposed or potentially exposed to hazardous substances or conditions. Employees assigned to MARAD's headquarters, the reserve fleets, the regional offices, and the U.S. Merchant Marine Academy were provided occupational medical examinations during FY 1996. For example, Mary Immaculate Hospital, Newport News, VA,

Occupational Safety and Health, and high efficiency cartridges for protection against a wide range of dust particles. Additional types of respirators and filters/cartridges are available to employees, as needed. Employees at the installations received respirator training, respirator fit testing, and medical clearance for wearing a respirator.

MARAD also administered a Hearing Conservation Program to minimize occupational noise exposure through initiation of engineering controls, if practical, and by issuing personal protective equipment (ear protection) for use by employees in high-noise work areas. The Agency conducts noise exposure level surveys of work areas and work operations to identify occupational exposure levels. The Agency also provides appropriate training and annual audiometric examinations.

MARAD's Safety Shoe Program at the Beaumont, James River, and Suisun Bay National Defense Reserve Fleets (NDRFs), continued to provide, at MARAD's expense, protective toe guard and non-slip sole safety shoes to

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## Personnel

MARAD's employment totaled 1,039 at the end of FY 1996. We experienced a three percent increase in the number of female and minority employees. The percentage of handicapped employees remained relatively unchanged from last fiscal year.

Four Career Opportunities Training Agreement Program, formerly Upward Mobility, positions were established. One employee was reassigned to the target position.

Five cross-training positions were advertised under MARAD's Career Enhancement Program and fifteen special training announcements were issued. Fifty-two applications were approved for tuition assistance through the MARAD Tuition Assistance Program. An audio/video and literature library was established, and currently consists of ninety-six books, pamphlets, and other literature and sixty-two audio/video tapes on topics ranging from management and communications to computers.

Two of MARAD's Senior Executive Service members

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received Presidential Rank Awards; one was in recognition of Distinguished Service and the other award was in recognition of Meritorious Service. Three MARAD employees received the Secretary's Silver Medal and three individuals received the Secretary's Award for Excellence. One employee received the coveted Lawrence Schneider award from the Department. One employee received the Secretary's Award for Volunteer Service. Sixteen employees received the Administrator's Bronze Medal and three received the MARAD EEO Award in recognition of and appreciation for contributions made toward the furtherance of Equal Employment Opportunity.

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## **Installations and Logistics**

### **Real Property**

On September 30, 1996, MARAD's real property included NDRF sites at Suisun Bay, CA; Beaumont, TX; and James River, VA; the U.S. Merchant Marine Academy at Kings Point, NY; and the Poland Street Wharf at New Orleans, LA.

Facilities for training maritime firefighters were operated at Freehold, NJ, and Treasure Island, CA, under MARAD agreements with the U.S. Navy, and at facilities

operated by Delgado Community College in New Orleans, LA. MARAD operates the Swanton, OH, marine fire-training facility. Regional headquarters offices were maintained in New York, NY; Norfolk, VA; New Orleans, LA; Des Plaines, IL; and San Francisco, CA. Regional marketing, ports, and/or environmental staffs were maintained in Long Beach, CA; Seattle, WA; Houston, TX; Atlanta, GA; Miami, FL; St. Louis, MO; Cleveland, OH; and at the five regional headquarters. In addition to those located at regional headquarters' offices, a ship management staff was maintained in Port Arthur, TX.

Responsibility for the Computer-Aided Operations Research Facility at the U.S. Merchant Marine Academy was transferred in mid-1996 from Marine Safety International, Inc., to the Government.

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### **Audits**

In FY 1996, the General Accounting Office (GAO) and the DOT's Office of Inspector General (OIG) submitted principal final reports on MARAD activities as follows:

- o Intermodal Freight Transportation - GAO Review
- o Actual Subsistence Expenses -- OIG Audit
- o Financial Statements for FY 1995 - OIG Audit

- o Lobbying Activities for FY 1995 - OIG Audit
  - o Simulator Training - USMMA - OIG Audit
- 

### **Accounting**

MARAD's accounts are maintained on an accrual basis in conformity with generally accepted principles and standards, and related requirements prescribed by the Comptroller General. The net cost of MARAD's FY 1996 operations totaled \$391.9 million. This included \$230.5 million in operating-differential and ocean freight differential subsidies; and \$73.0 million in administrative expenses and financial assistance to State Maritime Academies. MARAD received \$88.4 million in other operating income net of expenses. Financial statements of MARAD appear as Exhibits 1 and 2.

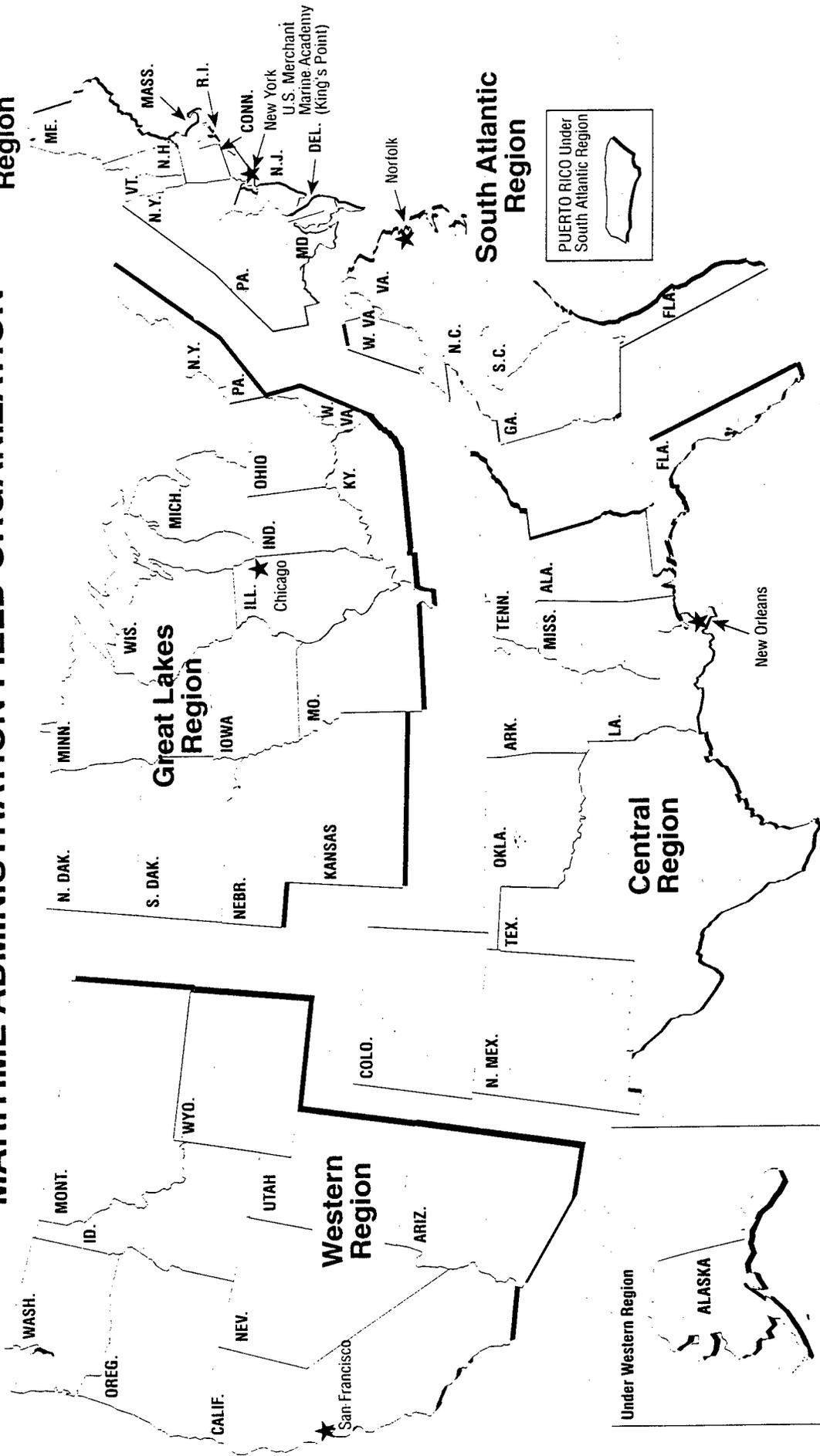




U.S. Department of Transportation  
Maritime Administration

# MARITIME ADMINISTRATION FIELD ORGANIZATION

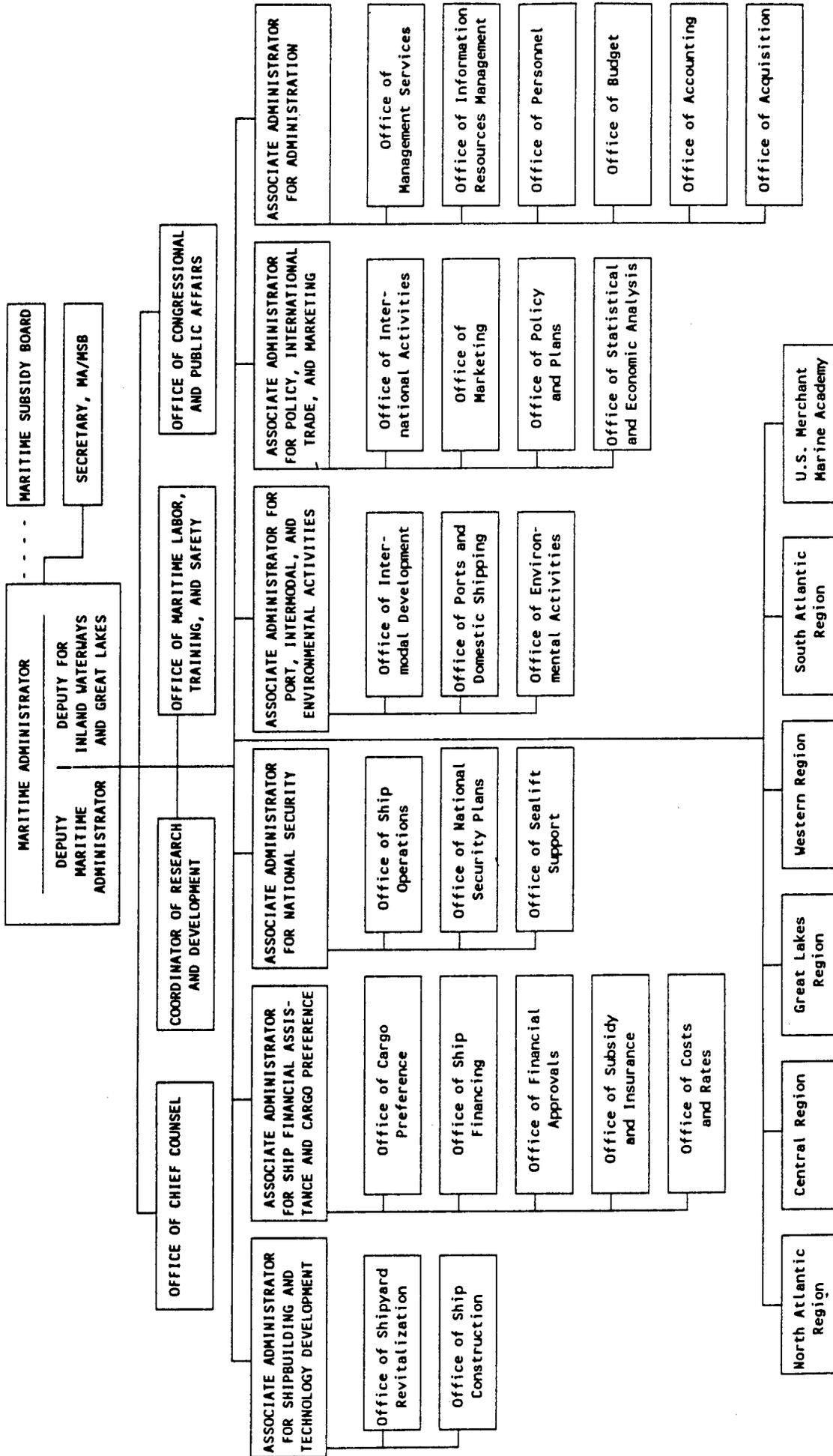
North Atlantic  
Region



## Legend

★ Region Director Headquarters

MARITIME ADMINISTRATION



## U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 1. Statement of Financial Condition  
September 30, 1996, and September 30, 1995

September 30

ASSETS	1996 <sup>1</sup>	1995
Selected Current Assets		
Funded Balances with Treasury:		
Budget Funds	\$ 507,130,000	\$ 456,063,449
Deposit Funds	<u>2,000</u>	<u>5,060</u>
	507,132,000	456,068,509
Federal Security Holdings	61,583,000	419,975,550
Accounts Receivable:		
Government Agencies	114,439,000	125,883,317
The Public	389,000	355,147
	<u>114,828,000</u>	<u>126,238,464</u>
Advances To:		
Government Agencies	144,000	
The Public	<u>3,000</u>	<u>2,614</u>
	147,000	2,614
<b>Total Selected Current Assets</b>	<b>\$ 683,690,000</b>	<b>\$1,002,285,137</b>
Loans Receivable:		
Repayment in Dollars	51,861,000	52,337,270
Allowances (-)	<u>(27,608,000)</u>	<u>(25,099,680)</u>
	24,253,000	27,237,590
Real Property and Equipment:		
Land	7,749,000	7,749,000
Structures and Facilities	418,150,000	36,577,397
Equipment and Vessels	1,655,945,000	1,560,247,481
Leasehold Improvements	<u>174,000</u>	<u>174,376</u>
	2,082,018,000	1,604,748,254
<b>Total Assets</b>	<b>\$2,789,961,000</b>	<b>\$2,634,270,981</b>

The notes to Financial Statements are an integral part of this statement.

<sup>1</sup>Fiscal year 1996 financial information in this statement is based on MARAD's FY '96 audited financial statements required by the Chief Financial Officer Act.

## U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 1. Statement of Financial Condition  
September 30, 1996 and September 30, 1995

LIABILITIES	September 30	
	1996	1995
Selected Current Liabilities (Note 2)		
Accounts Payable (Including Funded Accrued Liabilities):		
Government Agencies	\$ 51,091,000	\$ 32,548,122
The Public	<u>118,229,000</u>	<u>92,087,027</u>
	169,320,000	124,635,149
Accrued Liabilities for Loan Guaranteed	80,068,000	0
Unfunded Liabilities:		
Accrued Annual Leave		9,887,087
Accrued Payroll and Benefits		415,404
Accrued Payroll and Pension	13,393,000	
Total Selected Current Liabilities	262,781,000	134,937,640
Deposit Fund Liabilities	0	5,060
Debt issued under borrowing Authority:		
Borrowing from Treasury	0	0
Other Liabilities:		
Vessel Trade-in Allowance and Other Accrued Liabilities	0	0
Future Funding (ODS Contract Authority)	266,509,000	
<b>Total Liabilities</b>	<b>\$ 529,290,000</b>	<b>\$ 134,942,700</b>
Government Equity		
Unexpended Budget Authority:		
Unobligated	299,519,000	695,847,097
Undelivered Orders	<u>81,243,000</u>	<u>974,925,052</u>
	380,762,000	1,670,772,149
Unfinanced Budget Authority (-)		
Unfilled Customer Orders	(13,393,000)	(193,182,324)
Contract Authority	<u>(266,509,000)</u>	<u>(616,822,879)</u>
	(279,902,000)	(810,005,203)
Invested Capital	<u>2,159,811,000</u>	<u>1,638,561,335</u>
<b>Total Government Equity</b>	<b>\$2,260,671,000</b>	<b>\$2,499,328,281</b>
<b>Total Liabilities and Government Equity</b>	<b>\$2,789,961,000</b>	<b>\$2,634,270,981</b>

The notes to Financial Statements are an integral part of this statement.

## U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

## Exhibit 2. Statement of Operations

Years Ended September 30

	1996	1995
<b>OPERATIONS OF THE MARITIME ADMINISTRATION</b>		
Net Costs of Operating Activities		
Reserve Fleet Programs:		
Maintenance and Preservation	\$ 73,463,732	\$ 133,809,023
Direct Subsidies and National Defense Costs:		
Operating-Differential	128,833,214	199,966,580
Ocean Freight Differential	13,640,000	63,317,297
Title XI Credit Reform Program	78,403,757	48,347,520
And Financing Fund		
Administrative (includes Financial Assistance to State Maritime Schools, School ships, Student Incentive	71,542,044	76,549,327
<b>Other Operating Income Net of Expenses</b>	<b>(3,766,000)</b>	<b>3,496,840</b>
<b>Net Cost of Maritime Administration</b>	<b>\$362,116,747</b>	<b>\$525,486,587</b>
<b>Operations of Revolving Funds (-Income):</b>		
Vessel Operations Revolving Fund	(12,311,000)	(1,528,591)
War Risk Revolving Fund	(1,688,559)	(2,249,022)
Federal Ship Financing Fund	(36,855,000)	(74,256,891)
Gifts and Bequests	<u>-0-</u>	<u>(1)</u>
	(50,854,559)	\$78,034,505
<b>Net Cost of Combined Operations</b>	<b>\$311,262,188</b>	<b>\$447,452,082</b>

The notes to Financial Statements are an integral part of this statement.

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**U.S. DEPARTMENT OF TRANSPORTATION - MARITIME ADMINISTRATION**

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**Notes to Financial Statements**

September 30, 1995 and September 30, 1996

1. The preceding financial statements include combining assets, liabilities, income, and expenses of the Maritime Administration (MARAD); the Vessel Operations Revolving Fund, the War-Risk Insurance Revolving Fund, and the Federal Ship Financing Fund, Programs of the Federal Credit Reform Act of 1990 and other appropriations. Fiscal Year 1996 financial information is based on MARAD's 1996 audited financial statements required by the Chief Financial Officer Act.

2. Contingent liabilities for Title XI guaranteed loans aggregated \$2.5 billion as of September 30, 1996.

3. There were no conditional liabilities for prelaunching War-Risk Builder's Insurance on September 30, 1996.

4. On September 30, 1996, the U.S. Government held \$90,000 in securities which had been accepted from vessel owners, charterers subsidized

operators, and other contractors as collateral for their performance under contracts.

5. As of September 30, 1996, the Federal Ship Financing Fund had investments (U.S. Treasury Securities) of \$36.0 million. The fund incurred no defaults during FY 1996. In addition, the fund transferred \$421 million to the U.S. Treasury.

6. The Title XI program did not incur any defaults in fiscal year 1996.

7. MARAD adjusted its liabilities to \$337,660,000 as of September 30, 1996, recognizing the estimated total of contractual liability outstanding on the current Operating- Differential Subsidy contracts.

8. Real Property and Equipment are reported net of allowances for FY 1996.

**Appendix I: MARITIME SUBSIDY OUTLAYS--1937-1996**

Fiscal Year	CDS	Reconstruction CDS	Total CDS	ODS	Total ODS and CDS
1936-1955	\$248,320,942*	\$ 3,286,888	\$ 251,607,830	\$ 341,109,987	\$ 592,717,817
1956-1960	129,806,005	34,881,409	164,687,414	644,115,146	808,802,560
1961	100,145,654	1,215,432	101,361,086	150,142,575	251,503,661
1962	134,552,647	4,160,591	138,713,238	181,918,756	320,631,994
1963	89,235,895	4,181,314	93,417,209	220,676,685	314,093,894
1964	76,608,323	1,665,087	78,273,410	203,036,844	281,310,254
1965	86,096,872	38,138	86,135,010	213,334,409	299,469,419
1966	69,446,510	2,571,566	72,018,076	186,628,357	258,646,433
1967	80,155,452	932,114	81,087,566	175,631,860	256,719,426
1968	95,989,586	96,707	96,086,293	200,129,670	296,215,963
1969	93,952,849	57,329	94,010,178	194,702,569	288,712,747
1970	73,528,904	21,723,343	95,252,247	205,731,711	300,983,958
1971	107,637,353	27,450,968	135,088,321	268,021,097	403,109,418
1972	111,950,403	29,748,076	141,698,479	235,666,830	377,365,310
1973	168,183,937	17,384,604	185,568,541	226,710,926	412,279,467
1974	185,060,501	13,844,951	198,905,452	257,919,080	456,824,532
1975	237,895,092	1,900,571	239,795,663	243,152,340	482,948,003
1976**	233,826,424	9,886,024	243,712,448	386,433,994	630,146,442
1977	203,479,571	15,052,072	218,531,643	343,875,521	562,407,164
1978	148,690,842	7,318,705	156,009,547	303,193,575	459,203,122
1979	198,518,437	2,258,492	200,776,929	300,521,683	501,298,612
1980	262,727,122	23,527,444	265,079,866	341,368,236	606,448,102
1981	196,446,214	11,666,978	208,113,192	334,853,670	542,966,862
1982	140,774,519	43,710,698	184,485,217	400,689,713	585,174,930
1983	76,991,138	7,519,881	84,511,019	368,194,331	452,705,350
1984	13,694,523	-0-	13,694,523	384,259,674	397,954,197
1985	4,692,013	-0-	4,692,013	351,730,642	356,422,655
1986	(416,673)	-0-	(416,673)	287,760,640	287,343,867
1987	420,700	-0-	420,700	227,426,103	227,846,803
1988	1,236,379	-0-	1,236,679	230,188,400	231,425,079
1989	-0-	-0-	-0-	212,294,812	212,294,812
1990	-0-	-0-	-0-	230,971,797	230,971,797
1991	-0-	-0-	-0-	217,574,038	217,574,038
1992	-0-	-0-	-0-	215,650,854	215,650,854
1993	-0-	-0-	-0-	215,506,822	215,506,822
1994	-0-	-0-	-0-	212,972,929	212,972,929
1995	-0-	-0-	-0-	199,966,581	199,966,381
1996	-0-	-0-	-0-	164,687,965	164,687,965
<b>Total</b>	<b>\$3,569,648,434</b>	<b>\$264,904,682</b>	<b>\$3,834,553,116</b>	<b>\$9,978,750,822</b>	<b>\$13,813,303,938</b>

\* Includes \$131.5 million CDS adjustments covering the World War II period, \$105.8 million equivalent to CDS allowances which were made in connection with the Mariner Ship Construction Program, and \$10.8 million for CDS in fiscal years 1954 to 1955.

\*\* Includes totals for FY 1976 and the Transition Quarter ending September 30, 1976.

**Appendix II: Combined Financial Statements of Companies  
With Operating-Differential Subsidy Contracts**

**Statement A - Balance Sheet for Years Ending in 1995 and 1994**

	1995 ----	1994 ----
<b>ASSETS</b>		
		(stated in thousands)
Cash	\$56,180	\$53,665
Marketable Securities	1,239	7,554
Notes Receivable	51,603	58,821
Accounts Receivable	308,245	393,837
Allowance for Doubtful Receivables	(12,611)	(8,051)
Other Current Assets	131,505	92,144
	-----	-----
<b>Total Current Assets</b>	<b>\$536,161</b>	<b>\$597,970</b>
	-----	-----
<b>Non-Current Assets</b>		
Restricted Funds	\$11,249	\$2,346
Investments	432,840	3,625
Property and Equipment (net of depreciation)	1,375,839	1,088,309
Other Assets	24,251	117,018
Deferred Charges	14,052	58,015
Goodwill and Other Intangible Assets	21,733	30,411
	-----	-----
<b>Total Non-Current Assets</b>	<b>\$1,879,964</b>	<b>\$1,299,724</b>
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$2,416,125</b>	<b>\$1,897,694</b>
	-----	-----
<b>LIABILITIES &amp; OWNERS' EQUITY</b>		
Notes Payable	\$76,093	\$47,511
Accounts Payable	155,127	91,541
Accrued Liabilities	326,870	386,828
Other Current Liabilities	7,117	10,778
Advance Payments/Deposits	1,989	2,641
	-----	-----
<b>Total Current Liabilities</b>	<b>\$567,196</b>	<b>\$539,299</b>
	-----	-----
Long Term Debt	\$672,077	\$351,848
Other Liabilities	137,565	120,822
Deferred Credits	206,548	141,471
	-----	-----
<b>Total Non-Current Liabilities</b>	<b>\$1,016,190</b>	<b>\$614,141</b>
	-----	-----
<b>Total Liabilities</b>	<b>\$1,583,386</b>	<b>\$1,153,440</b>
	-----	-----
Invested Capital	\$412,424	\$182,276
Treasury Stock	0	0
Retained Earnings	420,315	561,978
	-----	-----
<b>Total Owners' Equity</b>	<b>\$832,739</b>	<b>\$744,254</b>
	-----	-----
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>\$2,416,125</b>	<b>\$1,897,694</b>

Appendix II: (Continued)

Statement B - Income Statement for Fiscal Years Ending in 1995 and 1994

	1995 ----	1994 ----
		(stated in thousands)
Shipping Revenue	\$2,732,189	\$2,745,095
Operating-Differential Subsidy	182,563	201,883
Other Shipping Operations Revenue	244,112	240,925
	-----	-----
Total Revenue from Shipping Operations	\$3,158,864	\$3,187,903
	-----	-----
Shipping Expense	\$776,349	\$760,245
Shipping Port Call Expense	118,752	128,884
Cargo Handling Expense	1,566,031	1,564,674
Inactive Vessel Expense	4,334	11,124
Other Shipping Operations Expense	91,211	79,157
	-----	-----
Total Expense of Shipping Operations	\$2,556,677	\$2,544,084
	-----	-----
Gross Income from Shipping Operations	\$602,187	\$643,819
Other Revenue	50,627	32,767
Other Expense	114,731	34,692
General and Administrative Expense	480,423	412,605
Depreciation and Amortization Expense	131,591	121,182
Interest Expense	52,496	36,896
	-----	-----
Net Income Before Income Taxes	(\$126,427)	\$71,211
Provision for Income Taxes	8,675	21,719
	-----	-----
Net Income After Income Taxes	(\$135,102)	\$49,492
Effect of Change in Accounting Policy	281	0
Income or Loss from Extraordinary Items	(12,619)	(5,916)
	-----	-----
<b>NET INCOME</b>	<b>(\$147,440)</b>	<b>\$43,576</b>

(This data is from the Financial Report Form MA-172 filed by 13 subsidized companies in 1995 and 14 subsidized companies in 1994.)

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**Appendix III: STUDIES AND REPORTS RELEASED  
IN FY 1996**

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The following major studies or reports were released by MARAD during FY 1996:

**A Report to Congress on the Status of the Public Ports of the United States**

**MARAD '95** (The Annual Report of the Maritime Administration for FY 1995)

**Maritime Labor-Management Affiliations Guide**

**Maritime Security Report**

**Merchant Fleets of the World** as of July 1, 1996

**Report on Survey of U.S. Shipbuilding and Repair Facilities**

**Shippers' Guide for Proper Stowage of Intermodal Containers for Ocean Transport**

**U. S. Exports and Imports Transshipped Via Canadian Ports - 1994**

**Vessel Inventory Report** as of January 1, 1996

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Note: Reports prepared or issued by the MARAD in previous years are listed in **MARAD PUBLICATIONS** and are available upon request from headquarters and field offices.

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## MARAD REPORT ACRONYMS

AAPA	American Association of Port Authorities
ABS	American Bureau of Shipping
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
APF	Afloat Prepositioning Force
AID	Agency for International Development
ANS	Alaskan North Slope
APEC	Asia-Pacific Economic Cooperation
APL	American President Lines, Ltd.
BRAC	Base Realignment and Closure
CCC	Commodity Credit Corp.
CCF	Capital Construction Fund
CFE/TLE	Conventional Forces in Europe Treaty Implementation
CFR	Code of Federal Regulations
CHCP	Cargo Handling Cooperative Program
CINCFOR	Forces Command
CMA	Companie d'Affretement
COE	U.S. Army Corps of Engineers
COI	Certificate of Inspection
CORE	National Contingency Response
CPY	Cargo Preference Year
CRF	Construction Reserve Fund
CWA	Cooperative Working Agreements
CY	Calendar Year
DGPS	Differential Global Positioning System
DLA	Defense Logistics Agency
DNA	Defense Nuclear Agency
DOD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
DSAA	Defense Security Assistance Agency
DTS	Defense Transportation System
Dwt	Deadweight Tons
ECC	Environmental Coordinating Committee
EMSYS	Emergency Shipping Information System
EMT	Emergency Medical Technician
EPA	Environmental Protection Agency
Eximbank	Export-Import Bank
FAA	Foreign Assistance Act
FEU	40-foot Equivalent Units
FHWA	Federal Highway Administration
FMC	Federal Maritime Commission
FMF	Foreign Military Financing
FTA	Federal Transit Administration
Fund	Federal Ship Financing Fund Liquidating Account
FWS	Fish and Wildlife Service
FY	Fiscal Year
GAA	General Agency Agreement
GAI	Guaranteed Annual Income Program
GATT	General Agreement on Tariffs and Trade

## MARAD REPORT ACRONYMS (Con.)

GIS	Geographic information systems
GPS	Global positioning
HF	High Frequency
JETRO	Japan External Organization
ILA	International Longshoremen's Association
ILWU	International Longshoremen's and Warehousemen's Union
IMO	International Maritime Organization
INCA	International Narcotics Control Act
IRM	Information Resource Management
ISTEA	Intermodal Surface Transportation Efficiency Act
IT	Information Technology
ITC	International Tonnage Convention
LAN	Local Area Network
LDT	Light Displacement Ton
LOTS	Logistics Over The Shore
LTM	Long Ton/Miles
LVM	Louisiana Vessel Management, Inc.
MAP	Military Assistance Program
MARAD	Maritime Administration
MARDEZ	Maritime Defense Zones
MCDS	Modular Cargo Delivery System
MEBA/NMU	Marine Engineers Beneficial Association/National Maritime Union
MOC	Memorandum of Consultation
MOU	Memorandum of Understanding
MITAGS	Maritime Institute of Technology and Graduate Studies
MRS	Mobility Requirements Study
MSA	Maritime System of the Americas
MSB	Maritime Subsidy Board
MSC	Military Sealift Command
MTMC	Military Transportation Management Command
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NCSORG	Naval Control of Shipping Organization
NDRF	National Defense Reserve Fleet
NEC	National Economic Council
NDT	National Dredging Team
NHS	National Highway System
NLRB	National Labor Relations Board
NMREC	National Maritime Resource Center
NMS	National Maritime System
NOAA	National Oceanic and Atmospheric Administration
NRC	National Research Council
NSI	National Shipbuilding Initiative
NSRP	National Shipbuilding Research Program
NYSA	New York Shipping Association
NY/NJ	New York/New Jersey
OAS	Organization of American States
ODS	Operating-Differential Subsidy
ODSA	Operating-Differential Subsidy Agreement
OECD	Organization for Economic Cooperation and Development
OFD	Ocean freight differential
OPA	Oil Pollution Act of 1990
OPDS	Offshore Petroleum Discharge System

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## MARAD REPORT ACRONYMS (Con.)

OSVs	Offshore Service Vessels
PA	Purchase Authorization
P.L.	Public Law
PBOS	Planning Board for Ocean Shipping
PCD	Pacific Coast District
PLS	Position Location Systems
PMA	Pacific Maritime Association
PRC	Peoples Republic of China
QMED	Qualified Members of Engine Department
R&D	Research and development
RAP	Remedial Action Projects
RDT	Regional Dredging Teams
RO/RO	Roll-On\Roll-Off Vanship
ROS	Reduced Operating Status
RRF	Ready Reserve Force
SA	Shipyards Agreement
SHC	U. S. Shipping Coordinating Committee
SI	System International
SOCP	Ship Operations Cooperative Program
SPR	Strategic Petroleum Reserve
SRA	Ship Repair Agreement
STARS	Ship Tracking and Retrieval System
SUP	Sailor's Union of the Pacific
T-ACS	Auxiliary crane ship
TEU	20-foot Equivalent Units
TRB	Transportation Research Board
U.N.	United Nations
USC	United States Code
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
VISA	Voluntary Intermodal Sealift Agreement
VNTSC	Volpe National Transportation Systems Center

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## NATIONAL MARITIME DAY, 1996

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

### A PROCLAMATION

The men and women of the United States Merchant Marine stand prepared to help our Nation in times of crisis. Their outstanding professionalism and performance have been manifest throughout America's proud history, most recently in the Persian Gulf, Haiti, and Somalia. Today, these brave individuals continue to bring honor to the maritime community and to our country through their steadfast service to our troops in Bosnia.

Those working on and in support of U.S. vessels play another important role by strengthening our economy. Every day, merchant ships carry the Nation's domestic and foreign commerce, acting as an integral part of our seamless transportation system. Those aboard go to sea to move American goods and materials, to help provide aid and comfort to others around the world, and, when necessary, to defend our interests and to seek international peace.

The Maritime Security Program legislation currently before the Congress will preserve a strong sealift capability so that critical military cargoes can reach American troops and our allies abroad as they strive to fulfill their peacekeeping and humanitarian missions. It will protect American jobs and foster our efforts to expand international trade. In standing behind this important measure, we affirm our commitment to maintaining a strong U.S.-flag presence on the high seas for our continued national security and economic growth.

In recognition of the importance of the U.S. Merchant Marine, the Congress, by a joint resolution approved May 20, 1933, has designated May 22 of each year as "National Maritime Day" and has authorized and requested the President to issue annually a proclamation calling for its observance.

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, do hereby proclaim May 22, 1996, as National Maritime Day. I urge all Americans to observe this day with appropriate programs, ceremonies, and activities and by displaying the flag of the United States at their homes and in their communities. I also request that all ships sailing under the American flag dress ship on that day.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-first day of May, in the year of our Lord nineteen hundred and ninety-six, and of the Independence of the United States the two hundred and twentieth.

WILLIAM J. CLINTON

U.S. Department  
of Transportation

**Maritime  
Administration**

400 Seventh Street, S.W.  
Washington, D.C. 20590

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