Maritime Administration

1995 Annual Report

May 1996

U.S. Department of Transportation
Federico Peña
Secretary

Maritime Administration
A. J. Herberger
Maritime Administrator

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

Table of Contents

Tables:

Appendices

U.S. Department
of Transportation
**Maritime
Administration**

Administrator

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

INTRODUCTION

The Annual Report of the Maritime Administration (MARAD) for the fiscal year (FY) which ended on September 30, 1995, is submitted to Congress in accordance with Section 208 of the Merchant Marine Act of 1936, as amended.

During FY 1995, MARAD continued to provide strong support to the Administration's efforts to ensure America's future as a maritime nation.

MARAD published its *Strategic Plan* in FY 1995. This comprehensive statement of the mission, goals, and objectives of the Agency categorizes a broad spectrum of Federal responsibilities into clearly recognizable objectives and provides a focus for future service to the Nation. The MARAD strategic plan supports the broader goals set forth in the Department of Transportation (DOT) strategic plan as they pertain to maritime affairs and to the maritime elements of the national intermodal transportation system. Action plans for specific activities designed to implement the strategic plan also provide the basis for periodic progress reviews between the Maritime Administrator and the Deputy Secretary of Transportation.

President Bill Clinton and Secretary of Transportation Federico Peña resubmitted to Congress legislation that would establish a Maritime Security Program (MSP) providing operating assistance for approximately 50 U.S.-flag liner vessels serving in foreign trade, providing the participating carriers enroll in an Emergency Preparedness Program established to provide intermodal sealift support in time of war or national emergency. The commercial transportation resources to be provided would include shipping capacity, intermodal equipment, terminal facilities, and management services. By the end of FY 1995, authorizing committees in both the House and Senate passed legislative initiatives (H.R. 1350 and S. 1139) similar to that proposed by the Administration.

MARAD also assisted the U.S. shipbuilding industry through the approval of 14 applications under the Federal ship financing (Title XI) program. They cover the construction of 36 commercial vessels in American shipyards and the second shipyard modernization project approved under the program. FY 1995 approved guarantees total $437 million and will generate more than $500 million in shipyard activity.

MARAD continued working with the Advanced Research Projects Administration's MARITECH program which is leveraging limited Government funding into significant cooperative research and development projects. Eighteen U.S. shipbuilding companies are involved in 24 projects awarded this fiscal year.

MARAD and the U.S. Transportation Command developed the Voluntary Intermodal Sealift Agreement (VISA) to promote and facilitate the Department of Defense's (DOD's) use of existing commercial integrated intermodal transportation systems and to maximize DOD's use of commercial transportation resources, while minimizing disruption to commercial operations. It provides a seamless, time-phased transition from peace to wartime operations through coordinated, pre-negotiated contracts for the type and quantity of sealift, when and where necessary, to deploy and sustain U.S. forces.

The United States and Brazil concluded negotiations on a new 3-year maritime agreement. The agreement assures U.S.-flag carriers equal access to Brazilian government cargoes and reaffirms the commitment of both countries to continue liberalizing their maritime trade.

MARAD cosponsored a National Conference on the Intermodal Terminal of the Future attended by public and private sector transportation representatives. The conference provided an interactive forum on innovative terminal designs, emerging information technology, new partnerships, and global economics.

MARAD created its Office of Environmental Activities to help improve the environmental quality of maritime activities.

In coordination with the National Dredging Team, the Agency assisted in developing a National Dredging Policy Action Plan, which was endorsed by President Clinton. Recommendations were submitted to Secretary Peña in a report, *The Dredging Process in the United States: An Action Plan for Improvement.*

Also in FY 1995, MARAD prepared customer service plans and brochures for its electronic bulletin board (MARlinespike), its National Maritime Resource and Education Center (NMREC), and the U.S. Merchant Marine Academy.

MARAD formed NMREC to assist the U.S. shipbuilding, ship repair, and associated industries to improve their international competitiveness. The Agency also established a Computer Aided Design (CAD) Component Library which includes 2-dimensional CAD files collected from two diesel engine manufacturers and the Marine Industry Standards Library which makes international, foreign, and domestic standards available, as well as information pertaining to standards. Access to each of these customer service tools is available via MARlinespike.

Additionally, MARAD developed a prototype World Wide Web home page and information service. It includes information about the Agency's mission and structure, the importance of the maritime industry, and maritime issues and legislation. (The Agency formally announced WWW service on October 5, 1995. MARAD's home page address is *http://marad.dot.gov.*).

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

A. J. Herberger
Maritime Administrator

Chapter 1

National Security

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 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.

Voluntary Intermodal Sealift Agreement (VISA)

During fiscal year (FY) 1995, MARAD, together with the U.S. Transportation Command (USTRANSCOM), developed the VISA. Terms of the VISA program were defined with the assistance of U.S.-flag carriers and maritime labor. At the end of the reporting period, MARAD and USTRANSCOM were preparing to implement a 1-year prototype program.

The objectives of VISA are to promote and facilitate the DOD's use of existing commercial integrated intermodal transportation systems and to maximize use of commercial transportation resources, while minimizing disruption to commercial operations. It provides a seamless, time-phased transition from peace to wartime operations through coordinated, pre-negotiated contracts for the type and quantity of sealift, when and where necessary, to deploy and sustain U.S. forces.

National Defense Reserve Fleet (NDRF)

NDRF ships serve as an inactive reserve which can be activated to help meet U.S. shipping requirements during national emergencies. These vessels are available for military emergencies. MARAD maintains inactive merchant ships and naval auxiliaries in three Reserve fleet sites. Retention vessels are under preservation, which normally includes dehumidification of interior spaces and cathodic (anticorrosion) protection of the hull.

As of September 30, 1995, the total number of vessels in MARAD custody was 296. (See Tables 1 and 2.) Of these, 107 are located at Ft. Eustis, VA; 51 at Beaumont, TX; 81 at Suisun Bay, CA; and 57 at other locations, including lay berths under contract in major U.S. port cities.

Of the 296 ships, 76 were being maintained on a cost- reimbursable basis. Such ships are maintained in various degrees of preservation depending on the requirements of the sponsors. They are not in the NDRF program and are being held for other Government agencies or MARAD's Title XI program. Seventy-two of these are expected to be assigned to the NDRF or scrapped.

At the end of this reporting period, 155 ships, including those of the RRF, were being held as NDRF retention assets, maintained under preservation and available for activation. The remaining 65 were considered NDRF non-retention assets which were pending disposal or transfer.

Ready Reserve Force (RRF)

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. RRF ships are kept in a higher state of readiness to enable them to be activated in 4, 5, 10, 20, or 30 days to meet surge military sealift requirements in the event of war, as was experienced in Operations Desert Shield/Desert Storm. Higher priority vessels are maintained in a status which permits reliable activation within 4 days at their berth sites, allowing expedited loading of critical surge DOD equipment.

At the end of the reporting period, there were 92 ships in the RRF.

To meet the RRF readiness needs of DOD, the Outporting Program provides contracted lay berths for RRF ships near expected loading ports for defense cargoes. At year's end, 32 RRF vessels were assigned to outport locations, with 14 on the East Coast, 8 on the Gulf Coast and 10 on the West Coast.

Two CAPE K-class Roll-on/Roll-off (RO/RO) ships were purchased in fiscal year (FY) 1995. After upgrading, they will be added to the RRF.

RRF Sea Trial and Dock Trial Program

Periodic, planned exercise of RRF vessels is vital to maintaining vessel readiness, especially in the absence of vessel operations. MARAD's Sea Trial and Dock Trial Program provides prioritized rotation of all RRF ships to accomplish trials on a regular basis.

During FY 1995, 29 vessels successfully underwent sea trials, 15 in DOD-ordered notice or no-notice activations. An additional seven vessels underwent dock trials during the year. The significance of the program is reflected by MARAD's success in recent vessel activations in support of DOD missions.

RRF Expands Use Of Maintenance Crews

In 1994 MARAD inaugurated a test program utilizing 10-person maintenance crews aboard vessels in 4-day reduced operational status (ROS-4). This combination crew of licensed and unlicensed personnel from all departments conducts preventative maintenance year-round and provides sufficient resources to activate RRF vessels without shipyard assistance.

During FY 1995, activations of RRF vessels with ROS crews demonstrated both enhanced material condition of the vessels and increased readiness and reliability. Many were activated in less time than had been assigned.

Based upon initial results, during the year MARAD and DOD increased the use of ROS maintenance crews from 8 to 29 vessels, thereby employing more than 200 mariners. DOD asked MARAD to develop a similar program for ROS-5 vessels, using 9-person ROS maintenance crews.

Improvements in Vessel Maintenance

MARAD initiated several RRF vessel maintenance improvements in FY 1995, including full application of the RRF Maintenance and Repair Tracking System. This maintenance program enhances the material condition of RRF vessels by permitting accurate tracking of vessel deficiencies and better application of maintenance funding.

MARAD also implemented a Water Chemistry and Treatment Program which enhances the reliability of all RRF and MARAD-owned schoolships by providing real-time analysis of the condition of water aboard the vessels.

Logistics

MARAD improved the level of logistics support for RRF vessels in FY 1995. Ten RRF vessels received logistics overhauls, and 7,291 items, with a value of $11,361,503, were procured from Federal and commercial supply sources.

An Agency-wide Shore-Based Spares system was implemented and will serve as the first source of supply for vessel repair parts and equipment requirements.

RRF Operations

The use of RRF vessels as DOD prepositioned assets continued in FY 1995. In FY 1994 the U.S. Army requested eight RRF vessels for operations for up to 3 years as part of the Army's Interim Brigade Afloat Force (AWR-3). The fully-loaded vessels, stationed in ports halfway around the world, sortie on frequent training missions and participate in other military exercises.

Two Offshore Petroleum Discharge System (OPDS) tankers, AMERICAN OSPREY and POTOMAC, continued serving the Afloat Preposition Force (APF) mission at Diego Garcia, at Guam, and in the Mediterranean. All prepositioned RRF ships are fully manned with or crewed by civilian U.S. merchant mariners.

In October 1994, seven RRF RO/ROs and the crane ship GOPHER STATE sailed to the Persian Gulf in support of Operation VIGILANT WARRIOR and Operation VIGILANT SENTINEL.

Operation QUICK LIFT involved activation of the CAPE RACE and the CAPE DIAMOND to support NATO peacekeeping activities in Bosnia. USTRANSCOM ordered a "TURBO Activation" of the CAPE RACE on June 22, 1995, from an ROS-4 layberth at Portsmouth, VA; it was activated in a record time of 23 hours. The CAPE DIAMOND was activated June 29, 1995, from an ROS-4 layberth at Jacksonville, FL. The two ships carried more than 92 percent of the cargo transferred from the United Kingdom to Croatia. This included 2,015 military vehicles, 232 containers, and 3,629 pallets of breakbulk cargo in support of Britain's 24th Air Mobile Brigade, which numbered approximately 4,275 troops.

VADM Philip Quast, Commander of the Military Sealift Command (MSC), commended the officers and crew for their professionalism and exceptional performance. The two ships were given the Maritime Administrator's Professional Ship Award to underscore the contributions made in Operation QUICK LIFT.

Six RRF vessels successfully met their activation timetables in no-notice RRF test activations. The ships were the Auxiliary Crane Ships EQUALITY STATE and FLICKERTAIL STATE; the breakbulk ships CAPE BRETON, CAPE GIBSON and CAPE JOHNSON; and the LASH vessel CAPE FAREWELL.

RRF Command Post Exercise BREAKOUT-95

During FY 1995, MARAD, RRF ship managers, maritime labor unions, and over 2,600 mariners participated in Command Post Exercise (CPX) BREAKOUT-95, to test crewing of the RRF. Ship managers and labor unions cooperated fully throughout the exercise.

It was conducted in a very compressed time frame which was reflected in aggressive crewing requirements and accomplishments.

It also provided a valuable picture of current crewing requirements and manning base to support a full scale activation.

Major lessons learned from the exercise were:

o Discussions between MARAD, ship managers and maritime labor unions should be pursued to alleviate manning burdens and meet time critical shortfalls.

o A MARAD-prototype seafarers' manpowermobilization program is a possible method to retain mariners and keep their skills current on RRF ships. A key element of this program would be development of a comprehensive mariner tracking system.

o Public advertising is recognized as an effective tool MARAD should refine as a standard recruiting procedure during a large-scale activation.

o Direct telephone contacts with mariners should be improved.

The 800 WATS telephone line proved very helpful in contacting mariners. A "crewing hotline" would be beneficial during a large-scale RRF activation.

o E-mail connectivity represents an effective means for smooth and timely exchange of information. However, the systems need to be more fully developed and tested to ensure that all participants are connected.

Emergency Operations

MARAD Advisories rapidly disseminate information on Government policy, danger and safety issues pertaining to vessel operations, and other timely maritime matters. In FY 1995, advisories were issued on a number of topics, including potential terrorist threats in the United States and South America; establishment of the Department of Transportation Response Center Hotline; two Naval Control of Shipping exercises; and training opportunities for mariners at the National Sealift Training Program. In addition, Special Warnings to Mariners were coordinated with the Department of State relative to situations in Haiti, Algeria, Pakistan, and the Persian Gulf, including United Nations (U.N.) interdiction policies.

MARAD, in cooperation with the Departments of State and of Defense, monitored previously agreed procedures facilitating the inspection of cargoes aboard U.S.-flag merchant vessels destined for Aqaba, Jordan. In May 1995, Lloyd's Register took over the inspection of cargoes from the Maritime Interdiction Force (MIF). However, the U.N. Security Council's Iraq Sanctions Committee and the MIF continued to operate because vessels continued to attempt to break the embargo by

carrying contraband cargo. MARAD also participated in the development of policies regarding U.N. sanctions enforced against Haiti and Liberia.

The Agency participated in the development of training exercises sponsored by the Joint Chiefs of Staff. These exercises familiarize military and civilian agencies with procedures to be followed during a national security crisis. MARAD also participated in exercises sponsored by the National Defense University War Gaming and Simulation Center, and in war games at the Naval War College in Newport, RI. Personnel and the Agency participated in two Naval Control and Protection of Shipping (NCAPS) exercises designed to test and improve new NCAPS doctrine.

MARAD was involved in USTRANSCOM exercises TURBO CADS 95, designed to test the Containerized Ammunition Distribution System, and TURBO INTERMODAL SURGE 95, a test movement of an Artillery Battalion from a fort to a port.

MARAD participated in various civil emergency actions, including collecting and disseminating data related to the Japanese earthquake which devastated the Port of Kobe in January 1995. In addition, MARAD personnel were involved in the emergency response to Hurricane Marilyn, which hit the Virgin Islands in September 1995.

MARAD participated in RESPONSE '95, a Federal Emergency Management Agency (FEMA)-sponsored exercise with a major hurricane disaster scenario. MARAD was represented at the National Conference of Emergency Coordinators in February 1995 and at the March interagency meeting chaired by the National Security Council on the devolution of FEMA mobilization and national security preparedness functions.

During the fiscal year, MARAD continued to assist the DOT in its effort to revise its Continuity of Operations Plan.

MARAD established a Liaison Office at USTRANSCOM to provide coordinated, on-site support of the Defense Transportation System for maritime transportation planning and contingency operations.

Piracy and Attacks on Merchant Shipping

International merchant shipping continued to be subject to piracy and robbery incidents around the world. Various international maritime organizations cited areas of piracy and attacks on merchant shipping continuing 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 the Horn of Africa; Brazil; and Bangladesh.

MARAD continued to alert mariners to the potential problems and offered advice on effective counter-measures to deter a piracy boarding. MARAD actively participated with industry partners such as the Maritime Security Council and Seamen's Church Institute, to advise on training techniques, informational resources available, threat dissemination, and incident reporting. (See Chart 1.)

The Agency continued to promote the use of the Defense Mapping Agency's Navigation Information Network's Anti-Shipping Activities Message (ASAM) system to report incidents for a data base available to all mariners. There was an increase in reporting, but a large number of incidents still were thought to be unreported. A total of 101 incidents were reported in FY 1995. While reporting of incidents may represent only one third of the actual total, it is noted that the most active area for piracy remains in South East Asian waters, the Horn of Africa, and Brazil. (See Chapter 3 -- International Activities and Chapter 4 -- Port, Intermodal, and Environmental Activities.)

War Risk Insurance

Title XII of the Merchant Marine Act of 1936, as amended, authorizes MARAD to administer the war risk insurance program. The program insures operators and seamen against losses resulting from war, or war-like actions, during periods when commercial insurance is not available on reasonable terms and conditions.

At the end of this reporting period, the War Risk Revolving Fund (Fund) asset total was approximately $25,119,000. There were no new assureds receiving binders during FY 1995. The fund earned $1,700,000 in

investment income. Program expenses for FY 1995 totaled $53,316.

As of September 30, 1995, there were 257 binders attached to provide eligibility for hull protection and indemnity and Second Seamen's war risk insurance. These binders would be effective for 30 days following termination of commercial insurance.

No binders were outstanding in MARAD's related standby war risk cargo insurance and builder's risk insurance programs.

Statutory authority covering the Title XII War Risk Insurance Program expired on June 30, 1995. At the end of the reporting period, MARAD was awaiting enactment of legislation for the renewal of this authority. Congress reinstated the war risk authority on February 10, 1996, for a 5-year interval expiring June 30, 2000.

Title XI and Other Insurance Compliance

MARAD monitors the contractual requirements for marine insurance coverage placed in the commercial market for 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 FY 1995 aggregated 42 percent placement in the American market and 58 percent placement in foreign insurance markets. This contrasts with the 54 percent American market placement for hull and machinery insurance during fiscal year 1994.

Scrapping or Removal of Obsolete Vessels

No Government-owned vessels were sold scrap.

MARAD continued negotiations with the Environmental Protection Agency to allow continued sale of obsolete vessels from the National Defense Reserve Fleet.

RRF Claims Settlement

MARAD continued to act as the claim agent for Government- owned RRF vessels in FY 1995. From the inception of Operation Desert Shield/Desert Storm through the end of FY 1995, approximately 375 personal injury claims submitted by or on behalf of American merchant seamen had been settled, at a total cost of approximately $16.2 million. Among claims pending resolution at year's end were those for seamen who crewed RRF vessels in support of Operation QUICK LIFT to the former Republic of Yugoslavia, as well as Operation RESTORE HOPE to Somalia. As of September 30, 1995, approximately 30 administrative claims were pending. In addition, MARAD was assisting the U.S. Department of Justice in resolving approximately 70 claims in which litigation against the United States was brought by or on behalf of the claimant.

Chart 1: Piracy and Attacks on Merchant Shipping in FY 1995

Region	Number of Reported Incidents[1]
China Sea littoral, including Indonesia, Vietnam, Hong Kong, China, and the Philippines	21
Indonesia littoral, including Straits of Malacca and Singapore	24
Brazil	18
Somalia and Horn of Africa	20
Ecuador	4
Other Regions	14

[1]Sources: U.S. Defense Mapping Agency, Navigations Information Network, Anti-Shipping Activities Message database; and Office of Naval Intelligence Worldwide Threat to Merchant Shipping, issued on a weekly basis (unclassified).

Table 1: NATIONAL DEFENSE RESERVE FLEET--SEPTEMBER 30, 1995

Home Port	NDRF Retention[1]	NDRF Non-Retention[2]	Reimbursable Custody[3]	Totals
James River, VA	37	33	37	107
Beaumont, TX	39	8	4	51
Suisun Bay, CA	24	22	35	81
Other Locations	55	2	0	57
Totals:	155	65	76	296

[1] Vessel being maintained for emergency activations, for historic display, or for spare equipment. Number shown includes RRF ships.
[2] Vessels pending disposal.
[3] 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--1995

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

Table 3: MARINE AND WAR RISK INSURANCE APPROVED IN FY 1995

		Percentage	
Kind of Insurance	Total Amount	American	Foreign
Marine Hull & Machinery	$3,209,744,122	42	58
Marine Protection and Indemnity [1]			
War Risk Hull and Machinery	$2,327,041,803	30	70
War Risk Protection & Indemnity	$2,327,041,803	30	70

[1]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.

Chapter 2

Shipbuilding and Ship Conversion

Shipbuilding Initiatives

Title XI Guarantees

Title XI of the Merchant Marine Act, 1936, as amended, established 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.

On November 30, 1993, the National Shipbuilding and Shipyard Conversion Act of 1993 (Shipbuilding Act) was enacted (Sections 1351 to 1363 of the National Defense Authorization Act for Fiscal Year 1994 [Public Law 103-160]). It 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. It is expected to help reestablish the American shipbuilding industry as an internationally competitive industry.

The benefits of the Administration's shipbuilding initiatives are already evident. Interest in Title XI from both domestic and foreign buyers has been strong. Accomplishments include approval of the first U.S.-built commercial ship order for a foreign buyer since 1957. The vessels, to be built in Newport News, VA, for Eletson Corp. (Fleves Shipping Corp.) of Piraeus, Greece, are expected to generate 500 shipyard jobs.

Since FY 1994, MARAD has approved 21 new Title XI applications totalling approximately $727 million in financing guarantees. Significantly, prior to the President's announced initiative, MARAD was processing only three applications for new vessels.

During FY 1995, MARAD approved Title XI applications totaling approximately $437 million in financing guarantees. These projects include eight tankers, one breakbulk/container vessel, one paddlewheel steamboat, one catamaran ferry, one undersea warfare surface support ship, one deepwater supply vessel, various types of barges and tugs. One Title XI loan guarantee for a $17.78 million shipyard modernization project at Avondale Shipyards in New Orleans, LA was also approved in this reporting period. Other applications for shipyard modernization projects are now under review. It is anticipated that these projects will allow shipyards to perform contracts more efficiently through productivity improvements.

Title XI applications approved in FY 1995 are shown on Table 4. As of September 30, 1995, there were 30 Title XI applications pending.

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, 1995, Title XI guarantees in force aggregate approximately $1.7 billion, covering approximately 1,824 vessels and 106 individual shipowners.

During FY 1995, Congressional authority for the Title XI program had a cap of $12 billion, of which $850 million is authorized to guarantee the financing of fishing vessels and fisheries facilities by the National Oceanic and Atmospheric Administration. Title XI guarantees for eligible export vessels are limited to $3.0 billion.

Title XI program participants are charged a one-time filing and investigation fee plus an annual guarantee fee. There were one default and nine voluntary payoffs on Title XI guaranteed contracts in FY 1995.

During FY 1995, the Federal Ship Financing Fund had a net income of $72.2 million. The cash balance of the fund on September 30, 1995, was $3.9 million. The Fund has been self-supporting since July 1989. One default occurred during FY 1995. Treasury investments of the Fund on September 30, 1995, were $396.8 million. The cash and investment balance of the fund on September 30, 1995, was approximately $400.7 million. During the fiscal year, in accordance with the Credit Reform Act, MARAD determined its current needs and transferred excess funds of $585 million to Treasury.

MARITECH

The National Shipbuilding and Shipyard Conversion Act of 1993 also contains funds for industry-initiated research and development projects, under the MARITECH program. These cooperative research agreements, funded on a 50/50 basis with industry, are intended to strengthen the Nation's shipbuilding technology as the industry re-enters the international marketplace for commercial ship construction and to maintain defense readiness. They are awarded on a competitive basis by MARAD in partnership with the Department of Defense (DOD). The effort has two phases. The first phase focused on near-term market penetration with competitive, commercial ship designs for international buyers. These efforts expanded into the second phase, namely, to encompass longer-term technology development.

The MARITECH program has been well received. To date, the Department of Transportation and DOD have approved 44 MARITECH projects representing over 147 participants located in 22 states and 9 foreign countries. The projects cover research and development for a broad selection of ship types: double hull tankers, passenger vessels, dry and bulk cargo vessels, container ships, high speed ferries, and off-shore service craft. MARAD has been selected to administer 24 of these projects with a total value of $100 million in Government and industry funding.

Through the expanded Title XI program and its complementary MARITECH program, administered by MARAD and DOD, MARAD has provided the shipbuilding industry with the impetus to modify its operations to more effectively compete in the international marketplace. 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, have developed commercially viable ship designs, and have entered into partnerships with international shipbuilders.

The MARITECH program has begun to fulfill the President'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. U.S. commercial shipbuilding capabilities and jobs, and the skills their workers possess, are now on the rise after many years of decline.

Also in FY 1995, MARAD participated in an effort led by the United States to remove foreign shipyard subsidies that met with success at the Organization for Economic Cooperation and Development (OECD), when an agreement was concluded in FY 1995 among the OECD nations and others to eliminate unfair subsidies to shipbuilders. This agreement will become effective 30 days after all signatories enact appropriate enabling legislation to modify existing laws not consistent with the terms of the OECD agreement.

In order to further assist U.S. shipyards' ability to become internationally competitive, MARAD is working closely with standards developing organizations, such as the International Maritime Organization (IMO) and the U.S. Coast Guard (USCG), to assist in the adoption of international ship construction and quality standards, thus removing any unfair advantage foreign competitors may have as a result of less stringent requirements.

Capital Construction Fund (CCF)

The 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.

During calendar year 1994, $142 million was deposited into these accounts. Since the program was initiated in 1971, fund holders have deposited $6.0 billion in CCF accounts and withdrawn $4.8 billion for the modernization and expansion of the U.S. merchant marine. As of December 31, 1994, a total of 113 companies were parties to CCF agreements (see Table 7).

Another matter of importance involved defending Department of Transportation authority to administer the CCF program. In the Fall of 1993, MARAD learned the Internal Revenue Service (IRS) was taking certain positions at variance with the provisions of applicable CCF regulations and contractual agreements. Meetings over a 2-year period among DOT, IRS, the Department of Treasury, and MARAD failed to resolve the dispute. Meanwhile, the Department of Commerce's National Oceanic and Atmospheric Administration became involved in a separate dispute over the administration of its CCF program for fishing vessels. In June 1995, the General Counsels of DOT and Commerce submitted a joint brief to the Office of Legal Counsel (OLC) in the Department of Justice requesting OLC to resolve the dispute with IRS and Treasury. The matter was pending at year's end.

Construction Reserve Fund (CRF)

Like the CCF, the 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 three 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 six to eight during fiscal year 1995 (see Table 8). The total monies on deposit increased from $1.7 million to $2.1 million.

National Maritime Resource and Education Center (NMREC)

MARAD formed the National Maritime Resource and Education Center (NMREC) to assist the U.S. shipbuilding, ship repair, and associated industries in improving their international competitiveness. NMREC programs will be added or modified to meet industry needs. Under NMREC, MARAD established the following new initiatives to assist these industries.

NMREC Home Page and MARlinespike Bulletin Board

The NMREC portion of MARlinespike, MARAD's computer bulletin board, has been operating for almost a year. A wide array of information relating to NMREC programs, such as standards, guideline specifications, computer-aided design, seminar topics and dates, metrication, and research and development activities, are available to the marine industry. (See Chapter 10.)

Computer-Aided Design (CAD) Component Library

MARAD established a "Computer Aided Design (CAD) Component Library," which allows shipyards to download files from the MARlinespike bulletin board and use them in their designs. To date, there are 21 CAD files available for use.

Marine Industry Standards Library

International, foreign, and domestic standards are available from the Marine Industry Standards Library as well as information pertaining to standards. Technical assistance is available to the marine industry for questions on standards and applications. During FY 1995, the Library's customers have included marine equipment suppliers, shipyards, consultants, and several Government agencies. The activities have included 146 requests processed, which resulted in 264 documents totalling 9,167 pages.

MARAD Guideline Specifications for Merchant Ship Construction

MARAD is updating its Standard Specifications with current requirements to assist U.S. shipyards in the export business. The Guideline Specifications references international, foreign, and domestic commercial standards using the metric system. An Executive Summary has been prepared in addition to the detailed version. They were reviewed by the USCG, international classification societies, and members of the maritime industry. Both versions will be made available in hard copy, by downloading from the MARlinespike and the NMREC Home Page.

Seminars

MARAD's NMREC held four seminars in FY 1995. The participants consisted of chief executive officers, presidents, and top management in the marine industry. The seminar topics included Title XI Loan Guarantees, Cruise Ship Construction in the U.S.A., Shipbuilding Competitiveness, and Assessing the Impact of Marine Environmental Standards and Regulations on U.S. Competitiveness in International Markets.

The Title XI Loan Guarantees seminar offered discussions of this U.S. Government guarantee program for private sector debt financing, with emphasis on the terms of the program and procedures applicants must follow.

Cruise Ship Construction in the U.S.A. was presented by Lloyd's Register and focused on the aspects of modern cruise ship structure design and operations as well as the safety aspects of ship construction.

Shipbuilding Competitiveness was presented by A & P Appledore International, and focused on factors that are directly related with achieving high productivity.

Assessing the Impact of Marine Environmental Standards and Regulations on U.S. Competitiveness in International Markets was presented by MARAD with guest speakers addressing the Impact of ISO 14000 on Business Operations, Maritime Industry Concerns, Government Response, and Action Items/Next Steps Leading to Consensus Approach.

ISO 9000

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 the Society of Naval Architects and Marine Engineers (SNAME) through the sponsorship of the National Shipbuilding Research Program (NSRP) for workshops and conferences. MARAD's representative is an Executive Steering Group Member to the Government/Industry Quality Liaison Panel (G&IQLP). The G&IQLP was created by the Federal 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.

Joint Efforts with the United States Coast Guard (USCG)

The Maritime Administrator and the Chief, Office of Marine Safety, Security, and Environmental Protection, USCG, meet on a quarterly basis to discuss issues relating to regulations and standards. In addition, MARAD and USCG personnel continue to meet on various issues regarding the adoption of voluntary consensus standards in lieu of regulations. MARAD and USCG personnel meet to improve international safety rules for various ship types, including dry cargo ships and RO/RO passenger ferries.

Support to ISO/TC-8

Support is being provided to the U.S. Technical Advisory Group to the International Standards Organization on Ships and Marine Technology (ISO/TC-8). MARAD is an active participant in the American Society for Testing and Materials (ASTM) shipbuilding standards committees, where conversion from ASTM standards to ISO standards is in process. Metrication of standards is being stressed by MARAD to make them acceptable as ISO standards.

Metrication

It is MARAD's goal to convert to the System International (SI) measurement (metric) by 1997. To accomplish this, MARAD will issue 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" (OUTLOOK) and "The Report on Survey of U.S. Shipbuilding and Repair Facilities" (Survey) are published using the SI system. MARAD also has publications relating to the SI system of measurement available for dissemination to industry.

Assessment of Environmental Issues Affecting Competitiveness of the United States Ship Repair Industry

MARAD awarded a contract to Halliburton NUS to perform a research and development project. The project is scheduled for completion in July 1996. It encompasses a comprehensive assessment of environmental issues which are considered to affect the competitiveness of ship repair in the United States.

MARAD's goal is to assist the U.S. ship repair industry in complying with increasingly complex and costly environmental laws and regulations. In addition, the contract study is designed to enhance the industry's competitiveness in worldwide markets by identifying and determining the approaches that foreign ship repair industries utilize to address and comply with their national environmental laws and regulatory requirements.

Shipyard Activity

As of September 30, 1995, there were 9 commercial oceangoing vessels larger than 1,000 gross tons on order from commercial shipyards in the United States.

Commercial shipyards continued to be awarded all the Navy's new construction contracts. Seven new vessels of 1,000 light displacement tons (LDT) and larger were ordered and 19 new Navy vessels were delivered by privately owned U.S. shipyards during this reporting period.

As of September 30, 1995, 54 Navy vessels 1,000 LDT and larger were under construction, being converted, or on order in nine privately owned U.S. shipyards. Thirty-one have delivery dates extending through 1997.

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, 1995, 11 T-ships were on order or under construction in 3 privately owned U.S. shipyards. In addition, there were five T-ships undergoing conversion. Three T-ships were completed and orders for four new ships were placed in FY 1995.

While naval construction continues to represent the mainstay of business for some commercial shipyards, the expanded Title XI program has given the U.S. shipbuilding industry the impetus to modify the way they operate in order to compete in the international marketplace. U.S. shipbuilders are closing the gap to offer competitive prices for new construction projects in the world market.

Shipyard Improvements

The U.S. shipbuilding and ship repair industry invested more than $162 million in FY 1995 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.

Ship Structures Research

MARAD participates in the activities of the Ship Structure Committee (SSC), an international interagency group and research sponsor dedicated to promote safety, economy, marine environmental protection, and education in the North American maritime industry through the advancement of marine structures technology. Established in 1946, the Committee advises the Government on improving the structural design, material, and construction methods for ships. The Committee also supports the research and development that focuses on improving the safety and integrity of marine structures, reducing marine environmental risks, and supporting 804 of the Merchant Marine Act, 1936, as amended, precludes subsidized U.S.-flag operators or their affiliates from operating foreign-flag vessels which compete with essential U.S.-flag shipping services unless the Secretary of Transportation waives the provision of this section for a specific period of time.the U.S. and Canadian maritime industry in shipbuilding, maintenance, and repair.

During the reporting period, the Committee selected 1 project for funding, initiated the contracting processes for 4 projects, administered 22 on-going projects, received 6 draft reports, and published 10 reports. These projects covered the areas of probability based design, fatigue and fracture, corrosion control, strength of pitted plates, weld properties, and hydrogen cracking prevention. The Committee selected the following projects for future development:

o SR1381 Development of CD ROM Library of SSC Reports

o SR1382 Evaluation of Effect of Construction Tolerances on Vessel Strength

o SR1383 Failure Definition for Structural Reliability Assessment

o SR1384 Crack-Arrest Toughness of Steel Weldments, and
o SR1385 In-Service Nondestructive Evaluation of Fatigue and Fracture Properties for Ship Structures.

Offshore Petroleum Discharge System Program (OPDS)

The OPDS Conversion Program, which began in 1984, is part of a project which uses modified tankers to pump fuel to Marine Corps and Army beach units from an offshore mooring. The system is designed to deploy up to 4 miles of conduit from ship to shore and begin delivering petroleum products within 48 hours of arrival on station. Other tankers can come alongside the OPDS, tie up, and transfer their cargo to shore. These operations are accomplished by civilian tanker personnel, with assistance from Navy tugs and diving units.

At the U.S. Navy's request, MARAD designed and contracted for the conversion of five OPDS vessels. The redeliveries of the OPDS-1 through OPDS-5 are shown on Chart 2. The fifth and final OPDS vessel was redelivered in February 1995.

Table 4: TITLE XI APPROVED GUARANTEES IN FISCAL YEAR 1995[1]

Company	Vessels	Type	Guarantee Amount
Avondale Industries, Inc.	N/A	Shipyard Modernization	$ 17,780,000
Fleves Shipping Corp.	4	Product Tankers	133,542,000
Edison Chouest Offshore	1	Undersea Warfare Surface Support Ship	11,658,282
Bay Transportation Inc. d/b/a St. Phillip Towing	2	Stern Drive tractor tugs	10,174,000
American Heavy Lift Shipping Co.	4	Double-hulled product tankers	139,364,475
Surf Express, Inc.	1	Wave Piercer Catamaran Ferry	1,480,000
Alpha Marine Services, Inc.	6	Tractor-type tugs	11,799,000
Canal Barge Co. Inc.	4	Steel Liquid Tank Barges	4,359,645
	1	260' Deck Barge	
	1	120' Deck Barge	
Manson Construction & Engineering	3	Dump Barges	8,544,000
Maryland Marine Inc.	4	Double-skin, Unmanned tank barges	4,500,000
Martin Gas Marine Inc.	2	Tug/barge Unit	14,875,000
Great AQ Steamboats Co.	1	Paddle-wheel steamboat	60,746,000
Alpha Marine Services, Inc.	1	Deepwater supply vessel	5,250,000
Edison Chouest Offshore Inc.	1	Self-sustaining breakbulk container vessel	12,883,000
TOTAL			$436,955,402

[1]In FY 1995, 14 applications were approved: One application involved shipyard modernization and 13 involved new vessel construction. At year's end, there were 30 applications pending.

Table 5: FEDERAL SHIP FINANCING GUARANTEE (TITLE XI) PROGRAM SUMMARY -- SEPTEMBER 30, 1995

	Contracts in Force	
	Vessels Covered	Principal Liability Outstanding (Millions)
Coastal	103	$ 124,166,196.31
Bulk	58	1,024,146,493.73
Drill Rig	1	1,806,000.00
Drill Supply	9	3,605,710.00
Inland	1,329	164,329,000.00
Liner	297[1]	141,768,000.00
Other	27	263,195,322.72
TOTALS[2]	1,824	$1,723,016,722.16[3]

[1]Includes 289 LASH barges.
[2]Includes cruise vessels, dredging vessels, crane barges, pipe-laying barges, power plants, and mproved projects.
[3]Statutory limit is $9.5 billion.

Table 6: WORLDWIDE SHIP DELIVERIES - CALENDAR YEAR 1995

(Note: Tonnage in Thousands)

Country of Construction	**Total** All Types No.	**Total** All Types Deadweight Tons	Combination Pass. & Cargo No.	Combination Pass. & Cargo Deadweight Tons	Freighters No.	Freighters Deadweight Tons	Bulk Carriers No.	Bulk Carriers Deadweight Tons	Tankers No.	Tankers Deadweight Tons
Total	**804**	**32,322**	**13**	**69**	**345**	**5,635**	**250**	**15,061**	**196**	**11,557**
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

Table 7: CAPITAL CONSTRUCTION FUND HOLDERS -- September 30, 1995

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

Table 8: CONSTRUCTION RESERVE FUND HOLDERS -- SEPTEMBER 30, 1995

American Heavy Lift Shipping Company
C.P. Leasing Group
Cenac Towing Co., Inc.
Central Gulf Steamship Corporation
M.P. Leasing Group.
Pacific Hawaiian Line, Inc.
Serodino, Inc.
Siegfried Company

Chart 2: OFFSHORE PETROLEUM DISCHARGE SYSTEM PROGRAM SCHEDULE

NAME	SHIPYARD	REDELIVERY
OPDS-1 SS POTOMAC	Alabama SB & DD	March 3, 1986
OPDS-2 SS AMERICAN OSPREY	Alabama SB & DD	August 8, 1988
OPDS-3 SS CHESAPEAKE	Houston Ship Repair	July 15, 1991
OPDS-4 SS PETERSBURG	Houston Ship Repair	February 23, 1994
OPDS-5 SS MOUNT WASHINGTON	Marine Hydraulics, Inc.	February 24, 1995

Chapter 3

International Activities

The 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.

Agreement with Brazil

During talks held in July 1995 in Brasilia, the United States and Brazil concluded negotiations on a new 3-year maritime agreement. The agreement assures U.S.-flag carriers equal access to Brazilian government cargoes and reaffirms the commitment of both countries to continue liberalizing their maritime trade. In Agreed Minutes of the discussions, the United States emphasized support for U.S. carrier efforts to obtain licenses to operate bonded warehouse facilities. In addition, the U.S. delegation stressed its interest in gaining full access for U.S. liner carriers to cargo moving between Brazil and its South American neighbors.

Organization for Economic Cooperation and Development (OECD)

In December 1994, the United States and the world's other key shipbuilding nations (including Japan, Korea, the European Union, and Norway) signed the OECD Shipbuilding Agreement. The agreement is designed to eliminate government subsidies and other trade-distorting practices in the industry. It carries out a key goal of the Administration's shipyard revitalization plan--to ensure fair international competition. At the request of the U.S. Trade Representative, MARAD played a major role in helping to draft implementing legislation for consideration by Congress. In June 1995, a MARAD official joined the U.S. delegation in an OECD meeting to discuss preparations for the agreement's entry into force.

MARAD also was represented on the U.S. delegation at meetings of the OECD's Maritime Transport Committee. Issues discussed by the Committee included competition policy, support measures for shipping, and OECD relations with Asia and Eastern Europe.

Meeting with Vietnam

MARAD officials met with a Vietnamese delegation, headed by Hoan Ngoc Le, First Vice Minister of Transportation, in Washington, DC, on September 26, 1995, to explain the Agency's programs available to the maritime industry. This was the first contact by MARAD with the Socialist Republic of Vietnam since the normalization of diplomatic relations was announced on July 11, 1995. The meeting provided an opportunity for the Agency to express the importance of developing a positive maritime relationship between the two nations. The Vietnamese delegation also met with Secretary of Transportation Federico Peña and representatives from DOT's Federal Highway Administration and Federal Railroad Administration.

Asia-Pacific Economic Cooperation Transportation Ministerial

The Maritime Administrator participated in an Asia-Pacific Economic Cooperation (APEC) Transportation Symposium and Ministerial on June 12-13, 1995, in Washington, DC. Secretary Peña convened the ministerial conference with representatives from all APEC members, as well as industry representatives from all modes of transportation. The central theme of the symposium was "Transportation in the Asia-Pacific Region: Supporting Economic Growth and Prosperity."

General Agreement on Trade in Services (GATS)

MARAD participated in several sessions of the GATS Negotiating Group on Maritime Transport Services (NGMTS) held in Geneva. At these meetings a fact-finding initiative identified maritime policies and practices of participating countries with respect to international shipping, auxiliary services, and port access. The NGMTS is scheduled to conclude its work in 1996.

Consultations with Canada and Mexico

MARAD officials also met in Ottawa in June 1995 with maritime delegations from Mexico and Canada. This was the first meeting of the Maritime and Port Policy Subgroup established under the North American Free Trade Agreement (NAFTA) during the Transportation Summit held in 1994. The primary purpose of the meeting was to review maritime transport policy developments. Among the subjects discussed were marine policy initiatives, port privatization, and multilateral trade issues affecting North America.

Other Activities

MARAD chaired a meeting in Washington in April 1995 between a U.S. delegation and the Consultative Shipping Group, an informal organization consisting of West European shipping nations and Japan. Discussions covered a wide variety of maritime topics, including competition policy, support measures, market access, and safety and environmental matters. For the first time in such meetings, Canada and Mexico participated as observers.

In October 1994, MARAD participated in the U.S. delegation for the initial meeting under the Transportation, Science and Technology Exchange Agreement between the U.S. Department of Transportation and the Japanese Ministry of Transport. MARAD's areas of interest included advanced ship navigation technology and marine environmental protection issues.

The Agency also participated in the annual meeting of the Transport Canada-U.S. Department of Transportation Emergency Planning Committee for Civil Transportation held in Washington, DC, in May 1995.

Additionally, MARAD participated in meetings and training sessions of various subsidiary groups of the North Atlantic Treaty Organization (NATO). The Maritime Administrator is the Washington Chairman of NATO's Planning Board for Ocean Shipping. 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.

The first of three seminars on "Port Security Training For the Control Of Drugs, Chemicals and Hazardous Materials" was held for officials from English-speaking Caribbean Basin countries in Barbados during April 1995. The seminars are sponsored by the Organization of American States (OAS) and its Inter-American Drug Abuse Control Commission and are funded by the U.S. Department of State. The seminars, organized by MARAD to provide port training for port officials in Latin America, are intended to alleviate the criminal threat to trade by improving port security.

The OAS Port Training Committee, chaired by a MARAD representative, held its first Inter-American Course on Port Security in October 1994 at the Port of Miami. Twenty-nine representatives from 25 nations in the Western Hemisphere participated in this 3-week training event. Topics included physical port security practices, port safety measures, cargo thefts, drug smuggling, stowaways, piracy, anti-terrorism, hazardous cargoes, bombs/explosives, organized crime, and advanced technological detection equipment. The course included on-site inspections of the Port of Miami facilities and U.S. Customs Service and U.S. Coast Guard sites. It was funded by the OAS and the Port of Miami.

Chapter 4

Port, Intermodal, and Environmental Activities

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, the Agency directs the use of ports and port facilities and the priority use and procurement of containers and other intermodal equipment to minimize disruption of commercial inventory distribution. (See Chapter 1.)

MARAD provides for environmental control and pollution abatement of ship-generated pollution caused by vessels under its jurisdiction. The Agency also supports the U.S. maritime industry on domestic environmental compliance issues and serves as an advocate for the U.S. maritime industry on international environmental issues to ensure the industry's competitiveness in the global marketplace. (International port and intermodal activities are discussed in Chapter 3.)

A reorganization at the beginning of FY 1995 established the Office of the Associate Administrator for Ports, Intermodal, and Environmental Activities.

Ports and Domestic Shipping

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 FY 1995 activities are summarized below.

Congressional Report on Public Ports

The Secretary of Transportation is required by Public Law 96-371 to report biannually to the Congress on the status of United States public ports. The report for calendar years 1992 and 1993 examined the capabilities, composition, and financial status of the port industry, highlighted issues and problems, and reviewed the importance of U.S. ports to the Nation's economy and military security.

Port Facility Conveyance Program

Public Law 103-160 authorized DOT to convey Base Realignment and Closure (BRAC) and other surplus Federal property to public entities for the development or operation of a port facility. This authority was subsequently delegated to MARAD for implementation. The program provides a mechanism for entities to acquire needed property at no consideration, provided it is used and maintained in perpetuity as a port facility. MARAD processes applications, conveys assigned property, and enforces compliance with the terms and conditions of the conveyances. No conveyance have been completed during the fiscal year.

National Maritime System (NMS)

The NMS significantly contributes to the American economy and links the United States to the world. Over 1.9 billion metric tons of foreign and domestic commerce were transported by water in 1993.

The NMS is composed of deepdraft ocean trades, the deepdraft rivers, bays and estuaries -- including over 1,205 miles of channels and canals. It also includes over 10,500 miles of shallow draft inland and intracoastal waterways, 160 locks and dams and 355 ports.

In addition, the NMS includes the coastwise and intercoastal deepdraft trades, and U.S. controlled offshore sealanes to Alaska, Hawaii, Puerto Rico, and Guam, as well as the Great Lakes deepdraft trades.

MARAD defined the NMS to ensure that its importance was fully recognized during development of the National Transportation System (NTS).

Automated Tools for Improved Planning and Operations

MARAD continued its efforts to develop automated tools to assist in improving port planning and operation capabilities and to estimate advances in productivity and contributions to the local and national economies.

The Agency continued evaluating the use of geographic information systems (GIS) as they apply to intermodal port planning and operations.

At year's end, MARAD was developing GIS simulation technologies for port planning. These advanced technologies can be used to model marine terminal, ship, rail, and truck operations using simulation mapping techniques.

MARAD completed development of an educational video titled, *"U.S. Ports: Intermodal Gateways to Growth."* The purpose of the video is to educate the public on the importance of the U.S. port system in our local, regional, and national economies.

Technical Assistance

MARAD continued to provide technical assistance to the port and intermodal industry. Several projects were aimed at enhancing the role of U.S. ports and intermodal transportation companies in economic development and national defense. This involved developing analytical reports, methodologies, and data systems for improving planning, productivity, and the general efficiency of port management and marine terminal operations. Projects were cost-shared by MARAD and appropriate State or local port authorities and private sector organizations.

In addition, MARAD provided information to support several local port dredging projects and dredged material disposal plans. In discussions with the U.S. Army Corps of Engineers, the Agency stressed the importance of adequate water depths in navigation channels and berthing areas to national trade competitiveness and intermodal transportation efficiency.

Port Planning

MARAD participated in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and landside access presentations with other Department agencies and with private entities. Port planning information systems and port financial and economic analyses were emphasized as well as development of generic methodologies that can be used by any port and region.

Projects under these programs which were completed, ongoing, or initiated in FY 1995 are briefly summarized in the sections which follow:

National Freight Transportation Model

Many sources predicted the Nation's foreign commerce would grow at a compounded rate of five to eight percent over the next several years. This indicated that between 2010 and 2020 approximately 12 million cargo containers would be moving through our harbors and ports and over our highway and rail networks. A key question is whether there would be adequate port capacity to cope with this volume of containers.

A 1992 MARAD/Corps of Engineers study of container movements through South Atlantic ports provided a breakthrough context for investigating potential capacity limitations as these volumes are imposed on the system. During FY 1995, MARAD accomplished the following:

- With the Corps of Engineers and others, developed a conceptual paper on the expanded national model.
- Developed a scope of work and cost estimate for making the expansion and building the modeling capability.
- Initiated discussions with DOT's Office of Economics and with Oak Ridge National Laboratory for financial and technical support. The Office of Economics perceives this project as an important contribution to the National Transportation System and is considering allocation of up to $250,000 in matching funds.

Public Port Financing

The United States is the world's largest trading nation. U.S. ports, as facilitators and transfer points for most international commerce, must have a sound financial base in order to remain competitive.

This year MARAD began updating of its publication, *Public Port Financing in the United States.* Among other things, the report assessed the profitability and self-sufficiency of U.S. public ports from 1988-1992. MARAD has initiated an addendum to the 1994 report which will investigate whether port size, type of

operation, type of government agency, and strategic planning impact on public port profitability. The addendum has been funded under a cooperative effort between MARAD and the American Association of Port Authorities (AAPA).

This year MARAD also:

- Created an extensive database (18 years, from 1977-1994) of U.S. port financial data to allow more extensive analysis over time.

- Prepared and published the *United States Port Development Expenditure Report*. The report summarizes the public port industry's capital expenditures for 1993 and proposed expenditures for 1994 through 1998. The report also analyzed the funding sources used to finance these expenditures.

Public Port Pricing

MARAD began evaluating and revising a port pricing model last published in October 1986. Traditionally, most public ports have relied on some form of subsidy (tax revenues and/or taxing authority, grants, bonding authority, etc.) to cover their operating and debt expenses. However, with competition growing for fewer government dollars, public ports realize the necessity to maximize operating revenues as the best way to finance both present operations and future capital expenditures.

Risk Management

MARAD also began revising its *Port Risk Management Guidebook*, last published in 1985. The guidebook is designed to provide port executives with the basic skills and information needed to establish and maintain appropriate, cost-effective insurance programs. It is designed to assist port executives at small and medium U.S. ports with part-time responsibility for port risk management and insurance. The revised *Guidebook* should also be useful for experienced risk managers who need to be familiar with the special risk management requirements of public port authorities.

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, stowaways, 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 functions in FY 1995 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 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. cargoes in foreign trade.

- Assisting shipboard security training conducted at the U.S. Merchant Marine Academy.

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

(Also see Chapter 1 -- National Security and Chapter 3 -- International Activities.)

Development of GIS for Port Planning

A Geographic Information System (GIS) is a system of computer hardware, software, and procedures designed to support the capture and management, manipulation, analysis, and modeling of spatially referenced data solving complex planning and management problems. In FY 1995, MARAD supported development of the technology as an analytical tool. One major component of the GIS will be

the ability to analyze the dynamics of cargo flows on international and domestic routes, including port and intermodal connections.

Remediation of Marine Contaminated Sediments

The National Research Council's Marine Board was jointly funded by the Environmental Protection Agency, the Maritime Administration, and the U.S. Army Corps of Engineers, the National Oceanic and Atmospheric Administration, and the U.S. Navy to study and investigate the feasibility of decontamination technologies to remediate contaminated sediments. This was of particular interest because of dredging and disposal of dredged operations that occur at port and harbor locations. The final study will serve as a technical tool that will provide guidelines on the optimum utilization of decontamination technologies.

Development of Ferry Systems

The rebirth of ferry systems in urban metropolitan areas is a recent phenomenon occurring within ports and harbors of the United States. Funds expended to-date for new ferry development have resulted mostly from private sector investments. There are now current initiatives to form private sector partnerships in funding and development. In this vein, MARAD has been instrumental in facilitating and coordinating activities to promote ferry development with the DOT and the private sector.

MARAD, working jointly with FHWA and FTA, assisted the State of New Jersey in the development of a new ferry terminal in Weehawken, NJ, which will be co-located with a new light rail commuter station. These cooperative efforts resulted in the project receiving a $1 million grant from FHWA under Section 1064 of ISTEA for project planning and a $2.1 million grant to New York DOT for terminal improvements in Manhattan.

Resolution of Land Use and Port Access Conflicts at Inland Waterway Ports

Under the National Maritime Enhancement Institute Program, funded by the Maritime Administration, the University of Memphis was awarded a contract to analyze the land use/traffic access conflicts that are created by the redevelopment of inland waterway waterfront areas and at ports and terminals. In addition, the University of Memphis developed guidelines which could be used by local decision-makers to conduct the transportation and redevelopment planning process recognizing the needs of the inland waterway industry. This university research work used case studies to examine the inland waterway system and certain coastal ports.

The potential exists for this work to serve as an educational 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.

Port Operations Program

Port Readiness

The Maritime Administration continued its efforts to ensure that port facilities will be available to the military when there is a deployment of troops and their supplies. Planning orders at selected ports provided the ports with listings of the specific facilities which the military plans to use in a deployment. Retaining membership in the National Port Readiness Network, MARAD--

o Began monthly port status reporting concerning availability of facilities at ports with planning orders

o Monitored Port Readiness Exercise (PRX-95) in Houston, TX

o Visited all ports with planning orders to identify which facilities should be listed in planning orders

o Developed plans for semi-annual port visits

o Issued new planning orders to replace those which had expired or where new facilities would be listed

o Established a policy wherein planning orders would be valid for a 1-year, which would encourage discussions by MARAD and the military with port officials

o Began draft of a new issue of the *Planning Order Digest* which provides information on all planning orders currently in effect.

Intermodal Development

MARAD established the new Office of Intermodal Development in FY 1995. The primary mission of the new office is to promote development and improved utilization of marine-related intermodal transportation systems and advanced cargo handling technologies.

Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)

ISTEA marks the first time Federal transportation policy explicitly recognized intermodal connections as an important element for transportation planning and decision making. In FY 1995, ports and intermodal terminal operators continued to view provisions of ISTEA as one of many ways to address and potentially fund adequate land transportation port access infrastructure.

MARAD continued to work with the port and maritime industry and the Federal Highway Administration (FHWA) to identify port access connectors to the National Highway System (NHS). The National Highway System Act of 1995, which was signed into law November 28, 1995, identified over 100 major port access connectors. The Act directs the Secretary of Transportation to submit additional NHS connectors to Congress for approval within 180 days of enactment. Most states have submitted their additional recommendations to DOT for consideration.

MARAD continued its efforts to assure that land transportation infrastructure requirements of the maritime industry were addressed adequately.

The Agency also continued its educational outreach program with public and private sector organizations to address all port-related provisions of ISTEA. Efforts in FY 1995 were focused on briefings and technical seminars conducted in cooperation with other DOT operating agencies. The overall program informs State and local transportation officials and metropolitan planning organizations (MPOs) in port regions about the importance of including intermodal port access in their planning and funding processes.

National Transportation System (NTS)

MARAD continued active involvement in the Department's efforts to develop a NTS concept. DOT is refining the NTS concept to focus on three products-- a transportation performance monitoring system, a national/regional level system analytical capability, and a state of the transportation system report. MARAD's objective is to ensure that marine transportation and intermodal freight components of the NTS receive adequate appraisal, consideration, and funding.

Intermodal Systems and Equipment

A key initiative for the Agency is the Maritime System of the Americas Program. This system explores transportation opportunities on the Inland Waterway System that connects 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.

Through the Cargo Handling Cooperative Program (CHCP), the Agency continued to support research to advance cargo handling techniques in support of marine-related intermodal transportation systems. Initiatives such as the Video Container Recognition System were developed through the CHCP. The CHCP has focused on advanced technologies in cargo handling to increase productivity and cost-effectiveness of terminal operations.

Intermodal Programs and Activities

MARAD emphasis in this area has shifted to support of commercial implementation of innovative intermodal systems, cargo handling techniques, and technologies that advance productivity gains and cost-effectiveness of marine-related intermodal transportation provided by U.S. companies.

Projects completed, ongoing, or initiated in FY 1995 are listed below.

Completed Initiatives

Intermodal Conferences

MARAD cosponsored a National Conference on the Intermodal Terminal of the Future. The conference provided an interactive forum on innovative terminal designs, emerging information technology, new partnerships, and global economics.

MARAD, in cooperation with other DOT operating agencies, cosponsored a National Conference on Intermodalism: *"Making the Case, Making it Happen,"* which was conducted by the Transportation Research Board of the National Research Council.

Intermodal Systems and Outreach

The Agency completed Phases II and III of the Maritime System of the Americas project, a study of the commercial waterbridge which includes the Great Lakes, the Mississippi River system, the Gulf Intracoastal Waterway, and the Gulf of Mexico. The two phases analyzed opportunities to utilize innovative intermodal technologies that support the growth of general cargo movements via water routes in the NAFTA region.

MARAD organized 6 outreach meetings with over 200 representatives from the private and public sectors identified in Maritime System of the Americas research as potential beneficiaries of increased water transportation in the Western Hemisphere.

Intermodal Data and Information

MARAD and FHWA cost-shared the development and distribution of an intermodal freight video which demonstrates the importance of intermodal transport to freight mobility and the need for adequate transport infrastructure (particularly land transportation access to ports and terminals) to maintain an efficient system.

The *Inventory of American Intermodal Equipment* was automated and is now available through MARAD's *MARlinespike* bulletin board.

Ongoing Initiatives

Intermodal Systems

Phase II of a Small Business Innovative Research (SBIR) Program to develop an "Integrated Marine/Rail Intermodal System" continued. The objective is to define the critical elements of an efficient marine/rail intermodal system that can accommodate cargo growth in areas where port expansion is limited.

Phase IV of the Maritime System of the America (MSA) program is underway; it will include an analysis of the northern portions of the MSA study area. Outreach meetings will be held on the potential growth of general cargo movements via water routings in the North American Free Trade Zone (NAFTA) region.

Interagency Activities

MARAD continued implementing key provisions of memoranda of understanding with 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 also continued to provide maritime and seaport perspectives to the NAFTA's Land Transportation Standard Subcommittee. This Subcommittee seeks compatibility of land transportation standards among the United States, Canada, and Mexico.

MARAD further supported the National Economic Council's (NEC) Border Efficiency Task Force on Border Issues, Program, and Barriers to Further Improvements. This Task Force was established by the NEC in response to results of the ISTEA Section 6015 Border Crossing Study.

New Initiatives

Military Liaison

MARAD began a study to determine the quantity and type of containers available from the commercial sector in the event of a military contingency. The study will help determine potential shortfalls, based on time-phased leasing of containers. Follow-up meetings will be held with the military and lessors to review the study and plan for reducing shortfall areas.

Intermodal Data and Information

The Agency initiated development of a marine intermodal transport infrastructure catalogue. Information will provide guidance on how port and terminal access infrastructure issues should be treated/included in the next authorization of ISTEA and the proposed National Transportation System.

Environmental Activities

As part of the overall reorganization of the Agency early in FY 1995, MARAD consolidated its diverse marine-related environmental activities by establishing a single new Office of Environmental Activities. The Agency monitors the development of the national and international environmental standards affecting the maritime industry.

New Initiatives in Environmental Standards

As part of its effort to remove barriers to U.S. maritime industry competitiveness, the Agency increased its involvement in the development of national and international standards. As a result, MARAD serves on the International Organization for Standardization (ISO) Technical Advisory Group, Technical Committee on Ships and Marine Technology (TC8); also an Agency official is the United States Delegate to the Marine Environmental Protection Subcommittee (SC2). The Agency also co-chaired two sessions of *MARIENV'95 "International Conference on Technologies for Marine Environment Preservation"* in Tokyo, Japan, September 24-29, 1995.

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

MARAD continued participation in the U.S. Shipping Coordinating Committee (SHC). The SHC and its subcommittees and working groups prepare U.S. positions for meetings of the Assembly, Council, committees, subcommittees, and various international conferences of the International Maritime Organization (IMO). Topics include international maritime safety and marine environmental protection issues.

Dredging Process in the United States

MARAD continued its commitment to addressing the difficult dredging issues that face many of the Nation's harbors. MARAD maintained active participation in the activities of the National Dredging Team, which seeks to facilitate communication, coordination, and resolution of dredging issues among participating Federal agencies.

The National Dredging Team also serves as a forum for promoting implementation of the 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, the Army Corps of Engineers, the National Oceanic and Atmospheric Administration, the Fish and Wildlife Service, and MARAD. MARAD also assisted in educating stakeholders, including ports, on the dredging process and the regional dredging teams that are being formed.

MARAD's leadership and commitment to resolving dredging issues was also reflected by other activities related to disposal and management of contaminated dredge material in FY 1995. These included participation in various activities of the New York/New Jersey Dredged Material Management Forum, which is working to resolve the dredging crisis in the Port of New York/New Jersey caused by large volumes of contaminated harbor sediments.

Environmental Compliance and Compliance Management

As part of its commitment to environmental compliance and compliance management, MARAD initiated the second round of environmental compliance reviews and training for 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. In addition, MARAD continues to implement recent Presidential executive orders dealing with pollution prevention, recycling, and environmental justice.

MARAD initiated a research project directed at shipbreaking, a growing environmental issue facing the maritime industry. MARAD's study of environmentally sensitive shipbreaking in the United States involves: hazardous materials sampling and testing of ships

destined for scrapping; assessing current and advanced technologies for ship scrapping/recycling; reviewing the legal and regulatory regime for ship scrapping/recycling; assessing costs and benefits of ship scrapping/recycling in the United States; and preparing an environmental assessment of Federal Government shipbreaking in the United States.

MARAD continued to fulfill its responsibilities for the safe and environmentally sound management of hazardous materials, including polychlorinated biphenyls, on board MARAD ships scheduled for disposal in both foreign countries and the United States.

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

Industry Support

MARAD also assists the U.S. shipbuilding and ship repair industries with their efforts to comply with environmental laws and regulations.

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.

MARAD continued support for interagency environmental research regarding marine engine air pollution monitoring and control; U.S. implementation of MARPOL 73/78 Annex V (Prevention of Pollution by Garbage from Ships); remediation and management of contaminated marine sediments; and shipboard ballast technologies and practices for controlling introductions of nonindigenous aquatic organisms.

Nuclear Ship NS SAVANNAH

MARAD remains responsible for the NS SAVANNAH, the world's first nuclear-powered merchant vessel. The NS SAVANNAH was designed and constructed in 1958 and decommissioned in 1972 after successfully fulfilling all of the R & D objectives established by the U.S. Atomic Energy Commission/MARAD Joint Program Office which managed the program for the Government.

After 13 years in the Patriots Point Naval and Maritime Museum in Mt. Pleasant, SC, the NS SAVANNAH was returned to MARAD in May 1995. After MARAD obtained modification of the Nuclear Regulatory Commission's license required for relocation of the vessel, the vessel was redelivered to MARAD control, moved to the BethShip Sparrows Point Shipyard, Baltimore, MD, for necessary repairs and maintenance, and towed to the James River Reserve Fleet for indefinite layup.

Chapter 5

Domestic Operations

The segment of the American merchant marine which operates on the Great Lakes, the inland waterways, and in the coastwise, intercoastal, and domestic offshore trades carries a combined total of over 1 billion short tons of cargo each year.

Technical Assistance

MARAD provides technical assistance to the domestic shipping industry. The Agency completed a significant investigative project, the "Assessment of Port and Terminal Infrastructure Damage and Navigation Impacts -- 1993 Upper Mississippi River Flood" and initiated work on a second project, the "Shallow Draft Waterways Industry Assessment." MARAD also developed the film short "Barging into the 21st Century," which highlights the efficiency and reliability of the U.S. domestic barge industry. Release is scheduled for mid-1996. MARAD also provided advanced information and distributed the Department of Energy's assessment of the winter fuels forecast for 1995 in order to diminish the likelihood for energy-related Jones Act waiver requests.

Jones Act Information Services

MARAD receives over 150 requests annually for Jones Act information. Typically, the Division of Domestic Shipping will respond with official clarification of Jones Act law, provide points of contacts in obtaining Jones Act vessels, and respond within 48 hours to formal Jones Act Waiver Requests. With less than 48 hours to respond to waivers, personnel continuously update contacts and exchange information with officials at the Departments of Energy and Treasury, and the Defense Department.

No new waivers were granted during this reporting period.

Great Lakes

The U.S.-flag Great Lakes bulk fleet consisted of 65 self-propelled vessels of 1,000 gross registered tons and over. This includes 63 dry-bulk vessels and 2 tankers, of which 57 were active, 1 was temporarily inactive, and 7 were inactive on long-term lay-up. (See Table 9.) This represents nearly full utilization of the vessels capable of competitive operation in the region's bulk trades. The Great Lakes also has 6 ferries of over 1,000 gross registered tons, of which 1 is active and the remaining 5 are in long-term lay-up.

The primary dry bulk cargoes (iron ore, coal, and limestone), shipped from U.S. ports during the 1995 shipping season through September totaled 83.9 million short tons. Total cargo carried in 1995 increased about 6 percent from the previous year.

Inland Waterways

After experiencing more than a decade of losses, the barge industry finally returned to profitability. This turnaround of the industry was attributed to fewer barges, higher freight rates, new traffic patterns, and a near-record grain harvest.

According to U.S. Army Corps of Engineers (COE) statistics, 619 million tons of freight moved on the Nation's inland waterways in 1994, which is just below the record 622.6 million tons moved in 1990, but well above the 607.3 million tons moved in 1993. Estimates of shallow-draft tonnage for 1995 are predicted to be higher than last year, with future annual growth rates expected to be between 1 and 2 percent. The COE predicts that between 715 and 865 million tons of cargo will be moving on the inland waterway system by 2010.

There were a number of bright spots for inland waterway operators in 1995. One was the grain market, especially for export corn. The bulk of the grain that is exported moves via the Gulf of Mexico, and 90 percent of that moves down the Mississippi River by barge. Another strong business sector for inland water transport was the chemical industry, with waterway carriers moving nearly 25 percent of

their total tonnage. The United States is the world's largest exporter of chemicals and these shipments are expected to remain strong. The oil industry also contributed last year to the growth of tonnage on the inland waterways.

The United States demand for oil is expected to grow by 1 to 2 percent annually, and that is expected to lead to more barging of petroleum and petroleum products. Another user of barge transportation is the steel industry, with its waterside plants receiving scrap metals by barge and then shipping out finished steel products also by barge.

Higher Freight Rates

The barge industry had been hit hard in recent years by sagging freight rates. However, during 1994, grain crops created a big increase in demand for barges and, as a consequence, rates rose significantly. This trend lasted throughout 1995.

The major factor leading to higher rates was a shortage of barge capacity. With barges aging and, consequently, being phased out, retirements outstripped new construction. This lack of equipment led to full barge employment and higher freight rates.

Rates, which are based on a 1976 benchmark tariff of 100, have never been higher. In fact, there were reports of barge rates rising to the extent that some shippers shifted their grain from water to rail because of lower rail rates. In the spring of 1994, for example, barge rates were around 95 percent of tariff which is 5 percent lower than they were nearly 20 years ago. But with the record harvests of corn and soybeans in late 1994, rates rose to 250 percent.

By late September, they hit their peak at between 350 and 370 percent -- or about 133 percent higher in dollar terms than the average rate for that month. What was most unusual was when the harvest ended, rates did not fall during what is traditionally the slow season. Expectations are that if farmers continue to produce such large volumes, rates will continue to remain above average for the coming years.

Shipyard Activity

Business for smaller "second-tier" shipyards was mixed in 1995. The first half of the year saw yards closing and being sold, a continued lack of demand for new offshore service vessels, and a slowdown in the casino boat market. More than 15 gambling boats were either for sale or looking for new venues. However, shipyard activity improved later in the year, with the brightest area being the inland barge sector.

However, the increase in their freight rates and revenues still have not completely convinced waterway operators to begin any new large-scaled building boom. The number of barges retired from service continues to exceed the number of new buildings, a situation that is expected to continue for at least another year.

There were several sizeable barge construction contracts announced in 1995, with one yard reporting it was building a barge a day. Some inland shipyards had substantial back orders for 1995 and some have even reported a full order book through 1996. But the majority of these contracts continue to be for replacement equipment, not additions. For example, one sizeable contract to build 68 new tank barges will not add to the fleet, but replace older barges being retired.

However, because of years of pent-up demand, the potential for new construction is definitely there. The barge fleet is aging and shrinking slightly. At the end of 1994, the number of active barges on the Mississippi River System, including tributaries and the Gulf Intracoastal Waterway totaled 21,156. This compares with a total of 21,232 barges at the end of 1993. Also, of the 1,224 towboats in the Nation's fleet, as of August 1994, 49 percent had been in service 21 years or longer, and some 32 percent were built over 25 years ago. Since 1985, a total of only 80 towboats have been built -- just 28 of these in the last 5 years.

New Traffic Patterns

Market conditions improved considerably in the latter half of 1994, initially as a result of a stronger economy that increased demand for many raw material commodities. As manufacturing increased in the Midwest, imports of aluminum, steel, coal, cement, and fertilizer began moving northbound, creating a shortage of barges to haul export grain south. Strong demand for grain exports only made this situation worse, with grain tonnage moving down the Mississippi up nearly 30 percent over last year. With many petrochemical plants operating at near capacity, tank barge

utilization was also around 100 percent. The record 1994 grain harvest taxed the capacity of the barge industry even further in the fall, which brought the demand/supply balance close to equilibrium.

Based on recent growth trends, tonnage for dry cargo barges is expected to increase at a rate of 1 to 2 percent annually, a rate that will exceed that for dry cargo capacity, which is expected to be no more than 1 percent annually. This situation is expected to contribute to an improvement in barge utilization and, consequently, an increase in freight rates to the year 2000.

River Conditions

The barge industry experienced its third-worst consecutive spring flooding. Losses amounted to $1.5 million a day. For over 3 weeks, flooding closed or restricted traffic on the Mississippi River and tributaries. Although not as devastating as in 1993, high water had a significant impact on waterway operations when the Mississippi was closed from May 19 to June 13, the Illinois River from May 28 to June 12, and the Missouri River from May 16 to June 7. In addition to disrupting ferry and riverboat casino operations, some 198 tows with over 5,100 barges were either stranded or halted by high water.

The chief concerns expressed by the industry include the potential for an increase in user fees; additional regulations (State and/or Federal); a deteriorating infrastructure (32, or 80 percent, of the 40 lock chambers on the Upper Mississippi River were built before 1942); insufficient monies from the Inland Waterway Trust Fund; the high costs of dredging; and the lack of acceptable dredge material disposal sites. One new concern is the downsizing of Federal agencies, such as the COE and the U.S. Coast Guard (USCG), that interact with the shallow-draft industry.

Great Lakes to Inland Waterways

Shippers in the Great Lakes are using river barges between Great Lakes ports in Lake Michigan through Chicago and the Illinois Waterway to domestic and international markets. This new trend led to the Port of Milwaukee's gain of over 400,000 tons of new business over the past 2 years. In addition, the ports of Benton Harbor/St. Joseph, Michigan have been approved by the USCG for river barge operation. Additional ports such as Grand Haven, Holland, and Muskegon, Michigan, are presently under USCG review for approval of river barge operation. Barge transportation offers cost-effective alternatives to shippers and reduces the impact on the environment.

During the 1995 shipping season, both U.S. and Canadian-flag Great Lakes self-unloading vessels increased 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 a self-unloader vessel to river barge has been used primarily for grain, salt, and chemicals imported from Canadian ports within the Upper Great Lakes and destined to U.S. destinations as far as the Gulf Intercoastal Waterway.

This integration of the inland system with the Great Lakes is an integral part of America's national transportation strategy for full utilization of the Nation's waterways system.

Domestic Tanker Movements

U.S.-flag tankers averaged 67 voyages each month from Valdez, AK in FY 1994. An average of 1.70 million barrels per day of crude were transported from Valdez in calendar year 1993. Of these shipments, 79 percent went to the U.S. west coast, 9 percent to Panama for transshipment to the U.S. east coast, 6 percent to the Virgin Islands, and 6 percent to Alaska and Hawaii. The tanker and barge movements of petroleum from the gulf coast to the east coast has increased by over 8 percent, averaging about .5 million barrels per day.

Offshore Drilling

Seventy percent of the production in the U.S. Gulf of Mexico is natural gas. In October 1995, gas prices from offshore production in the Gulf of Mexico were quoted at $1.57 per million cubic feet ($/mcf). This price was up from $1.47 a year earlier. Over the last 25 years, the oil industry reorganized its exploration and development activities to minimize fixed costs. A pyramidal structure evolved: major assets are now rented, not owned, and the major oil companies permit independent service companies to bid on each aspect of development projects, such as seismic survey, exploratory drilling and logistics support. Additionally, mobile rigs now are typically chartered and equipment used in wells, such

as drill pipe, is rented. This structure permits rapid changes in the size of oil company exploration budgets, but support/supplier companies (and their lenders) have experienced feast or famine business cycles.

A significant increase in the level of gas production in the U.S. Gulf seems unlikely. The depletion rates of existing wells suggest that many will be exhausted within 3 years, and in the near future many of the currently operating offshore rigs in the Gulf of Mexico will have to be replaced. At year's end, there were 176 mobile offshore rigs located in the Gulf of Mexico, of which 147 were under contract. This translates into a 83.5 percent utilization rate, up from 79.2 percent in 1994.

Offshore Service Vessels

MARAD maintains an active liaison with the offshore industry by following U.S.-flag vessel activity, and assisting industry in locating qualified Jones Act vessels to support this important trade.

The utilization rate for offshore supply vessels has been improving gradually as a result of only limited new building, while a number of existing vessels have been converted for use in specialized services, such as spill response. The utilization rate for November 1995 was over 94.5 percent, a dramatic increase over the recent industry low of 55 percent in 1992.

The rate paid for tug/supply boat and other support craft is almost totally dependent on the number of working offshore petroleum product rigs. Each working rig means work for 1.5 to 2 support/supply vessels. Jobs for these support vessels are put out to bid by the oil companies on a "day rate" basis. Since there is little to differentiate one supply boat from another, the "day rate" a boat can command is a direct function of the "rig count" (the number of rigs working). Demand for work boats remained high through the end of 1995 with day rates averaging about $3,600 for the charter of an 180-foot supply vessel. This is good news as 1995 started slowly with day rates in the $2,900 range.

Approximately 16,054 marine employees are engaged aboard 1,188 U.S.-flag, offshore support vessels.

Table 9: U.S.-FLAG GREAT LAKES BULK FLEET [1]--SEPTEMBER 30, 1995

	Vessels	Gross Registered Tons	Estimated Deadweight Tons
Total	**71**	**1,051,784**	**2,023,936**
Bulk Carriers	**63**	**1,020,756**	**2,009,716**
Active	54	928,023	1,824,831
Temporarily Inactive	2	28,737	64,500
Laid Up Inactive (More than 12 months)	7	63,996	120,385
Tankers	**2**	**9,758**	**14,220**
Active	2	9,758	14,220
Temporarily Inactive	0	0	0
Others [2]	**6**	**21,270**	-
Active	1	4,244	-
Temporarily Inactive	0	0	-
Laid Up Inactive (More than 12 months)	5	17,026	-

[1] Self-propelled vessels of 1,000 gross registered tons and over.
[2] Includes railroad car ferries and auto ferries.

Chapter 6

Ship Operations

U.S.-Flag Fleet Profile

The U.S.-flag, privately owned, deep-draft oceangoing merchant fleet (including the Great Lakes fleet shown in Table 9) totaled 322 vessels with an aggregate carrying capacity of about 15.3 million deadweight tons (dwt.) on September 30, 1995.

Of this total, 292 ships of 13.6 million dwt. were active. The latter included 16 breakbulk cargo ships, 122 intermodal vessels (containerships, barge-carrying vessels and roll-on\roll-off vanships known as RO/ROs), 1 combination passenger-cargo ship, 135 tankers (including liquefied natural gas carriers), and 18 bulk carriers. (See Table 10.) The remaining 30 vessels were inactive and laid up.

Employment of the U.S.-flag oceangoing merchant fleet (including Government-owned ships) in fiscal year (FY) 1994 is shown in Table 11.

The privately owned, American-flag merchant fleet ranked 11th in the world on a dwt. basis and 23rd in the total number of ships on October 1, 1995. (See Table 12.)

Commercial cargoes carried by ships of all flags in the U.S. oceanborne foreign trade totaled 899.1 million tons during calendar year 1994. U.S.-flag foreign trade tonnage decreased from 36.2 million tons in 1993 to 35 million tons in 1994, and the U.S.-flag share of total tonnage decreased from 4.2 percent in 1993 to 3.9 percent in 1994.

Commercial cargoes transported in U.S. oceanborne foreign trade from calendar year 1985 through calendar year 1994 are shown in Table 13. The table shows the total trade by tonnage and value, and the portion carried by U.S.-flag vessels.

Operating-Differential Subsidy

The Maritime Administration (MARAD) administers the operating-differential subsidy (ODS) program, which is designed to offset certain lower ship operating costs of foreign flag competitors. U.S.-flag vessels which operate in essential foreign trade are eligible for ODS.

Net subsidy outlays in FY 1995 totaled $199 million. There were no subsidized voyages terminated in the Great Lakes trade during FY 1995.

ODS accruals and expenditures from January 1, 1937, through September 30, 1995, 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.

On December 20, 1994, the Maritime Subsidy Board granted consent for the merger of Farrell Lines Incorporated into Argonaut Line, Inc.

Section 614

Section 614 of the Merchant Marine Act, 1936, as amended, permits a company receiving ODS funds to elect to suspend its ODS agreement for all or a portion of its vessels, subject to certain conditions. Suspension of the ODS agreement includes suspending all attendant statutory and contractual restrictions in the ODS agreement, except those pertaining to operation in the domestic trade.

No vessels operated under suspended ODS agreements during FY 1995.

Subsidy Rates

The Subsidy Index System was established by the Merchant Marine Act of 1970. It 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 1994 subsidy rates applicable to liner and bulk vessel operations.

Section 804 Activities

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 charter and operate a foreign-flag relief vessel for a single voyage of approximately 45 days, commencing in late December 1994 due to required drydocking of two APL line haul vessels (October 24, 1994),
- to operate in its existing services six new vessels under foreign flag (November 15, 1994), and
- to charter slots on vessels of other participants in Asia-Atlantic Alliance Agreement 203-011467 and Master Slot Charter Agreement. APL is participating in a reciprocal slot exchange agreement and in a Master Slot Agreement with Mitsui O.S.K. Lines, Ltd., Nedlloyd Lines B.V., and Orient Overseas Container Line, Inc. (February 3, 1995)

MARAD also approved Lykes' requests for waivers which:

- permit the time charter of four vessels under foreign registry between ports in the U.S. gulf and east coast and north Europe after delivery from a German shipyard, through the termination of Lykes' operating subsidy contract on December 31, 1997 (February 27, 1995),
- allow carriage of two commuter railcar shells on a foreign-flag ship between Lisbon, Portugal, and Baltimore, MD (March 8, 1995),
- allow up to three commuter railcar shells to be carried on a foreign-flag ship between Lisbon, Portugal, and Baltimore, MD (March 17, 1995),
- authorize up to 45 commuter railcar shells to be lifted from Lisbon, Portugal, to Baltimore, MD, on a foreign-flag ship when Lykes' U.S. flag vessels were not in position (April 25, 1995), and
- permit participation in a reciprocal space charter, sailing, and cooperative working agreement with Evergreen Marine Corporation in the trade between the U.S. gulf, east, and west coasts and Northern Europe (May 11, 1995).

MARAD also approved Waterman's request for waivers by:

- authorizing an amendment to the waiver granted January 31, 1989, to Waterman and its parent, International Shipholding Corporation (ISC), to reflect the substitution of the vessel LE DUAN for the vessel ATLANTIC FOREST, and the removal of the HICKORY and MAMMOTH TIGER, which are no longer operated by ISC subsidiaries (April 7, 1995), and
- amending further the waiver granted January 31, 1989, to allow certain technical changes tobe made to reflect more accurately the current operations of ISC and its affiliates (May 22, 1995).

Foreign Transfers

Under Section 9 of the Shipping Act, 1916, as amended, MARAD approved the transfer of 78 ships of 1,000 gross tons and over to foreign ownership and/or registry. Twenty-eight (28) privately owned vessels were sold for scrapping abroad. Permission also was granted for eight 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. Three new banks were approved as trustees, and one company was approved as preferred mortgagee. All approvals are 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 is 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 187 vessels subject to these terms, 20 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 $46,470 in this reporting period. This total includes fees filed pursuant to MARAD 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.

Table 10: U.S. OCEANGOING MERCHANT MARINE--September 30, 1995[1]

	Privately Owned		MARAD-Owned		Total	
	Number Ships	Deadweight Tons (000)	Number Ships	Deadweight Tons (000)	Number Ships	Deadweight Tons (000)
Active Fleet:						
Passenger/Pass. Cargo	1	7	6	52	7	59
General Cargo	16	265	4	50	20	315
Intermodal	122	3,602	1	3	123	3,605
Bulk Carriers (Inc. TB)	18	901	0	0	18	901
Tankers (Inc. TKB & LNG)	135	8,865	1	17	136	8,882
Total Active Fleet	**292**	**13,640**	**12**	**122**	**304**	**13,762**
Inactive Fleet:						
Passenger/Pass. Cargo	1	7	5	49	6	56
General Cargo	4	62	101	1,426	105	1,488
Intermodal	3	72	45	1,067	48	1,139
Bulk Carriers (Incl. TB)	3	117	0	0	3	117
Tankers (Incl. TKB & LNG)	19	1,361	27	869	46	2,230
Total Inactive Fleet	**30**	**1,619**	**178[2]**	**3,411**	**208**	**5,030**
Total Active and Inactive:						
Passenger/Pass. Cargo	2	14	11	101	13	115
General Cargo	20	327	105	1,476	125	1,803
Intermodal	125	3,674	46	1,070	171	4,744
Bulk Carriers (Incl. TB)	21	1,018	0	0	21	1,018
Tankers (Incl. TKB & LNG)	154	10,226	28	886	182	11,112
Total American Flag	**322**	**15,259**	**190**	**3,533**	**512**	**18,792**

[1] Vessels of 1,000 gross tons and over, excluding privately owned tugs, barges, etc.
[2] Includes 45 NDRF, 90 RRF, and 43 non-retention vessels.
NOTE: Tonnage figures may not add due to rounding.

Table 11: EMPLOYMENT OF U.S.-FLAG OCEANGOING MERCHANT FLEET--September 30, 1995[1]

Status and Area of Employment	Total		Vessel Type (tonnage in thousands)									
			Passenger/ Pass. & Cargo		General Cargo		Intermodal		Bulk Carriers		Tankers	
		Deadweight		Deadweight		Deadweight		Deadweight		Deadweight		Deadweight
	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons
Grand Total	**512**	**18,792**	**13**	**115**	**125**	**1,803**	**171**	**4,744**	**21**	**1,018**	**182**	**11,112**
Active Vessels	**304**	**13,762**	**7**	**59**	**20**	**315**	**123**	**3,605**	**18**	**901**	**136**	**8,882**
Privately-Owned	**292**	**13,640**	**1**	**7**	**16**	**265**	**122**	**3,602**	**18**	**901**	**135**	**8,865**
U.S. Foreign Trade	**99**	**3,901**	**-**	**-**	**6**	**62**	**61**	**2,104**	**13**	**766**	**19**	**969**
Foreign-to-Foreign	**23**	**1,838**	**-**	**-**	**1**	**15**	**6**	**204**	**-**	**-**	**16**	**1,619**
Domestic Trade	**128**	**6,790**	**1**	**7**	**4**	**70**	**28**	**606**	**5**	**135**	**90**	**5,972**
Coastal	70	2,474	-	-	2	30	3	69	5	135	60	2,240
Noncontiguous	58	4,316	1	7	2	40	25	537	-	-	30	3,732
M.S.C. Charter	**42**	**1,111**	**-**	**-**	**5**	**118**	**27**	**688**	**-**	**-**	**10**	**305**
Government-Owned	**12**	**122**	**6**	**52**	**4**	**50**	**1**	**3**	**-**	**-**	**1**	**17**
Ready Reserve Force (RRF)	2	24	1	9	1	15	-	-	-	-	-	-
Other Reserve	7	59	5	43	1	13	1	3	-	-	-	-
Other Custody	3	39	-	-	2	22	1	17	-	-	-	-
Inactive Vessels	**208**	**5,030**	**6**	**56**	**105**	**1,488**	**48**	**1,139**	**3**	**117**	**46**	**2,230**
Privately Owned	**30**	**1,619**	**1**	**7**	**4**	**62**	**3**	**72**	**3**	**117**	**19**	**1,361**
Temporarily Inactive	2	164	-	-	-	-	-	-	-	-	2	164
Lay up	26	1,387	1	7	4	62	3	72	3	117	15	1,129
Laid up (MARAD Custody)	2	68	-	-	-	-	-	-	-	-	2	68
Government-Owned (MARAD Custody)												
National Defense Reserve Fleet	**178**	**3,411**	**5**	**49**	**101**	**1,426**	**45**	**1,067**	**-**	**-**	**27**	**869**
Ready Reserve Force (RRF)	90	1,852	-	-	42	608	38	940	-	-	10	304
Other Reserve	45	941	-	-	29	472	7	127	-	-	9	342
Nonretention [2]	43	618	5	49	30	-	-	-	-	-	8	223

[1] Self-Propelled Vessels - Includes Integrated Tug/Barges;Excludes Great Lakes Vessels.

[2] Vessels not actively maintained.

Table 12: MAJOR MERCHANT FLEETS OF THE WORLD--SEPTEMBER 30, 1995

Country	No. of Ships[1]	Rank by No. of Ships	Deadweight Tons	Rank by Deadweight Tons
Panama	3,626	1	102,904	1
Liberia	1,581	2	96,729	2
Russia	1,553	3	12,316	14
Cyprus	1,456	4	39,415	4
China (People's Rep.)	1,448	5	23,551	9
Malta	998	6	28,125	7
Greece	963	7	52,499	3
Bahamas	935	8	36,043	5
Japan	775	9	24,210	8
Norway (NIS)	648	10	29,677	6
Singapore	637	11	19,919	10
Saint Vincent	606	12	8,618	19
Philippines	520	13	13,540	13
Turkey	445	14	9,094	17
U.S. Privately-Owned	322	23	15,259	11
All Others[2]	8,980		180,004	
Total	**25,493**		**691,903**	

[1] Oceangoing merchant ships of 1,000 gross tons and over.
[2] Includes 190 United States Government-owned ships of 3,533,000 dwt.

Table 13: U.S. OCEANBORNE FOREIGN TRADE/COMMERCIAL CARGO CARRIED

Tonnage (Millions)

Calendar Year	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total Tons	640.9	674.8	718.7	786.0	836.3	853.9	832.8	853.7	870.5	899.1
U.S.-Flag Tons	27.3	28.5	28.8	30.7	30.7	36.4	34.6	33.8	33.7	35.0
U.S. Percent of Total	4.3	4.2	4.0	3.9	3.9	4.4	4.1	4.1	3.9	3.9
Liner Total Tons	66.7	71.8	79.4	83.3	91.6	96.4	102.7	104.8	109.8	120.9
Liner U.S.-Flag Tons	14.0	14.3	11.9	14.0	17.5	16.8	17.2	17.0	17.1	17.0
Liner U.S. Percent	21.0	19.9	14.9	16.9	19.1	17.4	16.8	16.2	15.6	14.1
Nonliner Total Tons	327.5	309.0	327.1	361.1	366.6	378.4	379.3	363.2	338.7	332.5
Nonliner U.S.-Flag Tons	5.1	4.9	6.3	6.2	6.2	7.0	7.8	6.3	8.3	8.3
Nonliner U.S. Percent	1.5	1.6	1.9	1.7	1.7	1.9	2.1	1.7	2.4	2.5
Tanker Total Tons	246.7	294.0	312.2	341.6	378.1	379.1	350.8	385.8	422.0	445.7
Tanker U.S.-Flag Tons	8.2	9.3	10.6	10.5	12.7	10.8	8.8	10.3	10.8	9.7
Tanker U.S. Percent	3.3	3.2	3.4	3.1	3.4	2.8	2.5	2.7	2.6	2.2

Value ($ Billions)

Total Value	311.0	320.5	359.4	397.7	437.0	451.5	458.3	487.3	501.4	555.7
U.S.-Flag Value	46.4	49.0	44.8	57.7	71.3	69.8	70.7	73.6	74.1	75.6
U.S. Percent of Total	14.9	15.3	12.5	14.5	16.3	15.5	15.4	15.1	14.8	13.6
Liner Total Value	181.2	199.9	221.9	253.4	279.7	299.5	322.5	344.7	368.4	420.2
Liner U.S.-Flag Value	43.4	46.5	41.7	53.1	65.0	64.5	66.5	69.2	68.6	69.8
Liner U.S. Percent	24.0	23.3	18.8	21.0	23.3	21.5	20.7	20.1	18.6	16.6
Nonliner Total Value	77.2	83.2	92.1	98.9	100.7	88.0	81.6	86.9	77.8	79.1
Nonliner U.S.-Flag Val.4	1.4	1.3	1.6	3.2	4.4	3.6	2.8	2.9	4.0	4.5
Nonliner U.S. Percent	1.8	1.6	1.8	3.2	4.3	4.1	3.5	3.3	5.2	5.7
Tanker Total Value	52.6	37.4	45.4	45.4	56.6	64.0	54.2	55.7	55.2	56.4
Tanker U.S.-Flag Value	1.6	1.2	1.5	1.4	1.9	1.7	1.3	1.5	1.5	1.3
Tanker U.S. Percent	3.1	3.2	3.2	3.1	3.3	2.6	2.4	2.7	2.7	2.3

[1] Table includes Government-sponsored cargo; excludes U.S./Canada translakes cargoes and certain Department of Defense cargoes.

Table 14: ODS ACCRUALS AND OUTLAYS--JANUARY 1, 1937, TO SEPTEMBER 30, 1995

	Accruals			Outlays		
Calendar Year of Operation	Subsidies	Recapture	Subsidy Accrual	Paid in FY 1993	Total Amount of Net Accrued Paid	Net Accrual Liability
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	366,854,502	-0-	366,854,502	-0-	366,854,502	-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	694,778	231,208,232	-0-
1991	229,748,205	-0-	229,748,205	-0-	214,230,866	14,759,649
1992	218,666,968	-0-	218,666,968	-0-	211,017,536	7,649,432
1993	220,508,116	-0-	220,506,116	1,236,130	212,901,856	7,604,260
1994	214,726,632	-0-	214,726,632	24,652,382	212,735,328	1,991,304
1995	209,411,442	-0-	209,411,442	173,059,594	173,059,594	36,351,848
Total Regular ODS	$10,073,149,363	$238,186,435	$9,834,962,928	$199,642,884	$9,766,606,435	$68,356,493
Soviet Grain Program [1]	$147,132,626	$-0-	$147,132,626	$-0-	$147,132,626	-0-
Total ODS	**$10,220,281,989**	**$238,186,435**	**$9,982,095,554**	**$199,642,884**	**$9,913,739,061**	**$68,356,493**

[1]No longer operative.

Table 15: ODS ACCRUALS AND OUTLAYS BY SHIPPING LINES--JANUARY 1, 1937, TO SEPTEMBER 30, 1995

LINES	Accruals			Outlays	
	ODS	Recapture	Net Accrual	ODS Paid	Net Accrued Liability
Aeron Marine Shipping	$26,079,663	$0	$26,079,663	$26,079,663	$0
American Banner Lines [1]	2,626,512	0	2,626,512	2,626,512	0
American Diamond Lines [1]	185,802	28,492	157,310	157,310	0
American Export Lines [2]	693,821,868	10,700,587	683,121,281	683,121,281	0
American Mail Lines [3]	158,340,739	7,424,902	150,915,837	150,915,837	0
American Maritime Transport	16,259,217	0	16,259,217	10,813,074	5,446,143
American President Lines[3]	1,693,598,945	17,676,493	1,675,922,452	1,668,770,554	7,151,898
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.	57,654,996	0	57,654,996	51,983,676	5,671,320
Aries Marine Shipping	25,291,415	0	25,291,415	25,291,415	0
Asco-Falcon II	626,993	0	626,993	587,268	39,725
Atlantic & Caribbean S/N [1]	63,209	45,496	17,713	17,713	0
Atlas Marine Co.	57,408,838	0	58,408,838	57,232,231	0
Baltimore Steamship [1]	416,269	0	416,269	416,269	0
Bloomfield Steamship [1]	15,588,085	2,613,688	12,974,397	12,974,397	0
Brookville	5,714,302	0	5,714,302	3,662,518	2,051,784
Chestnut Shipping Co.	87,849,534	0	87,849,534	81,906,305	5,943,229
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	1,555,610	0	1,555,610	1,497,110	58,500
Farrell Lines[10]	728,221,203	1,855,375	726,365,828	724,231,861	2,133,967
First American Bulk Carriers	28,197,046	0	28,197,046	27,879,548	317,498
Gulf & South American Steamship	34,471,780	5,226,214	29,245,566	29,245,566	0
Lachmar	2,055,096	0	2,055,096	1,446,524	610,572
Lykes Bros. Steamship	2,162,770,755	52,050,598	2,110,720,157	2,087,400,314	23,319,843
Margate Shipping Co.	141,803,822	0	141,803,822	138,987,209	2,816,613
Moore-McCormack Bulk Transport	129,324,231	0	129,324,231	126,369,712	2,954,519
Moore-McCormack Lines [6]	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	7,639,280	0	7,639,280	6,379,011	1,260,269
Ocean Chemical Transport	7,531,993	0	7,531,993	6,847,811	684,182
Oceanic Steamship[5]	113,947,681	1,171,756	112,775,925	112,775,925	0
Pacific Argentina Brazil Line [1]	7,963,936	270,701	7,693,235	7,693,235	0
Pacific Far East Line [6]	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[4]	641,647,708	24,223,564	617,424,144	617,424,144	0
Prudential Steamship [1]	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.	37,092,376	0	37,092,376	35,845,320	1,247,056
South Atlantic Steamship[1]	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[7]	750,518,013	54,958,689	695,559,324	695,559,324	0
Waterman Steamship	422,996,011	0	422,996,011	421,331,538	1,664,473
Worth Oil Transport	17,428,314	0	17,428,314	17,428,314	0
Vulcan Carriers	20,775,083	0	20,775,083	15,966,788	4,808,295
Total Regular ODS	$10,073,149,363	$238,186,435	$9,834,962,928	$9,766,606,435	$68,356,493
Soviet Grain Programs [9]	$147,132,626	$0	$147,132,626	$147,132,626	$0
Total ODS	**$10,220,281,989**	**$238,186,435**	**$9,982,095,554**	**$9,913,739,061**	**$68,356,493**

[1] No longer subsidized or combined with other subsidized lines.
[2] AEL was acquired by Farrell Lines, March 29, 1978.
[3] APL merged its operations with AML's October 10, 1973.
[4] Changed from Prudential-Grace Lines, Inc., August 1, 1974.
[5] Purchased by Lykes Bros. Steamship Co., Inc.
[6] Went into receivership August 2, 1978.
[7] Ceased to be a subsidized line in November 1970 but returned as a subsidized carrier in January 1981.
[8] Purchased by United States Lines, Inc. October 1983.
[9] No longer operative.
[10] Farrell Lines merged its operations with Argonaut, December 20, 1994.

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

A. Liner Trades

Operator and Contract No.	Contract Duration	Number Subsidized Ships	Service (Trade Route/Area)	Annual Sailings Minimum	Annual Sailings Maximum
American President Lines, Ltd. MA/MSB-417	1-01-78 to 12-31-97	19	Transpacific Service - TR 2* United States/Far East California Transpacific Extension [1, 2] Washington-Oregon Transpacific Extension [3]	126 18 6	188 28 80
Farrell Lines Incorporated MA/MSB-352	1-01-76 to 12-31-95	0	U.S. Atlantic/West Africa (TR 14-1) [4]	20	38
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 Carrier Corporation MA/MSB-451(a)	8/29/90 to 12/31/98	2	U.S./Europe and Mediterranean (TR 1) [*5, 10]	-	20**
Lykes Bros. Steamship Co., Inc. MA/MSB-451	1-01-79 to 12-31-97	5	U.S./Europe and Mediterranean (TR 1) [*5, 10] U.S. Gulf/Far East (TR 22) [5, 7, 8, 10, 13] U.S. Gulf/East Africa U.S. Gulf/South & East Africa (TR 15-B) [5, 7,8, 10, 13] U.S. Atlantic & Gulf/West Coast South America (TR 31/2) [11] U.S. Pacific/Far East, North (TR 29) [12] U.S. Pacific/Far East, South (TR 17/29) [12]	69 36 18 24 20 20	98** 60 Overall maximum 451 & 451(a) 24 not to exceed 330 48 80
United States Lines, Inc. [14] MA/MSB-483					
Addendum No. 4 to amended and restated MA/MSB-483	7-08-83 to 12-31-95	0	U.S. Atlantic & Gulf/Australia, New Zealand (TR 16)	16	21

* 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).

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

Operator and Contract No.	Contract Duration	Number Subsidized Ships	Service (Trade Route/Area)	Annual Sailings	
				Minimum	Maximum
United States Lines (S.A.) Inc. [14]	1-01-75 to	0	U.S. Atlantic/East Coast South America (TR 1)	40	70
MA/MSB-338 (formerly Moore-McCormack Lines, Incorporated)	12-31-94	0	U.S. Atlantic/South & East Africa (TR 15-A)	22	36
MA/MSB-353 (formerly Delta Steamship Lines, Inc.)	1-01-76 to 12-31-95	0	U.S. Gulf/East Coast South America (TR 20)	26	53
MA/MSB-425 (formerly 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	-
Total Liner Trades		**34**			

[1] Service to/from U.S. Atlantic ports is on a privilege basis with a maximum of 28 sailings.

[2] 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.

[3] Includes required service to Indonesia, Malaysia, and Singapore. Numbers of required sailings are a portion of the required sailings on TR 2.

[4] Farrell is also permitted to make 12 sailings annually from the U.S. Gulf to West Africa.

[5] 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.

[6] 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.

[7] 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 451 and 451(a).

[8] 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).

[9] 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.

[10] 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.

[11] 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.

[12] Lykes stopped service on TR 29 and TR 17/29 in July 1986.

[13] Lykes may make privilege calls from the U.S. Atlantic to the Far East in conjunction with required service on TR 22.

[14] USL/USL(S.A.), in bankruptcy, provides no service under the subsidy contract; contracts have been authorized by MSB to be assigned to Midlantic National Bank as Trustee.

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

B. Bulk Trades:

Operator and Contract No.	ODS Agreements: Contract Effective Date	ODS Agreements: Contract Termination Date	Number of Subsidized Ships 9/30/95	Service
Aquarius Marine Co. MA/MSB-309	10-15-75	10-14-95	0 [1]	Worldwide Bulk Trade
Atlas Marine Co. MA/MSB-274	12-30-76	12-29-96	1	Worldwide Bulk Trade
Brookville Shipping, Inc. MA/MSB-272	4-14-76	4-13-96	5 [2]	Worldwide Bulk Trade
Chestnut Shipping Co.				
MA/MSB-299(a)	12-22-93	11-30-96	6 [3]	Worldwide Bulk Trade
MA/MSB-299(b)	12-22-93	2-28-97	1 [3]	" " "
Equity Carriers, Inc. MA/MSB-439	5-24-81	5-23-2001	0 [4]	Worldwide Bulk Trade
Lachmar MA/MSB-421	12/1/94	12/31/97	2	Worldwide Bulk Trade
Mormac Marine Transport, Inc.				
MA/MSB-295(a)	12-22-93	12-09-95	1	Worldwide Bulk Trade
MA/MSB-295(b)	12-22-93	6-29-96	1	" " "
MA/MSB-295(c)	12-22-93	1-31-97	1	" " "
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 Patroit Transport, Inc.				
MA/MSB-167(a)	12-22-93	4-02-96	4 [5]	Worldwide Bulk Trade
OMI Courier Transport, Inc.				
MA/MSB-167(b)	12-22-93	7-30-96	1 [5]	" " "
MA/MSB-167(c)	12-22-93	1-26-97	1 [5]	" " "
OMI Rover Transport, Inc.				
MA/MSB-167(d)	12-22-93	1-28-97	1 [5]	" " "
Total Bulk Trades			**28**	

[1] Tanker GOLDEN MONARCH has been reflagged under Marshall Islands.
[2] Four 63,700 DWT dry bulk vessels (LIBERTY SEA, LIBERTY SPIRIT, LIBERTY STAR, and LIBERTY SUN) are eligible to share ODS under Brookville's two ODS contracts, not to exceed two ship years of subsidy annually.
[3] 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.
[4] Vessels have been sold, company in bankruptcy.
[5] Three vessels (OMI MISSOURI, OMI COLUMBIA, and OMI SACRAMENTO) are eligible to share ODS under Vulcan's four ODS contracts, not to exceed four ship years of subsidy annually.

Table 17: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS--FY 1995[1]

A. Program Summary	Number	Gross Tons
U.S. PRIVATELY-OWNED VESSELS		
Transfer to Foreign Ownership and/or Registry		
Vessels of 1,000 Gross Tons and Over	106	1,260,070
Vessels of Under 1,000 Gross Tons	8	2,584
Total	**114**	**1,262,654**
Modifications	2	
Violations		
Reported	2	
Mitigated or Settled	1	
Rescissions (Sales to Aliens)	3	
Mortgages to Aliens	1	
Denials	0	
U.S. GOVERNMENT-OWNED VESSELS	**0**	

[1]Approvals granted by MARAD pursuant to Section 9, Shipping Act of 1916, as amended.

Table 17: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS--FY 1995 (continued)

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

	Pursuant to Section 9 (U.S.-Owned and U.S. Documented)	
	No. of Vessels	Gross Tons
Tankers	20	465,323
Cargo/Containership	20	383,480
Passenger	1	38,216
Miscellaneous	65	373,051
Total	**106**	1,260,070

Recapitulation by Nationality	Number	Gross Tons
Bahamian	2	61,410
Belizean	1	1,593
Canadian	7	26,914
Italian	1	13,330
Liberian	4	18,855
Marshall Islands	8	281,589
Panamanian	33	281,129
Russian	2	2,151
Thai	4	6,296
Vanuatuan	3	7,724
Venezuelan	13	22,273
Total	**78**	**723,264**
Sale to Alien for Scrapping	28	536,806
GRAND TOTAL	**106**	**1,260,070**

Chapter 7

Cargo Preference

The 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.

Preference Cargo

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:

o 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.

o **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.

o **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 relating to MARAD's approval of conditions in time and space charters of U.S.-flag ships that are privately negotiated between the shipowner and noncitizens that 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.

Civilian Agencies
Israeli Cash Transfer

Under the Israeli Cash Transfer Program, a "side letter" was in effect from FY 1980 through FY 1989. The Government of Israel did not execute a side letter with AID commencing October 1, 1990. In December 1991, Israel issued a new "side letter" to AID to transport 50 percent of grain shipments from the United States to Israel on U.S.-flag vessels during FY 1992. The "side letter" agreement was renewed again for FY 1994. During FY 1994, U.S.-flag vessels transported approximately

800,000 metric tons and earned revenues of approximately $20 million.

Export-Import Bank (Eximbank)

Eximbank shipments are governed by P.R. 17, which requires that 100 percent of all cargoes generated by this resolution move on U.S.-flag vessels.

If a recipient country meets United States' requirements and requests a general waiver, it would be allowed to move 50 percent of the cargoes on national-flag vessels.

In the Eximbank program, total tonnage increased from 144,752 metric tons in CY 1993 to 167,289 metric tons in CY 1994. U.S. operators' carriage increased some 12 percent from 92,907 metric tons in CY 1993 to 104,034 metric tons during CY 1994. The 11,127 metric ton increase in U.S.-flag carriers' tonnage resulted from an upturn in new project activities. The U.S.-flag ocean freight revenue for CY 1994 was $36,686,031.

Eximbank officials continue to support P.R. 17. Since the termination of Lykes breakbulk vessels, the request for non-availability waivers for project cargoes has increased dramatically. Eximbank has participated in several meetings designed to introduce new U.S.-flag service and to improve the working relationship between the carriers and shippers. No new U.S.-flag services were reported during this fiscal year.

Strategic Petroleum Reserve

In 1977, the U.S. Government announced its intention to store 750 million barrels of crude oil in salt domes along the U.S. Gulf Coast as a Strategic Petroleum Reserve (SPR). At the end of CY 1994, approximately 592 million barrels had been stored at five SPR sites.

The Cargo Preference Act of 1954 requires the Department of Energy (DOE) to transport at least 50 percent of the oil in U.S.-flag tankers. In 1977, MARAD and DOE agreed that to ascertain compliance, long ton/miles (LTM) more accurately reflect the diverse geographical distances in transporting the oil than by tonnage alone.

In CY 1992, DOE reactivated its procurement activities following its August 1990 suspension of oil purchases due to unstable conditions in the Persian Gulf. During 1994, U.S.-flag tankers carried SPR cargoes amounting to 1.623 billion LTM (57.51 percent) with revenue of $7.34 million.

The SPR program is monitored cumulatively from its inception for compliance purposes. U.S.-flag carriers have received 53 percent of the cargoes.

Military Cargoes

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 (10 U.S.C. 2631) (the 1904 Act) is the primary law that applies to DOD. It requires that items procured for, or owned by the military departments or defense agencies, must be carried exclusively (100 percent) on U.S.-flag vessels, if available at reasonable rates. The preponderance of DOD cargoes moves on vessels chartered-in to Military Sealift Command (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.

MARAD, MTMC, and MSC are creating a "Memorandum of Agreement" which will establish procedures for reporting DOD sponsored shipments of personal effects. Upon finalization of the agreement in FY 1996, 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.

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.

MSC continues to use time chartered vessels in direct competition with U.S.-flag scheduled service. Twice, in calendar year 1995, Farrell Lines lost cargo to a MSC-controlled vessel and to an RRF vessel. MARAD is formally proposing a joint task group to meet periodically to review and to resolve these types of problems.

The Federal Acquisition Council published a notice in the Federal Register on March 22, 1995, which would waive the cargo preference laws for shipments of commercial items and commercial components by subcontractors. Both MARAD and the ocean carrier industry oppose the proposed change since it will result in a loss of revenue for U.S. ocean carriers. MARAD, through the Department of Transportation, filed comments on May 22, 1995, in opposition to any waivers of the cargo preference laws, noting that any changes to cargo preference should be addressed in the context of "maritime" reform legislation rather than "procurement" reform. As a compromise, "firewall" language was added to the regulation to limit its impact, and the implementation date was delayed until May 1, 1996, in order to give the maritime industry an opportunity to propose an alternative solution.

A review of the top 10 defense contractors for FY 1994 shows that only 2 companies have excellent records of reporting shipments to MARAD. (See Chart 3.) However, MARAD is working with both MTMC and MSC to improve reporting by these contractors.

DOD Services and Agencies

A brief description of the activity in each DOD organization follows.

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 forwarder. These statistics also reflect cargoes that were authorized to move within the Defense Transportation System (DTS) and which were processed by the MTMC and the MSC.

U.S.-flag participation meets the compliance requirements as set forth in the governing cargo preference law (P.L. 83-664) 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 the recipient's national-flag vessels to participate in the ocean carriage of cargo within each program.

Air Force

The Air Force program decreased during this reporting period. This program uses a significant amount of air transportation, which reduces the use of ocean transportation.

Army/Corps of Engineers

As a result of DOD downsizing and budgetary cutbacks, a slight reduction in Army program tonnage resulted in CY 1994. The Corps of Engineers showed an increase in metric tons reported. MARAD has established productive working relationships with DOD agencies and contractors to improve communication and awareness on the availability and benefits of U.S.-flag transportation. Enhancements to the computer system used by MARAD allow greater efficiency and flexibility in reporting.

Defense Logistics Agency (DLA)

There was a significant increase in DLA contracts awarded in CY 1994. This increase was based on a large shipment of coal in bulk from the East Coast to Amsterdam, and large

shipments of rubber from Indonesia/Malaysia to the West Coast. DLA is 100 percent in compliance.

Defense Nuclear Agency (DNA)

The DNA recently began using commercial ocean transportation to ship supplies from Japan to the West Coast. They also use the Defense Transportation System (DTS) in most of their shipments.

Navy/Marine Corps

The Navy program was Principally in compliance with the cargo preference laws during this reporting period. However, the total tonnage is much lower due to Department of Defense budgetary cutbacks.

Twenty-three percent of U.S. Navy cargoes were shipped on foreign-flag vessels. The major cause of the foreign-flag shipments was lack of U.S. breakbulk service for large oversize articles. Because no U.S.-flag carrier was able to provide this service, 95 percent of the foreign-flag shipments were made with a confirmation of non-availability of U.S.-flag vessels by the Military Sealift Command.

Continued MARAD communication with contracting officers and shipyard personnel, has resulted in better compliance with cargo preference procedures between prime contractors and their subcontractors.

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, 78.2 percent of the 6.2 million metric tons of humanitarian aid commodities were transported on U.S.-flag vessels during the 1994/1995 Cargo Preference Year (CPY).

o Title I provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. During FY 1995, 1.6 million metric tons of bulk grain were shipped during the current CPY.

o Title II is a donation program administered by AID which generated approximately 2.8 million metric tons of packaged, processed, and bulk commodities for least developed countries.

o Title III, Food for Development Program, was established by the Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Farm Bill). Under this bilateral grant program, agricultural commodities are donated to least developed countries. Shipments under the Title III program began during Cargo Preference Year 1991/1992. Approximately 1.1 million metric tons of bulk grain were shipped during the current Cargo Preference Year.

o Section 416 is a donation program established primarily to distribute surplus commodity which generated approximately 174,000 metric tons of bulk grain and other surplus agricultural commodities for least developed countries.

o Food for Progress provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the current CPY, 593,000 metric tons of commodity, principally bulk grain, were donated.

MARAD, USDA, and AID have conducted numerous joint discussions concerning the adoption of certain commercial shipping terms for bulk humanitarian aid cargoes. With their cooperation, it is hoped that the agricultural shipping agencies will allow cargo to be fixed on a more commercial basis which should reduce carrier risk and lower ocean carriage costs.

Ocean Freight Differential (OFD)

The Food Security Act of 1985 (P.L. 99-198) increased the required percentage for U.S.-flag carriage from 50 to 75 percent of gross tonnage of certain agricultural programs (i.e., P.L. 83-480, Food for Progress, and Section 416 programs).

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 same cargo on a foreign-flag vessel.

MARAD reimbursed the Commodity Credit Corp. (CCC) $28.4 million for OFD invoices and documents submitted for the CPY which started on April 1, 1994. This amount declined $7.7 million from the previous year due to reduced agricultural program funding which resulted in lower tonnage and lower OFD rates. CCC was not reimbursed for OFD that included inland freight and bagging and stacking costs.

The average OFD cost for which MARAD reimbursed USDA was $22.96 per metric ton, a reduction of $7.26 per metric ton, or 24 percent. This decrease was due to lower agricultural program funding levels, increased competition for decreased tonnage, and strong foreign-flag rates during the CPY.

Under the 1985 Act, if the total obligations incurred by USDA and CCC of 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 received an $81 million invoice from USDA claiming that ocean freight rates for FY 1992 exceeded the 20 percent threshold. After auditing, and removal of non-OFD charges, payment in the amount of $35.2 million was forwarded during the CPY. This payment was in addition to the OFD reimbursed during the CPY.

Minimum Tonnage

The minimum tonnage for agricultural products was established under Section 901c(a)(1) of the Merchant Marine Act, 1936, as amended. This includes P.L. 480, Section 416, and Food for Progress. 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 1995, a total of 5,188,383 metric tons of agricultural products were exported. The minimum tonnage for FY 1995, as calculated is 7,928,008 metric tons. This represents a deficit of 2,739,625 metric tons.

The foreign food aid tonnage exported during CY 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: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1994
(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
Agency for International Development (AID):				
Loans and Grants				
Liner	10,161	52,725	36,350	68.9
Bulker	2,404	46,706	45,117	96.6
Tanker	0	12,197	0	0.0[1]
TOTAL	12,565	111,628	81,467	72.9
P.L. 480 - Title II[2]				
Liner	123,267	1,484,859	1,020,407	68.7[3]
Bulker	53,100	897,801	683,947	76.2
Tanker	22,453	442,993	404,193	91.2
TOTAL	198,820	2,825,653	2,108,547	74.6[4,5]
P.L. 480 - Title III[2]				
Liner	6,543	67,059	67,059	100.0
Bulker	28,654	773,336	532,501	68.9[6]
Tanker	11,944	240,555	212,347	88.3[7]
TOTAL	47,141	1,080,950	811,907	75.1[8]
Department of Agriculture:				
P.L. 480 - Title I[2]				
Liner	5,502	57,139	55,594	97.3[9]
Bulker	58,981	1,470,791	1,242,182	84.5[10]
Tanker	2,916	45,414	45,414	100.0
TOTAL	67,399	1,573,343	1,343,190	85.4[11]
Section 416[2]				
Liner	3,705	58,171	16,933	29.1[12]
Bulker	8,532	115,530	112,930	97.7[13]
TOTAL	12,237	173,701	129,863	74.8[8]
Food for Progress[2]				
Liner	17,115	82,140	53,117	64.7[14]
Bulker	22,147	450,674	389,499	86.4[15]
Tanker	2,358	60,671	49,672	81.9[16]
TOTAL	41,620	593,485	492,288	82.9[8]

Table 18 : GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1994 (continued)
(Note: These numbers do not include domestic shipments)

Department of Energy:				
Bonneville Power Adinistration	2	4	4	100.0
Western Area Power Administration	24	154	46	29.9[1]
Strategic Petroleum Reserve	7,736	1,060,084	397,726	37.57[17]
Veterans Administration	13	32	32	100.0
Department of Justice				
Drug Enforcement Administration	126	132	104	78.8
Department of Interior				
Bureau of Reclamation	6	24	24	100.0
National Aeronautics and Space Administration	17	97	32	32.9[1]
National Science Foundation	6,424	35,003	34,648	98.9
General Services Administration	62	192	52	27.1[1]
Department of Transportation				
Federal Transit Administration	1,313	2,642	1,991	75.4
U.S. Coast Guard	28	339	199	58.7
U.S. Information Agency	279	696	133	47.6[1]
Voice of America	539	4,202	1,908	45.4[1]
Department of State:				
Foreign Building Office	1,285	8,348	4,259	51.0
Other Agencies	5,717	17,828	13,599	76.3

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	167,289	104,034	51,598,855	36,686,031	62.1

Table 18: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1994 (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	1,170,332	1,170,332	0	19.0
U.S. Government-owned vessels	152,367	152,367	0	2.5
MSC chartered vessels	4,503,133	329,623	4,178,510	73.4
Foreign-Flag vessels	313,462	70,221	243,241	5.1
Total carriage of MSC Troop Support Cargo	6,144,294	1,722,543	4,421,751	100.0

Department of Defense Commercial Contractor Cargoes:	U.S.-Flag Revenue ($1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Army Materiel Command	2,584	13,315	12,427	93
Air Force	1,258	2,252	2,121	94
Corps of Engineers	1,686	5,311	5,283	99
Defense Logistics Agency	3,167	39,320	39,269	100
Navy	3,309	15,245	11,721	77
POV	655	1,996	1,996	100
Other	11	35	35	100
Total U.S.-Flag carriage of Department of Defense Commercial Contractor Cargoes	12,670	77,474	72,852	94

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:	37,699	142,738	116,428	81.5
Tanker:	5,991	193,856	189,802	98.0
TOTAL	43,690	336,594	306,230	91.0

Notes:

1. Imbalance due to nonavailablity 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 nd III, and the Food for Progress programs by changing the reporting period from a calendar year to a 12-month period 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, 1994 to March 31, 1995, is 75 percent.
3. Liner vessels failed to meet the 75 percent requirement.
4. Cargo preference is monitored on a global basis by vessel type for the Title II program.
5. After accounting for the non-availability of certain U.S.-flag vessels, the program met the 75 percent U.S.-flag requirement.

6. All preference cargo shipped to Bangladesh and Ghana were carried on foreign-flag vessels. Bolivia (74 percent) and Ethiopia (64 percent) did not meet the 75 percent requirement.

7. Nicaragua and Uganda did not ship any preference cargo on U.S-flag tankers.

8. Cargo preference is monitored on a country and vessel type basis.

9. Croatia (HR-5001 66 percent) did not meet the 75 percent requirement due to non-performance by a commodity supplier.

10. The following countries did not meet the 75 percent requirement for bulk vessels: Lithuania (LH-5006 0 percent), Macedonia (MK-5001 57 percent - insufficient U.S.-flag offers), and the Philippines (RP-5004 72 percent). The alternative for Lithuania would have been to fix 100 percent U.S.-flag without ocean freight differential reimbursement from MARAD to the Commodity Credit Corp. for the tonnage in excess of 75 percent.

11. The Title I program is monitored on an individual Purchase Authorization (PA) basis.

12. Ten of the fifteen participating countreis did not achieve the 75 percent requirement: Kazahhstan 68 percent, Kyrgyzstan 54 percent, Russia 18 percent, and Uzbekistan 49 percent while Armenia, Azerbaijan, Moldova, Mongolia, Romania, and Ukraine did not receive any preference cargo on U.S.-flag liners.

13. Tajikistan did not ship any preference cargo on U.S.-flag bulk vessels.

14. The following countries failed to meet the 75 percent requirement for liner vessels: Armenia 45 percent, Azerbaijan 74 percent, and Tajikistan 19 percent.

15. Three of the seven participating countries failed to meet the 75 percent requirement: Armenia 66 percent, Azerbaijan 74 percent, and Russia 15 percent.

16. Albania did not ship any preference cargo on U.S.-flag tanker vessels.

17. MARAD accounts for the SPR program on the basis of long ton miles (LTM). In CY 1994, this program provided a total of 2,822 billion LTM, of which U.S.-flag carriers received 1.623 billion LTM or 57.51 percent. Compliance is based on cumulative LTM since the program's inception which indicates U.S.-flag at 53 percent.

Chart 3: Top Defense Contractors -- Fiscal Year 1994

Rank	Company	($000) Total Awards	($000) Products	Cargo Preference Activity U.S. Metric Tons	(Exact $$) U.S. OFR
1	Lockheed Martin Corp.	$10,329,710	$3,727,727	570	$767,329
2	McDonnell Douglas	9,241,804	7,109,752	254	343,475
3	Northrop Grumman	5,180,477	3,765,843	0	0
4	General Motors Corp.	2,942,966	1,752,911	0	0
5	United Technologies	2,848,429	2,161,796	1	2,150
6	General Dynamics Corp.	2,688,820	2,084,395	60	157,974
7	Raytheon Co.	2,493,464	1,298,154	0	0
8	Loral Corp.	2,021,190	799,387	0	0
9	Boeing Co.	1,825,064	483,020	4	5,300
10	General Electric Co.	1,652,063	1,142,290	0	0

Chapter 8

Market Promotion

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

The Agency'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. MARAD also has developed a marketing program to promote U.S. shipyards in the international commercial market place, as part of the Administration's shipbuilding initiative.

Marketing Program - Carriers

MARAD's marketing program for U.S. ocean carriers focuses 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 1995.

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 some 2,100 firms to encourage use of U.S. vessels. Voluntary reports from carriers and shippers indicate that over $90 million in additional ocean freight revenues for U.S. vessels resulted from these policy consultations. Over the last 11 years, in excess of $350 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 1995, MARAD participated in more than 350 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 E-Award 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.

In addition, MARAD provides business leads to U.S. companies through a shipper help line, which is maintained to facilitate assistance to both U.S. exporters and importers. The Agency maintains information on U.S.-flag services in the Department of Commerce's National Trade Data Bank and "Flash Fax" system. MARAD's computer bulletin board, MARlinespike, provides carriers and the public with U.S. ocean transport service information and schedules, and international business opportunities. MARlinespike has been further enhanced and includes news releases and major announcements, shipbuilding market leads, legislation, the Ship Financing Guarantee Program (Title XI), standards, design files, etc.

The National Maritime Resource and Education Center's complete marine standards library also may be accessed through MARlinespike.

The Internet E-mail address was established to allow rapid, inexpensive access by the public to comprehensive trade information. The

address is:

(marketing_marad@postmaster2.dot.gov.)

MARAD also worked with MARITECH to establish NSnet, the National Shipbuilding Network, which provides international Internet connections to shipyards, foreign purchasers, brokers, banks, and vendors. (See Chapter 10.)

MARAD's Shipper Award Program recognizes importers and exporters who patronize U.S. carriers with a substantial share of their international cargoes. In FY 1995, a total of 247 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. vessels, with 165 exporters and importers in Korea, Taiwan, Singapore, and Hong Kong receiving certificates.

Under the highly successful 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 1995, emphasis again was placed on contact with high volume, high value importers and exporters.

Marketing Program - Shipyards

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.

MARAD works closely with the U.S. Foreign Commercial Service and embassy and mission personnel to gather market information. The Agency also participates in select international trade shows to promote the U.S. shipyard industry. At year's end, MARAD was working with industry on the American International Shipbuilding Exposition, the first major international shipbuilding exhibition scheduled in the United States. It is scheduled to be 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 to be held in Hamburg, Germany in October 1996.

In conjunction with the American Waterways Shipyard Conference, the Shipbuilders Council of America, the American Shipbuilding Association, the Marine Machinery Association, and others, MARAD again conducted ship construction workshops and seminars on the subjects of marketing, environment, labor, and finance.

Chapter 9

Maritime Labor, Training, and Safety

The 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 in this area is on fostering a safe and efficient maritime transportation system through the effective use of human resources.

U.S. Merchant Marine Academy

MARAD operates the U.S. Merchant Marine Academy at Kings Point, NY, which educates 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 reserve commissions as officers in an armed service of the United States.

The Federal Government maintains the Academy because it is an integral component of the defense readiness called for in our national security policy. Maintaining the Academy is also a declaration by the Federal Government that there will always be a guaranteed source of merchant marine officers to meet our domestic and international trade requirements.

The Academy strives to keep its educational program responsive to the needs of America's maritime industry.

As a key component of our national security effort, all Academy graduates incur an 8-year U.S. Navy Reserve commitment which 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 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 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 also satisfies the obligation.

The Class of 1995 comprised 101 third mates, 101 third assistant engineers, and 17 graduates who completed the dual deck/engine license program. Four students from the Russian Federation were in the graduating class. Thirty-four of the third mate licensees earned endorsements as Qualified Members of the Engine Department (QMED) in the third year of the Academy's ship's officer program; they completed selected engineering 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-one women were among the 1995 graduates. Admiral Joseph W. Prueher, USN, Vice Chief of Naval Operations delivered the commencement address.

Within 3 months after graduation, about 88 percent of the 219 graduates had found employment in the maritime or transportation industry--aboard ship or ashore--or were serving on active military duty in the U.S. military services.

Average enrollment at the Academy during the year was 940.

At the beginning of the 1995-96 academic year, the regiment of midshipmen included 102 women, 26 of whom were scheduled to graduate in June 1996.

Members of Congress nominated 1,232 constituents for the Class of 1999 and a total of 254 appointments were made in FY 1995.

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.

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 receive a maximum of $3,000 to offset school costs. Participating cadets are obligated to remain employed in the maritime industry for 3 years, to accept a reserve commission in the U.S. Navy or one of the other armed forces, and to renew or upgrade their USCG merchant marine license at least once after graduation.

MARAD provides training vessels to five sea coast academies for use in at-sea training and as shoreside laboratories. Three of the schools -- California, Maine and Texas -- are in the process of replacing their aging schoolships. At year's end, the CHAUVENET, a decommissioned Navy Survey vessel, was being converted to replace the Texas State Maritime Program's TEXAS CLIPPER; the MAURY, an oceanographic survey ship deactivated by the Navy, will replace the California Maritime Academy's GOLDEN BEAR; and the TANNER, sistership to the MAURY, will replace the Maine Maritime Academy's STATE OF MAINE.

RADM Floyd H. Miller, USN (Ret.), retired as President of the State University of New York Maritime College. He was replaced by RADM David Brown, USMS, former Superintendent at the Great Lakes Maritime Academy.

RADM John Tanner, USMS, is the new Superintendent at the Great Lakes Maritime Academy.

Dr. William T. McMullen is the new Superintendent at the Texas State Maritime Program, Texas A & M University at Galveston. He replaced Dr. David Schmidly, CEO and Campus Dean, who served in the interim.

Supplemental Training

MARAD provides supplemental training for seafarers in maritime firefighting, intermodalism, and defense readiness. In FY 1995, 2,129 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 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.

In support of firefighting readiness in port cities, shipboard firefighting training is offered to municipal firemen from waterfront communities. Forty port city firefighters participated in marine firefighting training with regular seafaring students at the Toledo Marine Fire Training Center several times during the fiscal year.

In cooperation with Bowling Green State University and the Ohio State Fire School, over 80 municipal firefighters were trained at the Merchant Marine Fire Training Center at Swanton, OH. In addition, a wide variety of crews were trained including personnel from gaming boats, fishing vessels, ocean vessels, river towboats, maritime academy cadets, and Great Lakes vessels.

This was the fourth 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 1995, 71 senior deck officers completed this program.

This was the second year MARAD sponsored the "Commercial International Freight Transportation" course. It was held at the U.S. Merchant Marine Academy. Military officers and civilians newly assigned to transportation/logistics activities within the DOD, 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. Sixty-six transportation professionals have completed this new program.

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. In FY 1995, the Gallant Ship Award was presented to the tugboat PT. MILNE. The tugboat and her crew were honored for rescuing 132 people in July 1994 from a burning fish processing vessel in the Bering Sea. At the same time, the tug's captain, Al Krininger, was presented the Meritorious Service Medal.

Labor Data

In FY 1995, average monthly U.S. seafaring employment in all sectors (private, Government contract, and Great Lakes) decreased to 12,024, down 5 percent from the FY 1994 average of 12,696. (See Table 19.) The total work force in selected U.S. commercial shipyards decreased 3 percent from 75,615 in FY 1994 to 73,339 in FY 1995. Average longshore employment decreased 5 percent from 23,538 to 22,427.

Labor

Global agreements for more open trade have encouraged ship operators to form multi-national alliances to share vessels and to network the coordination of the use of port waterside and landside intermodal facilities worldwide. U.S. seafaring unions are internationally active because of global sourcing of labor and are moving toward developing international labor alliances and linking labor rights to future international trade agreements. U.S. waterfront labor unions are concerned with the future of ports under labor contract which will not have the intermodal infrastructure to handle the more than 4,000 TEU new containerships now being built and delivered. Newly formed international shipping consortia will determine the fate of current and future ports worldwide. The preservation of jobs and the jurisdiction of new crafts are issues waterfront labor will bring to future labor negotiations with management. Planning by the shipping consortia to build new mega terminals outside city, county, or port authority jurisdictions will intensify these job issues. Existing labor agreements will be major factors in determining the future of smaller ports. Both labor and management are demonstrating flexibility in order to keep their facilities, service, and charges competitive, and thereby to influence new world trade patterns and attract more cargo.

Seafaring

Most seafaring labor collective bargaining agreements remain in effect through June 1996. In FY 1995, many U.S. shipping companies began implementing business plans of selectively reflagging, selling, and scrapping ships.

The International Organization of Masters, Mates & Pilots (MM&P) signed a 57-month labor contract with Sea-Land Services, Inc. to supply licensed deck officers. The MM&P also completed an agreement with the Hanseatic Shipping Company of Limasol, Cypress to place U.S. citizen officers on foreign-flag ships owned by Sea-Land.

Longshore

Longshore direct labor costs on the West, East, and Gulf Coasts were at or below planned levels. Benefit programs and pay guarantee plans were below projections while labor productivity continues to improve. However, changing global trade patterns, accompanied by an international awareness of safety and protection of the environment, are adding to the pressure on ports to reduce costs and search for ways to streamline operations. Ports which do not have adequate container storage space or available land to improve their waterside and landside intermodal infrastructure will find worldwide ship operator alliances looking elsewhere and developing their own terminal, rail, and truck facilities. Increasing container traffic will shift to those ports which can effect container throughput without delaying the containerships.

On the West Coast the International Longshoremen's and Warehousemen's Union (ILWU) master agreement with the Pacific Maritime Association (PMA) remains in effect through July 1996. The ILWU membership elected a new slate of officers who were installed in July of 1994.

The expanding use of containers for more cargo is resulting in the concentration of cargo handling activities at fewer and larger ports. Cargo shifts among ports have created workforce imbalances in an industry which traditionally relies on casual labor.

The East and Gulf Coast divisions of the International Longshoremen's Association (ILA) master agreement with the Carriers Container Council remains in effect through October 1996. The ILA also is concerned with preserving benefits gained through the years and with agreements entered into by non-union

Annual Crewing Assessment of U.S. Merchant Marines

Approximately 2,760 mariners would be required to activate all reserve sealift billets not presently manned. Sealift ships involved include the 92 RRF ships operated by MARAD, 2 hospital ships and 8 Fast Sealift Ships operated by the Military Sealift Command.

During a MARAD-sponsored exercise conducted last summer, the U.S. maritime labor unions reported that approximately 8,820 active mariners were available to meet reserve sealift needs. It is anticipated that these mariners would be sufficient for at least two crew rotations to meet initial manning requirements and to staff the ships for the first few months of a sealift crisis.

In order to meet future crewing demands, it is essential to operate the U.S. Merchant Marine Academy and State maritime academy programs near current levels, promote use of approved industry schools for training licensed and unlicensed seagoing personnel, and improve access to qualified inactive mariners coupled with gaining employment rights legislation for service on sealift support vessels activated to serve national requirements. companies that pay workers much less than the hourly rate earned by ILA members.

Safety

MARAD continues to sharpen its focus on safety and human performance in the maritime industry. Of interest are the combined effects of personnel, 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 be a contributing cause in about 80 percent of all accidents. The human factors aspects of systems are thus the 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 longshoring industries.

MARAD is working with other DOT modal administrations through DOT's Human Factors Coordinating Committee and "Fatigue Group" to identify common interests, research, and approaches as means 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 factors in transportation has been drafted by the group.

The Maritime Advisory Committee for Occupational Safety and Health (MACOSH) was formed by the Department of Labor in February 1995 to advise the Occupational Safety and Health Administration on maritime issues. MARAD is working with the industry in supporting this committee, which is focusing on both shipbuilding and longshoring issues of standards and safety.

Two safety-related research cooperatives with industry also were initiated. A "Human Factors Cooperative Research Program with the State and Federal Maritime Academies" originated from a meeting in Fall 1994. Cooperative agreements were signed in March 1995 formalizing this research effort, which brings the state and Federal maritime academies together to develop visions for the future and address critical human factors issues in maritime transportation.

The "Vessel Piloting Cooperative Program" is another MARAD initiative and has resulted in a cooperative agreement with the American Pilots Association. This program addresses improvements in ship piloting and vessel navigation systems where the safety of ship operations in harbors and waterways is affected. The major effort initiated this fiscal year was the study of the potential utility of portable navigation systems by pilots. These portable navigation devices are carried onboard by the pilot and utilize differential global positioning system signals to provide a highly accurate location in the waterway. A number of equipment trials are underway to encourage and ensure the safe and proper implementation of this advanced technology.

Table 19: MARITIME WORK FORCE AVERAGE MONTHLY EMPLOYMENT

	Average Monthly Employment in Fiscal Year	
	1994	1995
Seafaring Shipboard Jobs:[2]	**12,696**	**12,204**
Shipyards:[1]	**75,615**	**73,339**
Production Workers	52,843	48,796
Management and Clerical	22,772	24,543
Longshore:	**23,538**	**22,427**

[1]Commercial yards in the Active Shipbuilding Base.
[2]Includes Great Lakes, but excludes inland waterways.

Chapter 10

Administration

The administrative actions taken in support of the mission and programs of the Maritime Administration (MARAD) in fiscal year (FY) 1995 are summarized below.

Maritime Policy

Secretary of Transportation Federico Peña unveiled the Maritime Security Act of 1995, the Administration's proposed maritime revitalization program, on March 10, 1994, following an extensive review of Federal maritime promotional programs.

The Maritime Security Program (MSP) proposes limited operating assistance for approximately 50 U.S.-flag liner vessels operating in foreign trade. The 10-year program would provide annual payments of $2.5 million per vessel for 3 years and $2.0 million thereafter beginning in FY 1996. Participating carriers would be required to enroll in an Emergency Preparedness Program established to provide intermodal sealift support in time of war or national emergency. The commercial transportation resources to be provided would include shipping capacity, intermodal equipment, terminal facilities, and management services.

By the end of FY 1995, authorizing committees in both the House and Senate passed legislative initiatives similar to that proposed by the Administration. The House and Senate versions allow for payments to vessels enrolled in the MSP of $2.3 million per vessel in FY 1996 and $2.1 million for the remaining nine years. Contracts awarded during the first year would be renewable, subject to availability of funds in fiscal years 1997 through 2005.

Strategic Planning

MARAD published its first strategic plan in FY 1995, a comprehensive statement of the mission, goals, and objectives of the Agency. The plan categorizes a broad spectrum of Federal responsibilities into clearly recognizable objectives and provides a focus for future service to the nation.

The MARAD strategic plan supports the broader goals set forth in the Department of Transportation (DOT) strategic plan as they pertain to maritime affairs and to the maritime elements of the national intermodal system. Action plans have been developed for specific activities designed to implement the strategic plan.

Measures to implement the Government Performance and Results Act of 1993 (GPRA) are closely associated with strategic planning. This law is aimed at measuring the effectiveness of Federal programs against performance goals derived from the strategic planning process. In 1995, MARAD began to quantify specific program goals and to formulate appropriate performance measures for major programs. The GPRA requires complete implementation in FY 1997.

Customer Service Initiatives

Executive Order 12862, "Setting Customer Service Standards," mandates a customer needs-driven approach to providing Government services to the public, as does DOT's Strategic Plan. In 1995, performance under the pilot Customer Service Plan and brochure for the Federal Ship Financing Program (Title XI) and customer reactions were evaluated and reported in an update.

The National Performance Review (NPR) Customer Service Team, in response to Presidential Memorandum of March 22, 1995, requested that all proposed customer service plans be completed in FY 1995. MARAD responded with plans for MARlinespike (its electronic bulletin board), its National Maritime Resource and Education Center (NMREC), and the U.S. Merchant Marine Academy. (The three new brochures were printed and distributed in October 1995.)

Additionally, MARAD's Office of Acquisition received the Vice President's Hammer Award for sustained excellence in customer service. The Office forged an alliance with industry through the Advanced Research Projects Agency and developed a contract administration review program which improved the overall effectiveness of the Agency's administration of contracts.

The Office of Acquisition also received two Secretarial awards for Best in Class Runnerup. These awards were in the categories of maximizing the value of the procurement system and maximizing cost savings. MARAD continues to meet the President's goals of providing improved customer service and improving Government efficiency.

Maritime Subsidy Board

The Maritime Subsidy Board (MSB), by delegation of the Secretary of Transportation, makes, amends, and terminates contracts subsidizing the operation of U.S.-flag vessels in the U.S. foreign commerce. The MSB may hold 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 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 MSB members.

The MSB conducted regular meetings and published a number of notices in the *Federal Register* in FY 1995.

The Maritime Administrator and the MSB took a number of administrative actions to help strengthen the U.S. merchant marine. Significantly, the MSB authorized the transfer of an unutilized Operating-Differential Subsidy Agreement (ODSA) to Lachmar for operation of two 126,500 cubic meter liquid natural gas (LNG) vessels. The ODSA had been dormant since 1986 but remained valid through the end of 1997. The MSB's action immediately placed these two U.S.-flag LNG carriers in a position to compete with foreign-flag vessels and provide the U.S. with an important resource for maintaining its growing energy requirements.

The MSB also approved the extension of subsidizable lives for several liner and bulk vessels. The liner vessel EXPORT FREEDOM was approved for payment of operating-differential subsidy (ODS) for operation 5 months beyond its 25 year subsidizable life enabling Farrell Lines, Incorporated to maintain the integrity of its liner service sailing schedule through the end of its ODSA. Bulk vessels are eligible for subsidized operations for 20 years. MSB extended the subsidizable lives of two tankers of Mormac Marine Transportation, Inc., the MORMACSTAR and MORMACSUN, for 1 additional year and for 6 months, respectively, to enable full utilization of the 20-year subsidy contract. Similarly the MSB acted to extend the subsidizable lives of the Margate Shipping Co. tankers CORONADO and CHELSEA terminating when their ODS contracts conclude. These life extensions will permit the vessels to remain active participants in the U.S. foreign trade and be available for use in case of national emergency during the extension period.

Legal Services, Litigation, Regulations, and Legislation

All legal matters affecting MARAD are the responsibility of the Chief Counsel.

On March 22, 1995, the Federal Acquisition Regulatory Council issued a proposed rulemaking which would waive the cargo preference laws for subcontracts for commercial items and commercial components. MARAD submitted comments on May 22, 1995, in opposition to the proposed change, as it would result in a loss of preference cargoes for U.S. ocean carriers. Subsequent meetings between the Council, the maritime industry, shippers, and MARAD resulted in the addition of "firewall" language to the regulation to limit its impact. In addition, the effective date of the rule was suspended for nine months to May 1, 1996, in order to give the maritime industry an opportunity to propose an alternative solution.

Intensive discussions were held with the Environmental Protection Agency (EPA) to allow continued sale of obsolete vessels from the National Defense Reserve Fleet (NDRF). By statute, MARAD is directed to sell all obsolete vessels in the NDRF by September 30, 1999, and to transfer 25 percent of the sale proceeds to the Department of the Interior to help administer the National Maritime Heritage Program (P. L. 103-451). An agreement with EPA, which was still being negotiated at year's end, may allow export of two ships as a demonstration project, after removal of polychlorinated biphenyls in the United States. In the long term, MARAD expects to continue the sales of obsolete vessels under the provisions of a new regulation being developed by EPA to open the borders for exports of waste that comply with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

A highly significant case involved defending Department of Transportation (DOT) authority to administer the Capital Construction Fund (CCF) program. In the Fall of 1993, MARAD learned that the Internal Revenue Service (IRS) was taking certain positions at variance with the provisions of applicable CCF regulations and contractual agreements. Meetings over a 2-year period between DOT, IRS, the Department of the Treasury (Treasury), and MARAD failed to resolve the dispute. Meanwhile, the Department of Commerce (Commerce) National Oceanic and Atmospheric Administration became involved in a separate dispute over the administration of its CCF program for fishing vessels. In June 1995, the General Counsels of DOT and Commerce submitted a joint brief to the Office of Legal Counsel (OLC) in the Department of Justice (DOJ) requesting OLC to resolve the jurisdictional dispute with

IRS and Treasury. The matter was pending at year's end.

The Title XI Ship Financing Program saw its workload increase during the fiscal year. Fourteen actions guaranteed $437 million worth of commitments on vessel construction and shipyard revitalization projects. Thirteen closings produced guarantees of $380 million in obligations, including the Agency's first export ship financing under P. L. 103-160, a power barge in the Dominican Republic. Collaborative efforts with the DOJ continued in four bankruptcy actions involving Title XI companies.

In this reporting period, MARAD issued a final rule prescribing the terms and conditions under which the Agency will convey surplus Federal real property to public entities for use in the development or operation of a port facility. MARAD has received numerous applications under these regulations.

Appropriations bills for fiscal year 1996 had not been enacted at year's end, but the immediate effect was cushioned by a Continuing Resolution.

The Agency successfully defended two precedent-setting cases challenging its authority under the Merchant Marine Act, 1936, as amended (1936 Act). In one case, the issue was whether a ship which had major conversion work in a foreign shipyard had lost its U.S.-built vessel status for purposes of participating in the cargo preference trades, pursuant to sections 901(b)(1) and 901b of the 1936 Act. MARAD had ruled that the privilege of participation was lost. This decision was sustained by the Court of Appeals for the Second Circuit. The second case involved a union challenge to the Maritime Administrator's decision to grant a waiver under section 804(b) of the 1936 Act to permit a subsidized operator to use six newly built foreign ships in international trade. The Administrator's decision was sustained by the U.S. District Court for the District of Columbia, but was on appeal at year's end.

At the end of the reporting period, over 150 merchant mariner injury claims were still active. Many stem from Ready Reserve Force (RRF) operations in Operation Desert Shield/Desert Storm, but some filings arose out of RRF participation in Somalia and Haiti and from alleged injuries aboard prepositioned ships on charter with the Military Sealift Command.

The Agency also is a defendant in an asbestos exposure class action. A total of 260 seamen injury claims have been filed to date alleging asbestos exposure injuries while working aboard government-chartered vessels dating back to World War II.

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.

The continued use of the Government Credit Card Program has proven to be effective in streamlining procurement processes and expediting delivery of solutions to workstation and network problems.

MARAD continues to concentrate technology resources toward strengthening its network infrastructure so that internal communication can be enhanced, information and data sharing opportunities can be expanded, and the Federal telecommuting program can be effectively supported.

The Agency has successfully incorporated its information systems from a mainframe environment to a network-based, client-server platform, resulting in increased flexibility in analyzing and utilizing data, more timely access to information, and a reduction in cost to maintain Agency mission databases.

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.

A MARAD Internet Home Page was established as a vehicle for communicating with the maritime industry and the public. The Home Page enhances the public's ability to access Government information. MARAD's Home Page complements MARlinespike, MARAD's bulletin board. It can be accessed via direct dial or the Internet Home Page. The Address is http://marad.dot.gov.(See Chapters
2 -- Shipbuilding and Ship Conversion and Chapter 8 -- Market Promotion.)

The MARAD Electronic Forms Processing Initiative was defined in FY 1995. Electronic forms software is expected to automate standard Government forms such as personnel and travel forms, as well as MARAD-specific forms.

Full implementation of Electronic Mail Processing was completed. MARAD offices now can exchange data and information via the network. Network access to other Federal agencies and private sector organizations also is available via Internet telecommunications gateways.

Safety Program

MARAD continued to manage its Occupational Safety and Health Program (OSH) to provide the safest and healthiest work environments possible.

The Agency began the review and consolidation of its OSH directives, which will result in the issuance of an OSH Management Manual in FY 1996.

Also during FY 1995, 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 preseparation 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 1995.

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 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 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. For example, eleven James River Reserve Fleet employees completed a program at the Mary Immaculate Hospital, Newport News, VA, and were certified by the Commonwealth of Virginia as "Emergency Medical Services First Responders."

One fatality occurred at the James River Reserve Fleet. Occupational Health and Safety Administration (OSHA) investigators were called to the scene and MARAD immediately began actions to preclude recurrence. A subsequent unannounced inspection by OSHA found all recommendations implemented.

Personnel

MARAD's employment totaled 1,066 at the end of FY 1995. The Agency's percentage of female and minority employees, as well as their representation in supervisory positions, remained relatively unchanged from last fiscal year, as did the percentage of handicapped employees.

Three upward mobility positions were established in FY 1995 and three employees were promoted to target positions under previously established upward mobility positions.

Sixteen cross-training positions were advertised under MARAD's Career Enhancement Program and 24 special training announcements were issued. Seventy employees were approved for tuition assistance through the MARAD Educational Assistance Program. Two MARAD employees participated in the U.S. Office of Personnel Management Executive Potential Program and New Leader Program and one was selected for the Commerce Science and Technology Fellowship Program.

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. In addition, the Office of Acquisition received the Secretary's Award for Excellence in Customer Service. Further, 17 employees received the Administrator's Bronze Medals and 2 received the

MARAD EEO Award in recognition of their contributions to the Equal Employment Opportunity Program.

Installations and Logistics
Real Property

On September 30, 1995, 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 New Orleans Military Ocean Terminal 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 Toledo, 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, ship management staffs were maintained in New York, NY, and Port Arthur, TX.

Operation and maintenance of the Computer-Aided Operations and Research Facility at the U.S. Merchant Marine Academy will be transferred in mid-1996 from Marine Safety International, Inc., to the Government.

Audits

In FY 1995, the General Accounting Office (GAO) and the DOT's Office of Inspector General (OIG) submitted final principal survey or internal audit reports on MARAD activities. They were:

o Cargo Preference Laws - Estimated Costs and Effects -- GAO Review

o Ready Reserve Force - Ship Readiness Has Improved, but Other Concerns Remain - GAO Review

o Merchant Marine Training Incentives -- OIG Audit

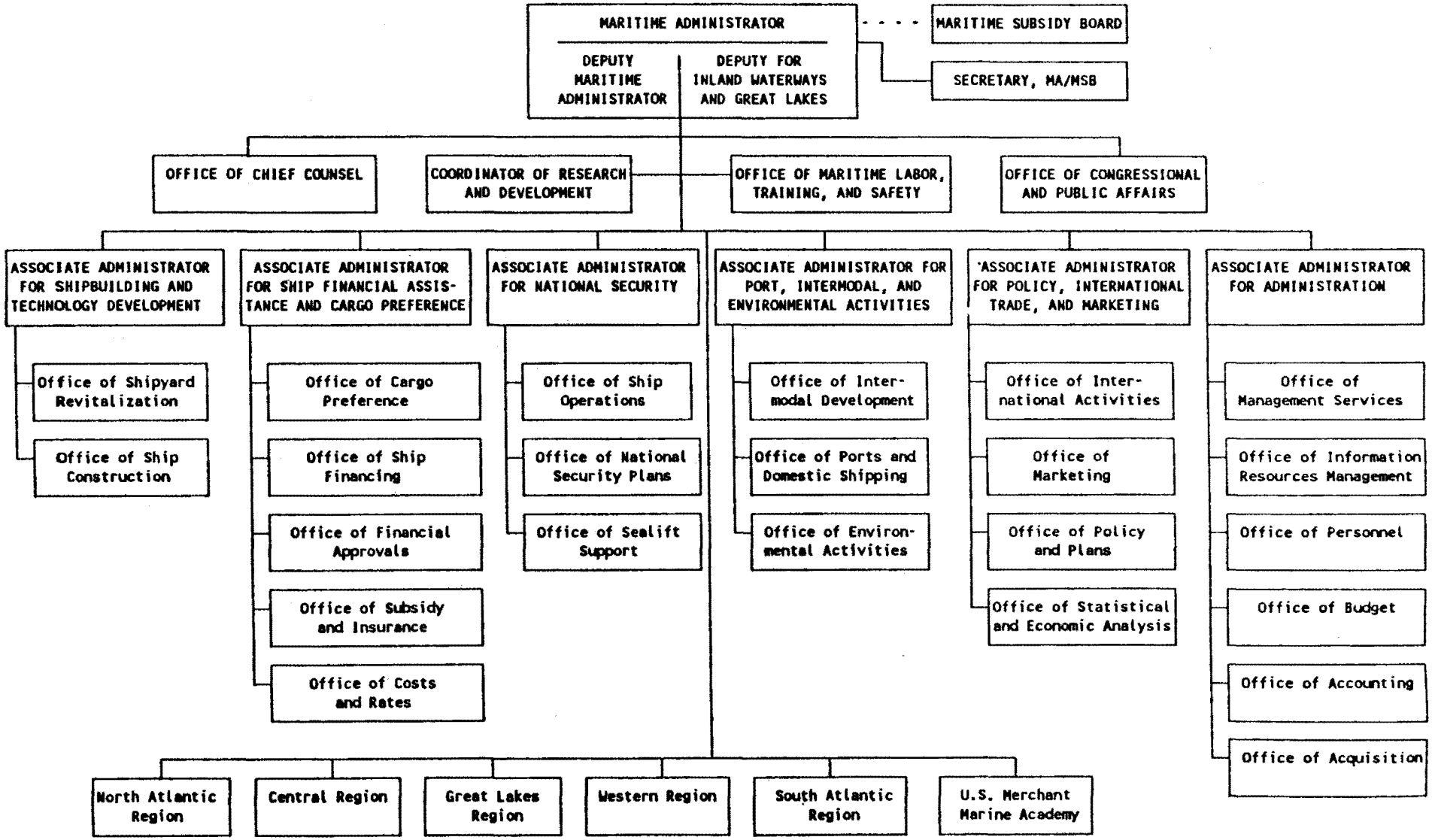
o Financial Statement Audits for FY 1994 in MARAD -- OIG Audits

o Shore-Based Spares System in MARAD -- OIG Audit

Accounting

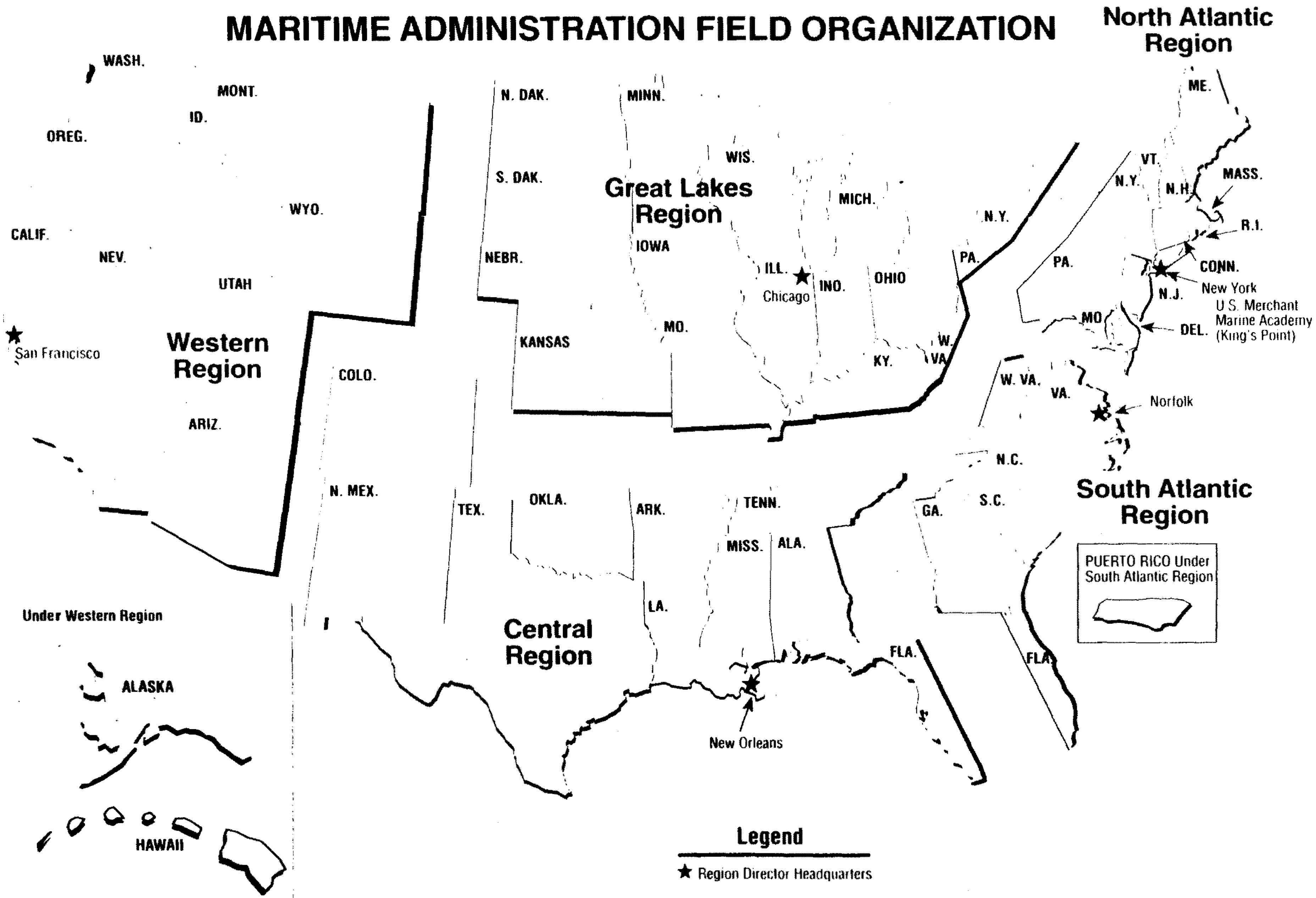
MARAD's accounts are maintained on an accrual basis in conformity with generally accepted principles and standards, and related requirements prescribed by the Comptroller General. The net cost of MARAD's FY 1995 operations totaled $674.2 million. This included $263.3 million in operating-differential and ocean freight differential subsidies; and $74.9 million in administrative expenses and financial assistance to State Maritime Academies. MARAD received $5.9 million in other operating expenses net of income. Financial statements of MARAD appear as Exhibits 1 and 2.

Maritime Administration Organization



U.S. Department of Transportation
Maritime Administration

MARITIME ADMINISTRATION FIELD ORGANIZATION



U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 1. Statement of Financial Condition

ASSETS	Years Ended September 30 1995	1994
Selected Current Assets		
Funded Balances with Treasury:		
Budget Funds	$ 456,063,449	$ 488,331,052
Deposit Funds	5,060	5,200
	456,068,509	488,336,252
Federal Security Holdings	419,975,550	925,127,800
Accounts Receivable:		
Government Agencies	125,883,317	399,372,921
The Public	355,147	647,752
	126,241,078	400,020,673
Advances To:		
Government Agencies		
The Public	2,614	36,153
	2,614	36,153
Total Selected Current Assets	$ 1,002,287,751	$1,801,490,081
Loans Receivable:		
Repayment in Dollars	52,337,270	217,754,253
Allowances (-)	(25,099,680)	(196,083,656)
	27,237,590	21,670,597
Real Property and Equipment:		
Land	7,749,000	7,749,000
Structures and Facilities	36,577,397	74,928,744
Equipment and Vessels	1,560,247,481	1,645,710,880
Leasehold Improvements	174,376	174,376
	1,604,748,254	1,728,563,000
Total Assets	$2,634,270,981	$3,563,754,478

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

U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 1: Statement of Financial Condition

LIABILITIES	Years Ended September 30 1995	1994
Selected Current Liabilities (Note 2)		
Accounts Payable (Including Funded Accrued Liabilities):		
Government Agencies	32,548,122	$1,100,000
The Public	92,087,027	82,523,664
	124,635,149	133,623,664
Unfunded Liabilities:		
Accrued Annual Leave	9,887,087	9,619,556
Accrued Payroll and Benefits	415,404	419,091
TOTAL SELECTED CURRENT LIABILITIES	134,937,640	143,662,311
Deposit Funded Liabilities	5,060	5,200
Debt issued under borrowing Authority:		
Borrowing from Treasury	0	0
Other Liabilities:		
Vessel Trade-in Allowance and Other Accrued Liabilities	0	
TOTAL LIABILITIES	$134,942,700	$143,667,511
Government Equity		
Unexpended Budget Authority:		
Unobligated	695,847,097	1,441,163,985
Undelivered Orders	974,925,052	1,260049,603
	1,670,772,149	2,706,213,588
Unfinanced Budget Authority (-)		
Unfilled Customer Orders	(193,182,324)	(217,997,956)
Contract Authority	(616,822,879)	(826,178,368)
	(810,005,203)	(1,044,176,324)
Invested Capital	1,638,561,335	1,758,054,903
TOTAL GOVERNMENT EQUITY	$2,509,357,735	$3,420,092,167
TOTAL LIABILITIES and GOVERNMENT EQUITY	$2,634,270,981	$3,563,754,478

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	
	1995	1994
OPERATIONS OF THE MARITIME ADMINISTRATION:		
Net Costs of Operating Activities		
Reserve Fleet Programs:		
Maintenance and Preservation	133,809,023	$330,270,978
Direct Subsidies and National Defense Costs:		
Operating-Differential	199,966,580	212,972,927
Ocean Freight Differential	63,317,297	50,317,000
Credit Reform Program	48,347,520	1,091,001
Administrative	76,549,327	74,734,673
Research and Development	0	
Financial Assistance to State Marine Schools	1,500,000	1,365093
	78,049,327	76,099,766
Other Operating Income Net of Expenses	3,496,840	1,365,093
Net Cost of Maritime Administration	$526,986,587	670,751,672
OPERATIONS OF REVOLVING FUNDS (-Income):		
Vessel Operations Revolving Fund	<1,528,571>	63,998,565
War-Risk Revolving Fund	<2,249,022>	<867,532>
Federal Ship Financing Fund	<74,256,891>	<59,741,280>
Special Studies	0	
Gifts and Bequests	<1>	
	<78,034,505>	3,379,753
Net Cost of Combined Operations	$448,952,082	$674,131,425

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

Notes to Financial Statements
September 30, 1994 and September 30, 1995

1. The preceding financial statements include the 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 and Programs of the Federal Credit Reform Act of 1990.

2. MARAD was contingently liable under agreements guaranteeing obligations or insuring mortgages and construction loans payable to holders or lenders totaling $980,958,000 on September 30, 1995.

3. MARAD held no cash or securities on September 30, 1995, in escrow in connection with the guarantee of obligations to the insurance of loans and mortgages which were financed by the sale of bonds in the securities market. There were no conditional liabilities for prelaunching War-Risk Builder's Insurance on September 30, 1995.

4. On September 30, 1995, 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. The Federal Ship Financing Fund, a revolving fund, is currently self-supporting. As of September 30, 1995, the fund had investments (U.S. Treasury Securities) of $420.0 million. The fund incurred $9.5 million in defaults during FY 1995. In addition, the fund transferred $585 million to the U.S. Treasury.

6. MARAD wrote off loans receivable of $177.9 million for the Title XI Program during FY 1995.

7. MARAD adjusted its liabilities to $616,822,879 as of September 30, 1995, 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 1995.

Appendix I: MARITIME SUBSIDY OUTLAYS--1936-1995

Fiscal Year	CDS	Reconstruction CDS	Total CDS	ODS	Total ODS & 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	2,352,744	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-	215,493,152	215,506,822
1994	-0-	-0-	-0-	212,972,929	212,972,929
1995	-0-	-0-	-0-	199,966,581	199,966,381
Total	**$3,569,648,434**	**$264,904,682**	**$3,834,553,116**	**$9,914,062,758**	**$13,533,109,052**

* 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 1994 and 1993

	1994	1993
ASSETS	(stated in thousands)	
Current Assets:		
Cash	$ 53,665	$ 8,518
Marketable Securities	7,554	28,897
Notes Receivable	58,821	101,510
Accounts Receivable	393,837	381,738
Allowance for Doubtful Receivables	(8,051)	(4,922)
Other Current Assets	92,144	104,718
Total Current Assets	$597,970	$620,459
Non-Current Assets:		
Restricted Funds	$ 2,346	$ 2,345
Investments	3,625	1,563
Property and Equipment (net of depreciation)	1,088,309	1,109,280
Other Assets	117,018	77,727
Deferred Charges	58,015	43,968
Goodwill and Other Intangible Assets	30,411	33,367
Total Non-Current Assets	$1,299,724	$1,268,250
TOTAL ASSETS	$1,897,694	$1,888,709
LIABILITIES & OWNERS' EQUITY		
Current Liabilities:		
Notes Payable	$ 47,511	$ 32,291
Accounts Payable	91,541	76,328
Accrued Liabilities	386,828	390,942
Other Current Liabilities	10,778	8,647
Advance Payments/Deposits	2,641	6,089
Total Current Liabilities	$ 539,299	$514,297
Non-Current Liabilities:		
Long Term Debt	$351,848	$411,201
Other Liabilities	120,822	112,675
Deferred Credits	141,471	143,907
Total Non-Current Liabilities	$614,141	$667,783
Total Liabilities	$1,153,440	$1,182,080
Owners' Equity:		
Invested Capital	$182,276	$185,596
Treasury Stock	0	(2,443)
Retained Earnings	561,978	523,476
Total Owners' Equity	$744,254	$706,629
TOTAL LIABILITIES AND OWNERS' EQUITY	$1,897,694	$1,888,709

Appendix II: (continued)
Statement A - Income Statement for Fiscal Years Ending in 1994 and 1993

	1994	(stated in thousands)	1993
Shipping Revenue	$2,745,095		$2,722,935
Operating-Differential Subsidy	201,883		206,880
Other Shipping Operations Revenue	240,925		209,485
Total Revenue from Shipping Operations	$3,187,903		$3,139,300
Shipping Expense	$ 760,245		$ 769,718
Shipping Port Call Expense	128,884		136,634
Cargo Handling Expense	1,564,674		1,509,769
Inactive Vessel Expense	11,124		11,423
Other Shipping Operations Expense	79,157		63,935
Total Expense of Shipping Operations	$2,544,084		$2,491,479
Gross Income from Shipping Operations	$643,819		$647,821
Other Revenue	32,767		17,219
Other Expense	34,692		17,308
General and Administrative Expense	412,605		378,235
Depreciation and Amortization Expense	121,182		125,539
Interest Expense	36,896		40,614
Net Income Before Income Taxes	$71,211		$103,344
Provision for Income Taxes	21,719		38,356
Net Income After Income Taxes	$49,492		$64,988
Effect of Change in Accounting Policy	0		(7,409)
Income or Loss from Extraordinary Items	(5,916)		(280)
NET INCOME	$43,576		$57,299

(This data is from the Financial Report Form MA-172 filed by 13 subsidized companies in 1994 and 13 subsidized companies in 1993.)

APPENDIX III: RESEARCH AND DEVELOPMENT PROGRAM--FY 1995

Project	Task	Recipient	Agreement Number	Amount
Industry Competitiveness:				
Ship Operations Cooperative Program	New methods and procedures to improve the efficiency, productivity, safety, and environmental responsiveness of U.S. ship operations.	Sea-Land Service Elizabeth, NJ (Other participants: Bay Ship Management, ARCO Marine, BP Oil, Gulf Coast Region Maritime Technology Center, Energy Transportation Corp., American Bureau of Shipping, Kirby Corporation, Military Sealift Command, Marine Transport Lines, U.S. Marine Management, Inter-ocean Ugland Management, and the National Oceanic and Atmospheric Administration.)	DTMA91-93-G-00012 Modifications 2&3	$250,407*
Marine Board Research Program	Sponsor the Marine Board of the National Academy of Sciences and perform selected research including the Forum on Human Performance and the Ship Ballast Water Technology Study.	National Research Council	DTMA91-94-G-00003	$150,000*
Small Business Innovation Research Program, Phase I	Exhaust Converter for Large Marine Diesel Engines. Demonstrate a three-way catalyzed particulate filter design for emission reductions.	Awarded by Volpe National Transportation Systems Center; Cambridge, MA Performed by Ultramet Inc.; Pacoima, CA	MA-5-A34	$54,500
Transportation Research Board Program	Sponsor the technical program of the TRB. Support the Intermodal Terminal of the Future Conference, the Transportation Research Information Service, and the Surface Freight Transportation Policy Study.	National Research Council	DTMA91-93-G-00001	$92,000*
Intermodal Development:				
Cargo Handling Cooperative Program	Research, develop, test, and evaluate new technologies, systems, and methods to increase the cargo handling productivity of U.S.-flag carriers.	Crowley Maritime Corp. (Other participants: American President Lines Ltd., and Matson Terminals Inc.)	MA-CA-10014	$200,000*
Maritime System of the Americas	Analyze the potential market for water transportation in the trade between the United States, Canada, and Mexico.	National Maritime Enhancement Institute at Louisiana State University	DTMA91-93-G-00042	$100,000

*Cost Shared

APPENDIX III: RESEARCH AND DEVELOPMENT PROGRAM--FY 1995 (continued)

Project	Task	Recipient	Agreement Number	Amount
Marine/Rail Intermodal System (Small Business Innovation Phase II project)	Define critical elements to advance the marine/rail intermodal system from a basic concept to implementation.	Awarded by Volpe National Transportation Systems Center to Vickerman, Zachary, Miller; Oakland, CA	MA-5-A34	$92,500
Shallow Draft Waterways Industry Assessment	Investigate the characteristics and contributions of the shallow draft waterways industry, and the issues that impact the industry.	National Maritime Enhancement Institute at the University of Memphis; Memphis, TN	DTMA91-95-H-00042	$75,000
Maritime Safety:				
Vessel Piloting Cooperative Program	Increase practical use of advanced navigation technologies by U.S. pilots for greater efficiency and safety.	American Pilots Association Washington, DC	DTMA91-95-H-00039	$100,000
	Program technical support.	Volpe National Transportation Systems Center; Cambridge, MA	PPA MA-511 GWA 95-MA	$50,000
Human Factors Research Program (Participants: U.S. Merchant Marine Academy and the six state maritime academies located in New York, Maine, Massachusetts, California, Texas, and Michigan)	Communications: Study how new regulations and information on new technologies are gathered, disseminated, and synthesized by maritime schools to improve how this information is best integrated into the educational program.	State University of New York Fort Schuyler, NY	DTMA91-95-H-00048	$16,500
	Human Factors Bibliography: Develop and customize a computer-accessible bibliography on human factors focused on maritime issues.	Texas A&M University Galveston, TX	DTMA91-95-H-00049	$45,000
	Review modern bridge operations for the 21st century, focusing on educational needs, training requirements, and changes to educational approaches.	California Maritime Academy Vallejo, CA	DTMA91-95-H-00050	$35,000
	Assess effects of different management styles on job satisfaction, motivation, and commitment to the industry for males and females.			
	Evaluate proposed standards for certification of simulators, training programs, and instructors. Refine and evaluate a standardized curriculum for cadet simulator training.	U.S. Merchant Marine Academy Kings Point, NY	DTMA95-95-F-00008	$32,000
	Program Technical support.	Volpe National Transportation Systems Center Cambridge, MA	PPA MA-511 GWA 95-MA	$21,500

*Cost Shared

Project	Task	Recipient	Agreement Number	Amount
Environmental Protection:				
Air Emission Reduction Program	Evaluate a strategy for diesel engine particulate emission reduction.	National Maritime Enhancement Institute at the Massachusetts Institute of Technology; Cambridge, MA	DTMA91-95-H-00051	$69,995
	Joint research with the U.S. Coast Guard to provide guidance and recommendations on how best to assess and control air pollution from marine engines.	U.S. Coast Guard Washington, DC	MA-5-A45	$25,000*
Dredged Material Management Program	Provide technical support and expertise to develop the first phase of a decision making methodology for dredged material management.	Foster Wheeler Environmental Corp., Bellevue, WA	DTMA91-95-P-00162	$25,000
Shipyard Revitalization:				
Competitiveness of the U.S. Ship Repair Industry	Assessment of the environmental issues affecting the competitiveness of the U.S. ship repair industry.	Halliburton NUS Corp. Gaithersburg, MD	DTMA91-93-D-00004	$239,996
Cruise Shipbuilding in the United States	Conduct a feasibility study of cruise shipbuilding in the United States.	Lloyd's Register of Shipping New York, NY	DTMA91-95-H-00036	$15,692
Improved Shipbuilding Production	Conduct a seminar for improving shipbuilding production in the United States.	A&P Appledore International Tyne & Wear, England	DTMA91-95-H-00037	$12,914
Ship Structure Cooperative Program	Support the international Ship Structure FY 95 Research Program. Research new concepts in materials, structural loads and response, design methods, fabrication and maintenance, and reliability.	U.S. Coast Guard Washington, DC (Other participants: U.S. Navy, Military Sealift Command, American Bureau of Shipping, Canadian Ministry of Transport, and Canadian Ministry of Defense.)	MA-5-A34	$80,000*
National Security:				
Application of Port Demand Model	Test the "Response Model to Disruption of Maritime Transportation Systems" for 12 U.S. ports.	National Maritime Enhancement Institute at Louisiana State University Baton Rouge, LA	DTMA91-94-H-00019 Modification No. 1	$75,000
Sealift Strategic Planning	Conduct a strategic tanker forecast.	Naval War College Newport, RI	MA-5-A53	$55,000

*Cost Shared

Appendix IV: STUDIES AND REPORTS RELEASED IN FY 1995

The following major studies or reports were released by MARAD during FY 1995:

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

Environmental Advantages of Inland Barge Transportation

Glossary of Shipping Terms

MARAD '94 (The Annual Report of the Maritime Administration for FY 1994)

Maritime Labor-Management Affiliations Guide

Project Carrier Service Guide

Public Port Financing in the United States

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

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

Vessel Service Guide '94 -- Ship Your Cargo on U.S.-Flag Ships

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.

MARAD REPORT ACRONYMS

AA	Foreign Assistance Act
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
APL	American President Lines, Ltd.
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 Issuance
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
EMSIS	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	Ship Financing Revolving Fund
FWS	Fish and Wildlife
FY	Fiscal Year

MARAD REPORT ACRONYMS (continued)

GAA	General Agency Agreement
GAI	Guaranteed Annual Income Program
GATT	General Agreement on Tariffs and Trade
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
MRS	Mobility Requirements Study
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
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
NYSA	New York Shipping Association

NY/NJ	New York/New Jersey
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
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
RO/RO	Roll-On\Roll-Off Vanship
ROS	Reduced Operating Status
RRF	Ready Reserve Force
SA	Shipyard Agreement
SHC	Shipping Coordinating Committee
SI	System International
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