The United Nations (UN) declared1998 "International Year of the Ocean" (YOTO). The UN's intention is to raise public awareness about and celebrate what has been accomplished in understanding and managing the sea and enhancing its exploration, utilization, and conservation. This year-long celebration provides an excellent opportunity for the United States and the American maritime industry to promote public awareness and understanding of the economic and national defense importance of the American merchant marine.

Shipping, shipbuilding, ports, and the sea are intricately interwoven into the fiber of this great Nation. America's maritime resources were the major key to winning the battle for national independence and our emergence as a world power. Our economy today still is inextricably linked to the ocean. One of every six jobs in the United States is marine-related, and more than 95 percent of all overseas U.S.-foreign trade passes through American ports.

The last World Exposition of the 20th century will be held in Lisbon, Portugal. It begins on May 22, 1998, our National Maritime Day, and concludes on September 30, 1998. Portugal has selected "The Oceans, a Heritage for the Future," as its theme. This is to honor the 300th anniversary of Portuguese explorer Vasco da Gama's trip across the Indian Ocean to India which established the first all-water route to the riches of the east. A United States Pavilion will house several amphitheaters which will screen films, display exhibits, and include presentations throughout the exposition. June 14 has tentatively been scheduled as "United States Day" at the Exposition and a day will be scheduled as World Oceans Day here in the United States. The theme for the day and for a proposed National Ocean Conference (Conference) in June in Monterey, California, is "Oceans of Commerce, Oceans of Life

To obtain additional information on YOTO and activities scheduled throughout the year, you may visit MARAD's Home Page on the Internet at http://marad.dot.gov or YOTO's Home Page at http://www.yoto98.noaa.gov/yoto.

MARAD '97

1997 Annual Report

May 1998

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

Maritime Administration
John E. Graykowski
Acting Maritime Administrator

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

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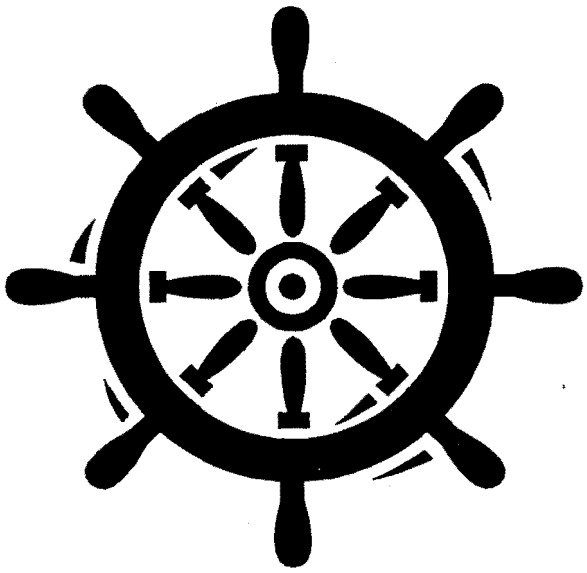


Introduction

The annual report of the Maritime Administration (MARAD) for the fiscal year (FY) which ended on September 30, 1997, is submitted to Congress in accordance with Section 208 of the Merchant Marine Act of 1936, as amended.

MARAD '97 includes ten chapters on MARAD programs and activities and includes specific reports required by law on acquisition of obsolete vessels in exchange for vessel trade-in, war risk insurance activities, scrapping or removal of obsolete vessels owned by the United States, and U.S.-flag carriage of Government-sponsored cargoes.

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

JOHN E. GRAYKOWSKI
Acting Maritime Administrator

U.S. MARITIME ADMINISTRATION

Strategic Plan

The Maritime Administration (MARAD) facilitates the efficient and secure movement of people and cargo in domestic and international waterborne commerce to promote America's economic growth and international competitiveness in a safe and healthy environment. MARAD is committed to a strong merchant marine and maritime industry for the United States, the world's greatest sea trading nation.

Vision Statement

A maritime system that serves America with American ships and American labor.

Mission Statement

Foster a safe and environmentally sound maritime transportation system that promotes national security and economic growth.

Strategic Goals

National Security: Assure an intermodal sealift capability to support vital national security interests.

Shipbuilding: Enhance the competitiveness of the U.S. shipyard industry (including repair and related industries).

Intermodalism: Improve intermodal transportation system performance by applying advanced technology and innovation.

Trade: Increase the U.S. maritime industry's participation in foreign trade, and cargo and passenger movement in domestic trades

MARAD'S CORE VALUES AND CORPORATE MANAGEMENT GOALS

Underlying the strategic plan are MARAD's core values and corporate management goals. These values and management goals are the most fundamental principles by which we conduct our business. Over time, the strategic plan may change as we adapt to the evolving needs of our economic and national security, and the role the U.S. maritime industry plays in meeting those needs. However, our fundamental principles -- our ideals -- are sincere and enduring. Taken together, our core values and corporate management goals -- who we are -- and our strategic plan -- what we will try to achieve -- form our vision.

MARAD's Core Values

Public Service

- Our decisions and actions must respond to customer needs.

Honesty and Integrity

- Public service is a public trust. Loyalty to the Constitution, U.S. laws, and ethical principles transcends personal gain.
- We act impartially.
- We adhere to all laws and regulations to ensure equal opportunity for all Americans regardless of race, color, religion, gender, national origin, age, or disability.

Individual Productivity

- We contribute a sincere effort in fulfilling our duties.
- Our resourcefulness and efficiency will help us compensate for diminishing financial resources.
- Frank communication, open debate, and a willingness to listen will help to empower our workforce.

Managed Change

- Like industry, we must adapt to a rapidly changing domestic and global economy, and to the [illegible] that fuel economic growth.
- We must prepare ourselves for the future and be able to respond to the change that it brings, rather than fear or minimize change.

Teamwork

- Creativity comes from the diverse knowledge, skills, and abilities of our workforce.

- Cooperation with industry and outside agencies expands that creativity and will help to ensure more effective, timely and responsible solutions.

MARAD's Corporate Management Goals

With these core values, the men and women who *are* MARAD can meet the challenges ahead. Each individual has a role and a responsibility in accomplishing MARAD's mission. Working together, our diversity of individual skills and experience will foster the creativity and resourcefulness reflecting MARAD's corporate management goals:

Leadership

- MARAD's senior managers will develop and maintain effective methods to create excellence in organizational performance, and will communicate values, directions and expectations.

- We will continually learn in order to adapt to changing opportunities and requirements for MARAD as well as our stakeholders.

Restore Public Trust in Government

- We will continually evaluate the internal management and quality of our programs; where there are problems, we will identify solutions.

- Whenever feasible, we will identify and adopt the best business practices used in government and private industry.

Deliver Quality Service to Our Customers

- We will maintain open lines of communication with our customers and develop more effective working relationships with them to better meet their changing needs.

Expand Our Partnerships

- We will expand our partnerships with the industry and other government agencies to improve the [illegible] of our programs.

- We will bring together the diverse interests within the U.S. maritime industry to achieve common goals.

- We will seek intermodal solutions to modal transportation problems and in the process become ONE DOT.

Value our Employees

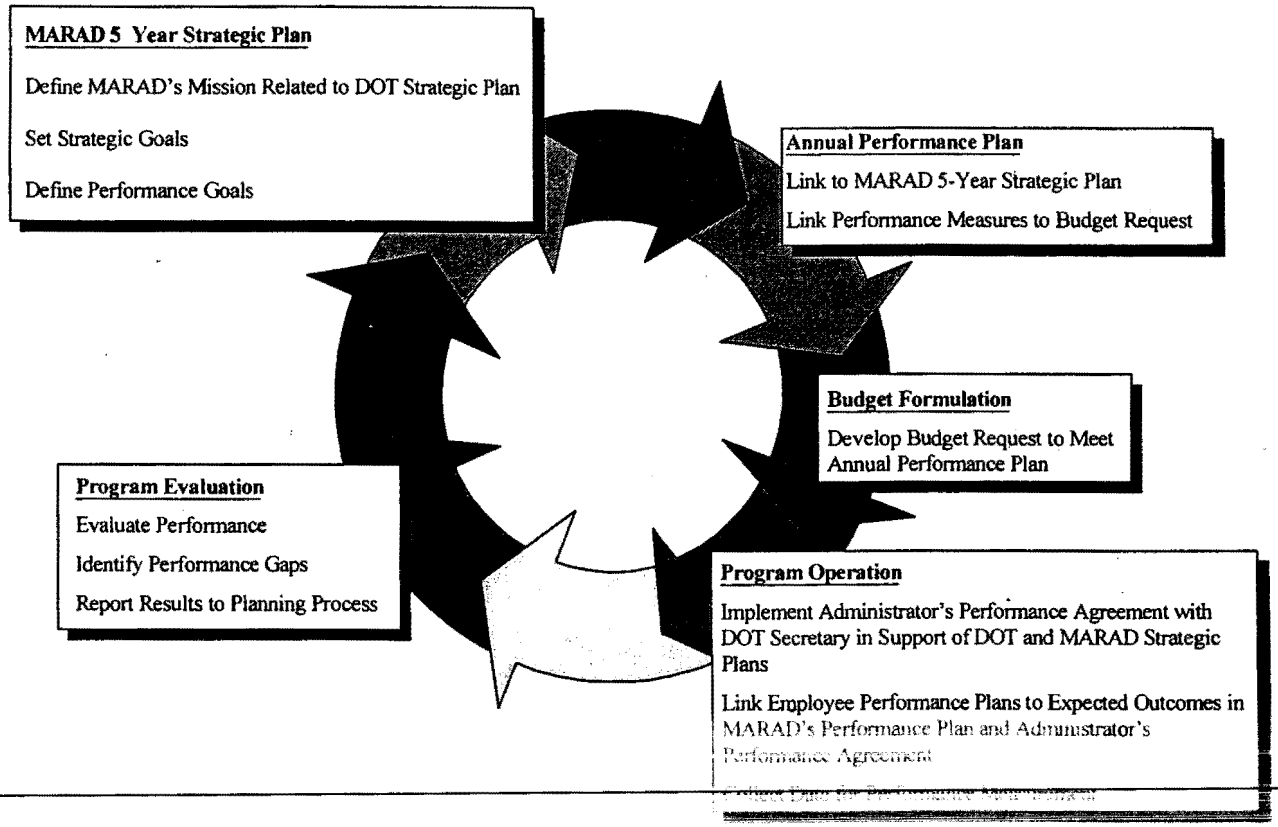
- We will provide our employees with a work environment that energizes and allows them to fulfill our mission and achieve our goals, in balance with personal priorities.

Harness Information Technology

- The Information Age is changing the way we conduct our business. We will harness information technology to improve workforce productivity, maintain communication with our customers, reduce the burdens of paperwork, and improve the effectiveness of our programs.

MARAD GPRA PROCESS

Development and Implementation



Major Maritime Accomplishments in FY 1997

National Defense

Enactment and implementation of the Maritime Security Act of 1996 (MSA) signaled the beginning of a new era for America's maritime industry. The MSA, which received broad bipartisan Congressional support, represents the most significant restructuring of our Nation's maritime programs in 20 years.

The Maritime Security Program (MSP) represents an unequivocal long-term commitment by our Nation to the survival of the U.S.-flag merchant marine. As a result of the MSP, two large, technologically advanced vessels have joined the U.S.-flag fleet: the ENTERPRISE, owned by Farrell Lines, Incorporated, and the APL SINGAPORE.

The Voluntary Intermodal Sealift Agreement (VISA) program, which complements the MSP, augments our entire sealift capability and makes available to the Department of Defense a worldwide modern, efficient and capable intermodal transportation network of ships, containers, terminals, and other resources, including merchant mariners and landside professionals.

VISA, one of MARAD's proudest achievements in recent years, was jointly developed with the Military Sealift Command and the U.S. Transportation Command (TRANSCOM). VISA, which is not limited to MSP participants, represents a full-fledged partnership with TRANSCOM.

Privately owned ship management companies and labor organizations also are our partners in maintaining and activating the 96 ships in our Ready Reserve Force (RRF). RRF ships achieved an exemplary reliability rate in 1997, validating their value as dependable sealift resources.

These developments symbolize the new relationship between the Federal Government and the American maritime industry and set the stage for further progress in 1998. They do not, however, reflect the full range of challenges faced and progress made by the American maritime industry.

Domestic Shipping

Each year, the domestic shipping segment of the American merchant marine contributes $7 billion to the gross domestic product. It provides thousands of jobs, touching every region; it provides environmentally friendly transportation for a vast array of important domestic cargoes; and it moves about 65 million passengers annually. It also provides significant work for U.S. shipyards. In fact, Trailer Bridge recently received MARAD's approval of a Title XI guarantee for vessels to operate between New York and Jacksonville. This represents a significant expansion in coastwide trade

Shipyard Revitalization

Since the National Shipbuilding Initiative was enacted in 1993, MARAD has approved ship financing guarantees for ship construction and shipyard modernization projects totaling over $2 billion. In FY 1997, MARAD approved $330 million in loan guarantees for 12 projects, including construction of 40 vessels and 2 shipyard modernization projects. MARITECH, which works hand-in-hand with the Title XI program, is in all ways a true partnership with industry. It requires a 50-50 cost share and is a modest investment in this critical industry.

To date, MARITECH has involved 17 different shipyards, both large and small, and permitted needed investments in technological or process changes that have a direct effect of improving productivity and output. MARITECH and Title XI have produced tangible and recognized savings on Government ship construction programs.

Bilateral negotiations

In 1997, MARAD, under the guidance of Secretary of Transportation Rodney Slater, emphasized, the principle of reciprocity in negotiations with Japan, China, Brazil and the Ukraine. In all agreements, MARAD is seeking the same access to other nations' ports and cargoes as their carriers enjoy here, which is good for all nations and trade. An agreement to reform port practices in Japan was reached late in FY 1997 after long and very difficult negotiations. The agreement is expected to lead to more favorable treatment for U.S. and other non-Japanese carriers.

The United Nations Year of the Ocean

The United Nations (UN) has declared calendar year 1998 as the "International Year of the Ocean" (YOTO). The UN's intention is to raise public awareness about and celebrate what has been accomplished in understanding and managing the sea and enhancing its exploration, utilization, and conservation.

Ships, shipbuilding, and the sea are intricately interwoven into the fiber of this Nation. America's maritime resources were the major key to winning the battle for national independence that led to emergence as a world power. Our economy today is inextricably linked to the ocean. One of every six jobs is marine-related in the United States, and approximately 95 percent of all waterborne U.S.-foreign trade passes through American ports.

MARAD is rededicating itself to continually share information and educate the public on the importance to America of ocean shipping and commerce.

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

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

Maritime Security Program

President Clinton signed the Maritime Security Act of 1996 (MSA) on October 8, 1996, after it was overwhelmingly passed by the United States Congress. Passage of this legislation clearly demonstrates strong bipartisan Congressional support with its landslide vote--88 to 10--in the United States Senate.

The centerpiece of the MSA, the Maritime Security Program (MSP), will maintain an active, privately owned, U.S.-flag and U.S.-crew liner fleet in international trade which is available to support DOD sustainment in a contingency. The 10-year program provides funding of up to $100 million annually for up to 47 vessels to partially offset the higher operating costs of remaining under U.S. registry.

Upon the law's enactment, MARAD implemented the program in less than 100 days. Ten U.S.-flag operators were awarded MSP operating agreements for a total of 47 commercial vessels. The successful award of these operating agreements, which was concluded on January 21, 1997, resulted from close cooperation and coordination between MARAD and the DOD's U.S. Transportation Command (TRANSCOM). MSP operators and participating vessels are shown in Chart 1.

The MSP is intended to help America retain an active U.S.-flag merchant fleet comprised of modern, efficient, and militarily useful commercial dry cargo vessels that can support national security requirements and maintain a competitive U.S.-flag presence in international commerce.

The MSP also helps retain a labor base of skilled and loyal American citizen seafarers, who are available to crew the U.S. Government-owned strategic sealift fleet, as well as the U.S. commercial fleet, both in peace and war. The MSP leverages relatively modest Federal support dollars to retain access to a robust U.S. commercial maritime capitalization base valued at more than $8.5 billion.

Chart 1: Maritime Security Program Participants

American President Lines, Ltd.	9 containerships
Central Gulf Lines, Inc.	1 LASH (barge carrying ship)
	2 roll-on/roll-off vessels
Crowley Maritime Corp.	3 container/roll-on roll-off vessels
First American Bulk Carrier Corp.	2 containerships
Farrell Lines Incorporated	3 containerships
Lykes Bros. Steamship Co., Inc.	3 containerships
Maersk Line, Ltd.	4 containerships
OSG Car Carriers, Inc.	1 roll-on roll-off vessel
Sea-Land Service, Inc.	15 containerships
Waterman Steamship Corp.	4 LASH
Total	47 vessels

Chart 1 A: Vessels in the Maritime Security Program								
COMPANY NAME	SHIP NAME	TYPE	CONTAINER TEU'S	AGE QUALIFIED	AGE WAIVE	DATE BUILT	ODS	TRADE AREA ROUTE
APL	APL KOREA*	CONT. C11	4,832	YES		Sep-95		PSW/FE
APL	APL PHILIPPINES*	CONT. C11	4,832	YES		Jan-96		PSW/FE
APL	APL SINGAPORE*	CONT. C11	4,832	YES		Nov-95		PSW/FE
APL	APL THAILAND*	CONT. C11	4,832	YES		Nov-95		PSW/FE
APL	PRESIDENT ADAMS	CONT. C10	4,532	YES		Sep-88	X	PNW/FE/JAP
APL	PRESIDENT JACKSON	CONT. C10	4,531	YES		9/8/88	X	PNW/FE/JAP
APL	PRESIDENT KENNEDY	CONT. C10	4,532	YES		Jul-88	X	PNW/FE/JAP
APL	PRESIDENT POLK	CONT. C10	4,531	YES		7/4/88	X	PNW/FE/JAP
APL	PRESIDENT TRUMAN	CONT. C10	4,532	YES		Apr-88	X	PNW/FE/JAP
CENTRAL GULF	GREEN BAY	CAR CARRIER	N/A	YES		Jul-87		USWC+EC/JAP
CENTRAL GULF	GREEN HARBOUR	LASH	19600 FT3	YES		12/15/74		MSC CHTR
CENTRAL GULF	GREEN LAKE	CAR CARRIER	N/A	YES		9/28/87		USWC+EC/JAP
CROWLEY	SEA FOX	CONT./RORO	2077	YES		2/21/85		USEC/C.AM/ECSA
CROWLEY	SEA LION	CONT./RORO	2077	YES		9/18/85		USEC/C.AM/ECSA
CROWLEY	SEA WOLF	CONT./RORO	2077	YES		12/4/84		USEC/C.AM/ECSA
FABC	TILLIE LYKES	CONT.	2,231	YES		12/27/85	X	USEC+GC/MEX/EUR
FABC	TYSON LYKES	CONT.	2,231	YES		12/13/85	X	USEC+GC/MEX/EUR
FARRELL LINES	IBN JUBAYR*	CONT.	1,928	YES		12/91-1/92		EUR/MID.E/FE
FARRELL LINES	IBN ZUHR*	CONT.	1,928	YES		12/91-1/92		EUR/MID.E/FE
FARRELL LINES	IBN KHALDOUN*	CONT.	1,928	YES		12/91-1/92		EUR/MID.E/FE
LYKES	ALMERIA LYKES	CONT.	3,026	YES		4/8/87	X	USEC+GC/MEX/EUR
LYKES	MARGARET LYKES	CONT.	3,026	YES		4/28/87	X	USEC+GC/MEX/EUR
LYKES	STELLA LYKES	CONT.	3,026	YES		4/20/87	X	USEC+GC/MEX/EUR
MAERSK	MAERSK CALIFORNIA	CONT.	1,400	YES		Jan-94		MED/USEC & GC
MAERSK	MAERSK COLORADO	CONT.	1,169	YES		May-92		USWC/WCSA/USEC
MAERSK	MAERSK TENNESSEE	CONT.	1,325	YES		Jan-94		MED/USEC & GC
MAERSK	MAERSK TEXAS	CONT.	1,325	YES		Mar-94		MED/USEC & GC
OSG	OVERSEAS JOYCE	RORO/PCC	N/A	YES		Oct-87		USWC+EC/JAP
SEA-LAND	GALVESTON BAY	CONT. ACV	4,614	YES		1/11/85		USEC/EUR
SEA-LAND	NEDLLOYD HOLLAND	CONT. ACV	4,614	YES		Jun-84		USEC/EUR
SEA-LAND	NEWARK BAY	CONT. ACV	4,614	YES		9/9/85		USEC+GC/EUR
SEA-LAND	OOCL INNOVATION	CONT. ACV	4,614	YES		4/14/85		USEC/EUR
SEA-LAND	OOCL INSPIRATION	CONT. ACV	4,614	YES		7/18/85		USEC/EUR
SEA-LAND	SEALAND ATLANTIC	CONT. ACV	4,614	YES		5/9/85		USEC+GC/EUR
SEA-LAND	SEALAND DEFENDER	CONT. D9J	2,816	NO	X	3/20/80		PSW/FE/JAP
SEA-LAND	SEALAND ENDURANCE	CONT. D9J	2,816	NO	X	9/24/80		PSW/FE/JAP
SEA-LAND	SEALAND EXPLORER	CONT. D9J	2,816	NO	X	4/23/80		PSW/FE/JAP
SEA-LAND	SEALAND INNOVATOR	CONT. D9J	2,816	NO	X	10/17/80		PSW/FE/JAP
SEA-LAND	SEALAND INTEGRITY	CONT. ACV	4,614	YES		12/28/84		USEC+GC/EUR
SEA-LAND	SEALAND LIBERATOR	CONT. D9J	2,816	NO	X	3/3/80		PSW/FE/JAP
SEA-LAND	SEALAND PATRIOT	CONT. D9J	2,816	NO	X	1/25/80		PSW/FE/JAP
SEA-LAND	SEALAND PERFORMANCE	CONT. ACV	4,614	YES		9/23/85		USEC+GC/EUR
SEA-LAND	SEALAND QUALITY	CONT. ACV	4,614	YES		8/23/85		USEC+GC/EUR
WATERMAN	GREEN ISLAND	LASH	19,600 FT3	YES		12/15/75	X	USEC+GC/ME/SEA
WATERMAN	ROBERT E. LEE	LASH	19600 FT3	YES		8/25/74	X	USEC+GC/ME/SEA
WATERMAN	SAM HOUSTON	LASH	19600 FT3	YES		9/25/74	X	USEC+GC/ME/SEA
WATERMAN	STONEWALL JACKSON	LASH	19600 FT3	YES		8/25/74	X	USEC+GC/ME/SEA
There were a total of 21 separate applications and 97 vessels offered to the MSP.								
* To Be Reflagged to U.S.								

Chart 1B: Comparison of Outlay for ODS and MSP

ODS Liner Operators					Present Value of ODS Payment		MSP	Average	Present Value of MSP payment	Present Value of MSP
FY Year	Outlay ($000,000)	No. of Ships *	Average Outlay/ship $0		(CPI factor) ($000,000)	Outlays ($000,000)	No. of Ships	Outlay/ship ($000,000)	(factor .026) ($000,000)	(factor .026) ($000,000)
1977	$288.3	165	$1.7	$667.2	$4.0					
1978	$272.6	165	$1.7	$586.4	$3.6					
1979	$267.2	156	$1.7	$530.1	$3.4					
1980	$301.0	138	$2.2	$546.7	$4.0					
1981	$296.0	139	$2.1	$492.0	$3.5					
1982	$354.8	144	$2.5	$554.4	$3.8					
1983	$320.0	139	$2.3	$480.2	$3.5					
1984	$333.5	112	$3.0	$481.4	$4.3					
1985	$299.0	95	$3.1	$417.8	$4.4					
1986	$252.1	86	$2.9	$343.1	$4.0					
1987	$199.5	78	$2.6	$263.4	$3.4					
1988	$197.0	60	$3.3	$250.7	$4.2					
1989	$176.4	60	$2.9	$215.5	$3.6					
1990	$192.9	59	$3.3	$226.1	$3.8					
1991	$178.6	58	$3.1	$201.4	$3.5					
1992	$176.8	54	$3.3	$193.9	$3.6					
1993	$180.2	51	$3.5	$192.7	$3.8					
1994	$181.4	47	$3.9	$189.7	$4.0					
1995	$163.5	34	$4.8	$166.7	$4.9					
1996	$123.9	25	$5.0	$123.9	$5.0					
1997	$95.2	24	$4.0		$4.0	$45.7	33	$1.4	$2.100	$69.300
1998	$29.9	7	$4.3		$4.3	$89.8	45	$2.0	$2.045	$92.025
1999	$3.3	1	$3.3		$3.3	$97.7	47	$2.1	$1.992	$93.624
2000	$0.0	0	$0.0		$0.0	$98.7	47	$2.1	$1.940	$91.180
2001	$0.0	0	$0.0		$0.0	$98.7	47	$2.1	$1.890	$88.830
2002	$0.0	0	$0.0		$0.0	$98.7	47	$2.1	$1.841	$86.527
2003	$0.0	0	$0.0		$0.0	$98.7	47	$2.1	$1.793	$84.271
2004	$0.0	0	$0.0		$0.0	$98.7	47	$2.1	$1.746	$82.062
2005	$0.0	0	$0.0		$0.0	$98.7	47	$2.1	$1.701	$79.947
Total	$4,883.1		$70.3		$89.8	$825.4				$767.766
Program Annual Average	$212.3		$3.1		$3.9	$91.7		$2.0		

* Actual number of ship operating days under ODS fluctuates, accounting for erratic per ship ODS outlay amounts.

Note: 1997-1999 represents estimated ship years of subsidy and estimate of outlays of subsidy.

The MSP provides DOD with "assured access" to critical U.S.-flag commercial sealift and its associated intermodal infrastructure to support U.S. Armed Forces deployed overseas.

Senate Majority Leader Trent Lott applauded MARAD's efforts in implementing the MSP on the floor of the U.S. Senate. Mr. Lott also thanked and congratulated MARAD employees for their hard work and dedication in swiftly implementing the MSA.

The MSP replaces the expiring operating-differential subsidy (ODS) program which fully compensated U.S. carriers on a reimbursable basis for the higher costs of operating ships under the U.S. flag as compared to those of foreign-flag competitors. As an incentive for U.S.-flag operators to further reduce costs and increase efficiency, Congress established MSP funding levels at fixed amounts well below that of ODS. The MSP provides financial assistance of $2.1 million per year, per vessel, which is less than half the cost of the ODS program. MSP operators are being challenged to further reduce costs and become more efficient to accommodate these reduced payments. As of September 30, 1997, six of ten MSP carriers, representing 29 vessels, were receiving MSP payments.

Another important element of the MSP is the reflagging of new and more efficient foreign-flag vessels to U.S. registry. These vessels, which are all less than 7 years old, will greatly enhance U.S.-flag competitiveness and sealift readiness into the 21st century. Eleven foreign-flag vessels were accepted into the MSP with the proviso that they must be under U.S. registry no later than 12 months after contract signings. In FY 1997, four foreign-flag vessels operated by Maersk Line, Ltd. were documented as U.S.-flag vessels. Three foreign-flag vessels being acquired by Farrell Lines, Incorporated, and four by American President Lines, Ltd. vessels are scheduled for U.S. documentation in FY 1998.

In June 1997, at the request of Senators Lott and McCain, MARAD prepared a report in coordination with the General Accounting Office (GAO) and DOD to examine the possibility of restructuring the MSP to introduce competitive bidding for MSP contracts. MARAD's report provided a comprehensive analysis of the strong cost/benefit features of the program as implemented and, with the concurrence of both GAO and DOD, recommended that the existing program not be disrupted. GAO published a separate report with similar conclusions.

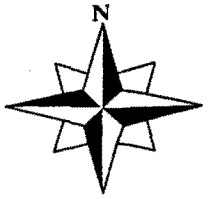
Voluntary Intermodal Sealift Agreement (VISA)

After a multi-year developmental effort by MARAD, TRANSCOM and the U.S.-flag shipping industry, Secretary of Defense William S. Cohen approved the Voluntary Intermodal Sealift Agreement (VISA) program as the Defense Department's principal commercial sealift readiness program on January 30, 1997. VISA is sponsored by MARAD under its authorities for voluntary agreements contained in the Defense Production Act of 1950 and the Merchant Marine Act, 1936, as amended.

The VISA program's principal function is to provide DOD with "assured access" to commercial intermodal capacity to move ammunition and sustainment cargo. This capacity can also supplement U.S. Government-owned/controlled or chartered capacity used for initial deployment or "surge" of unit equipment.

VISA's objective is to maximize DOD's use of the multibillion dollar, state-of-the-art U.S. commercial intermodal transportation system to serve America in peace and war while seeking to minimize disruption to commercial operations. VISA's activation will be time-phased to streamline the availability of capacity to coincide with DOD requirements. Commercial operators can volunteer capacity in VISA Stages I and II, but in Stage III participants must commit at least 50 percent of their capacities for non-MSP vessels and 100 percent capacity for MSP enrolled vessels. By using a time-phased approach to provide capacity to meet varying levels of crisis, carriers can plan for options for ongoing commercial arrangements during contingencies while concurrently meeting DOD's transportation requirements.

As of September 30, 1997, 20 U.S.-flag commercial ship operating companies had enrolled in the VISA program to commit specifically enrolled vessel capacity, intermodal equipment, and management services. As a condition for receiving Government financial support, the MSP participants are required to enroll their MSP vessel capacity, intermodal resources, and services in VISA, which is DOD's approved Emergency Preparedness Program. VISA participants are listed in Chart 2.



The importance of the link between VISA and the MSP is clearly apparent. More than 70 percent of U.S.-flag commercial shipping capacity is enrolled in VISA Stage III and over 80 percent of that capacity comes from MSP vessels.

MARAD held an outreach meeting for the U.S. tug and barge industry in Washington, DC in June 1997 to attract a diversified group of participants in VISA. As a result, two new companies enrolled and others are expected in FY 1998.

By partnering with the U.S.-flag commercial maritime industry, the U.S. Government leverages "assured access" to a total global, intemodal network that includes not just vessels but also logistics management services, infrastructure, terminals and equipment, communications, and cargo-tracking networks, as well as a cadre of well-trained, professional, U.S. citizen seafarers and shore-side employees.

Through VISA's Joint Planning Advisory Group Government (JPAG), Government and industry: identify and discuss DOD's requirements; recommend concepts of operations to meet requirements; test and exercise program arrangements; and comply with antitrust requirements for pooling/teaming arrangements.

In FY 1997, three JPAG meetings were held to discuss and analyze capabilities and requirements. Problem areas which require further attention were identified and Government and industry continue cooperative efforts to develop solutions to a variety of issues related to VISA's implementation. Of primary importance is the adoption of precise capacity commitments for each VISA stage. TRANSCOM and MARAD were working with industry at year's end to finalize vessel enrollment contracts to accurately portray each participants' capacity commitment for VISA Stage III.

Chart 2: Voluntary Intermodal Sealift Agreement Participants

MSP Operators	Non-MSP Operators
American President Lines, Ltd	American Auto Carriers
Central Gulf Lines, Inc.	American Automar
Waterman Steamship Corp.	Alaska Cargo Transport
Crowley American Transport, Inc.	Matson Navigation Company, Inc.
First American Bulk Carrier Corp.	Sealift, Inc.
Farrell Lines, Incorporated	Trailer Bridge
Lykes Bros. Steamship Co., Inc.	Van Ommeran
Maersk Line, Ltd.	RR & VO L.L.C.
OSG Car Carriers, Inc.	NPR, Inc.
Sea-Land Service, Inc.	Falgout Bros., Inc.

On September 30, 1997, VISA's Rate Methodology Working Group was analyzing carrier furnished revenue and expense data to establish prelodged compensation rates to be used during VISA activation. The Government plans to complete a rate methodology which will equitably compensate VISA participants for activated capacity and resources and risks associated with meeting emergency requirements in FY 1998.

For its outstanding efforts, MARAD and its DOD and industry partners were awarded the prestigious Hammer Award by Vice President Gore in FY 1997 for significant contributions in support of reinventing Government that works better and costs less.

National Defense Reserve Fleet (NDRF)

NDRF ships, except the Ready Reserve Force (RRF) component, serve as an inactive reserve of vessels which can be activated to help meet U. S. shipping requirements during a national emergency.

MARAD maintains inactive merchant ships and naval auxiliaries in three reserve fleet sites: 96 at Ft. Eustis, VA, 49 at Beaumont, TX, and 90 at Suisun Bay, CA. The remaining vessels are either under contract in major U.S. port cities, or they are at-sea on DOD missions. (See Tables 1 and 2.)

On September 30, 1997, 148 of the 307 vessels in the NDRF sites were being maintained for emergency activations, historic display, or spare parts; 69 were pending disposal; and 90 were owned by other Government agencies or by the Title XI program. This group of 90 are maintained on a cost-reimbursable basis in various degrees of preservation. They are not in the NDRF program.

Ready Reserve Force (RRF)

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

To meet the readiness needs of DOD, MARAD outports and provides Reduced Operating Status (ROS) crews for 4 and 5 day ships. The Outporting Program provides lay berths for RRF ships near the expected loading ports for defense cargoes. At year's end, 59 RRF vessels were assigned to outport locations, 23 on the East Coast, 10 on the Gulf Coast, and 23 on the West Coast. Three small, shallow-draft tankers are outported in Japan.

The highest priority vessels are maintained in a status which permits reliable activation within 4 or 5 days at their berth sites, allowing expedited loading of critical surge DOD equipment. These vessels have ROS merchant mariner crews aboard carrying out a planned maintenance program. They become a part of the crew on the activated vessels. The outport and ROS crew provisions greatly enhance the probability of successful activation. This has been demonstrated in all recent vessel call-ups. RRF vessels have consistently exceeded activation requirements.

TABLE 1: NATIONAL DEFENSE RESERVE FLEET–SEPTEMBER 30, 1997

Home Port	NDRF Retention[1]	NDRF Non- Retention[2]	Reimbursable Custody[3]	Totals
James River, VA	27	33	36	96
Beaumont, TX	36	10	3	49
Suisun Bay, CA	16	23	51	90
Other Locations	69	3	0	72
Totals:	148	69	90	307

[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.

In FY 1997, MARAD issued a Request For Proposals for maintenance and operational services (Ship Manager Contracts) in support of 94 RRF vessels (two RRF troopships are excluded). Awards will be approved in FY 1998.

Conversion of the BEAVER STATE into an auxiliary crane ship was completed by International Marine Carriers in FY 1997. The vessel is the tenth, and final, RRF crane ship, and provides the capability to load or discharge non-self-sustaining containerships instream or in areas without sufficient port capability. It is layberthed on the West Coast.

At the end of the reporting period there were 96 ships in the RRF.

Table 2: National Defense Reserve Fleet–1945-1997

Fiscal Year	Ships	Fiscal Year	Ships
1945	5	1971	860
1946	1421	1972	673
1947	1204	1973	541
1948	1675	1974	487
1949	1934	1975	419
1950	2277	1976	348
1951	1767	1977	333
1952	1853	1978	306
1953	1932	1979	317
1954	2067	1980	303
1955	2068	1981	317
1956	2061	1982	303
1957	1889	1983	304
1958	2074	1984	386
1959	2060	1985	300
1960	2000	1986	299
1961	1923	1987	326
1962	1862	1988	320
1963	1819	1989	312
1964	1739	1990	329
1965	1594	1991	316
1966	1327	1992	306
1967	1152	1993	302
1968	1062	1994	286
1969	1017	1995	296
1970	1027	1996	303
		1997	307

RRF Roll-On /Roll-Off Capacity Upgrade Program

The DOD Mobility Requirements Study established an RRF force level of 36 Roll-On/Roll-Off (RO/RO) vessels. Currently, the RRF includes 31 RO/RO's, a 550,000 square foot shortfall. However, MARAD is restricted by Congressional mandate from purchasing additional foreign built RO/RO vessels for the RRF.

In cooperation with DOD, MARAD actively studied vessel capacity increases for various RO/RO classes in FY 1997. The first increases planned are the addition of spar decks to five of the CAPE "V" and CAPE "R" class ships beginning in FY 1998. These additional decks will add about 190,000 square feet of RO/RO capacity.

RRF Sea Trial and Dock Trial Program

MARAD has developed a regular program of planned periodic maintenance activations for RRF vessels to enhance the reliability of ships ordered to activate by DOD for missions. High priority vessels such as those in 4 and 5 days readiness status, undergo an annual sea trial, while lower priority vessels in 10 and 20 days status alternate annual sea trials and dock trials. This program includes detailed inspection of the vessel's material condition under operating conditions and enables MARAD to better schedule timely maintenance and repair and make decisions on allocation of resources.

During FY 1997, 45 vessels were successfully sea trialed under this program. The continuing success of MARAD's vessel activations for DOD missions is directly attributed in large part to the sea and dock trial program.

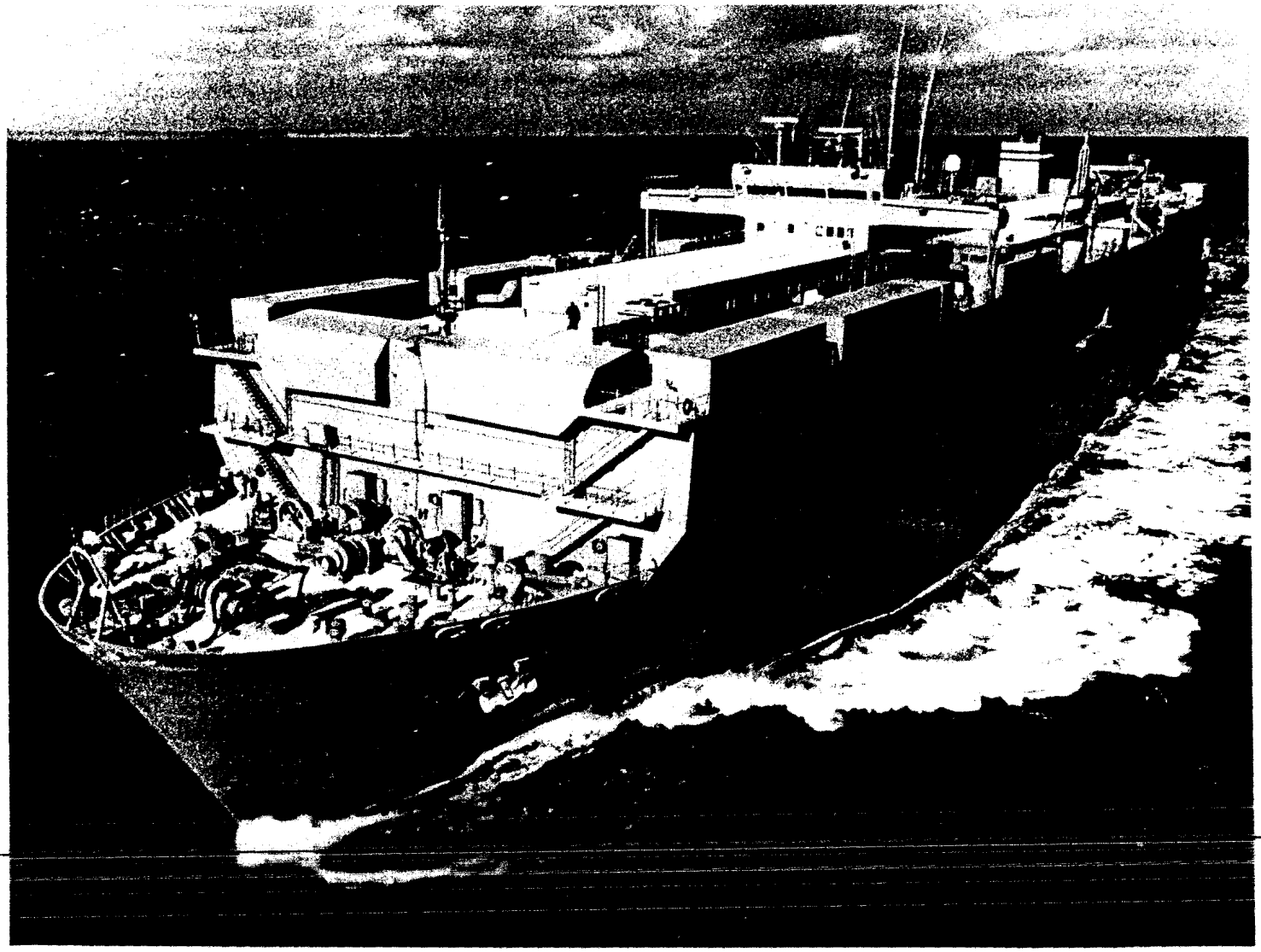
Improvements to RRF Maintenance

MARAD continued to enhance the RRF maintenance program. A major new initiative was implementation of a Management Quality Review (MQR) in the three MARAD regions which have direct management responsibility for maintenance of the RRF. The MQR established a process of compliance review followed by implementation of actions and recommendations which promotes a continuous program improvement. Future MQR's will be scheduled as necessary.

The MARAD RRF-Maintenance and Repair Tracking System (RRF-MARTS) financial module was used to develop several major budget reports and projections issued during FY 1997. The module permits development of a bottom-up requirements budget based on known deficiencies and records detailed expenditures of repair funding.

The effectiveness of the maintenance program was validated by the success of 17 no-notice RRF vessel activations. On average, the vessels were activated 1.7 days early.

Shown below, the CAPE WRATH one of MARAD's RRF vessels.



RRF Maintenance Crews ROS Program

MARAD Ship Managers and General Agents employed 496 full time mariners on 51 ROS ships. A combination of licensed and unlicensed personnel from all departments conduct preventative maintenance year-round and provide sufficient resources to activate RRF vessels, thereby reducing reliance on industrial assistance. ROS ships must be capable of being activated to support national emergencies within 4 or 5 days, depending on their designated readiness.

Logistics

MARAD significantly improved the level of RRF vessel logistics readiness in FY 1997. Supply support upgrades were completed on four ships: METEOR, COMET, GOPHER STATE, and CAPE BLANCO. Repair parts and other support materials valued at $5,801,260 were procured through contracts with Federal and commercial supply sources. Under MARAD's Reutilization Program, equipment from ships being removed from the RRF is maintained to ensure availability of vital repair parts.

The Agency upgraded a segment of the RRF Equipment Configuration and Spare Parts Management Information System (ECSMIS) to include Shore-based Spares (SBS). The SBS module is now remotely accessible from all MARAD warehouses, and provides wide access to materials that could be recycled in the RRF fleet. MARAD also developed and began integrating bar code technology into the management of shipboard spare part inventories and controlled material.

RRF Operations

DOD continued to use RRF vessels as an integral part of their prepositioned fleet to support the U.S. Army's Prepositioning Stock Program (APS-3) in FY 1997. The RO/RO vessels CAPE DECISION, CAPE DOUGLAS, CAPE HENRY, CAPE HORN, CAPE HUDSON, CAPE WASHINGTON, and CAPE WRATH, as well as the crane ship (T-ACS) GOPHER STATE, formed the assigned RRF contingent, and operated at a 99.5 percent fully mission capable level.

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

The CAPE WRATH also participated in Operation JORDANIAN PRESIDENTIAL CARGO LIFT, carrying military aircraft to Aqaba, Jordan. In addition, after participating in APS-3, the CAPE HENRY transported military equipment to Bremerhaven, Germany in support of Operation JOINT GUARD. It then sailed to Santa Marta, Columbia to participate in Operation PRESIDENTIAL DETERMINATION.

Exercise KERNAL BLITZ 97 involved activation of the Aviation Logistics Support Vessel (TAVB) CURTISS. The ship participated in a U.S. Marine Corps Air Wing logistics exercise off the U.S. Pacific Coast. Exercise COMPTUEX 97 involved activation of the breakbulk/underway replenishment vessel CAPE JOHNSON to support the U.S. Navy's requirement to transfer ordnance at sea. The exercise was held off the shore of Roosevelt Roads, Puerto Rico.

The OPDS tanker CHESAPEAKE and the SEABEE barge carrier CAPE MOHICAN participated in Operation TANDEM THRUST in Queensland, Australia. This was an allied Joint Logistics Over the Shore (JLOTS) exercise. An additional JLOTS exercise, JTFEX 97-3, had the SEABEE ship CAPE MAY and crane ship FLICKERTAIL STATE participating offshore at Fort Story, VA.

The CAPE ISLAND, a RO/RO, was activated for Exercise FOAL EAGLE. The vessel left Tacoma, WA and made numerous port calls in the Far East before returning in December.

Operation TURBO CADS 97 involved activation of the LASH vessel CAPE FAREWELL. The vessel carried over 700 containers of ammunition and other military supplies to Kuwait and Saudi Arabia. On the return trip it transferred over 900 containers of ammunition.

TURBO ACTIVATION (TA) 97-1 tested no-notice simultaneous activation of the RO/RO vessels CAPE TEXAS and CAPE TRINITY at Mobile, AL, the RO/RO vessel CAPE EDMONT at Jacksonville, FL, and the T-1 tanker CHATTAHOOCHEE at Tsuneishi, Japan. All four vessels were ready for sea and accepted by the Military Sealift Command (MSC) ahead of their respective activation requirements.

TA 97-2 and TA 97-3 involved simultaneously tested no-notice activations. TA 97-2 involved the breakbulk vessels CAPE ANN and CAPE AVINOF at Baltimore, MD, a SEABEE, CAPE MENDOCINO at Norfolk, VA, and the RO/RO ships ADMIRAL WILLIAM M. CALLAGHAN at San Francisco, CA, and CAPE INTREPID at Tacoma, WA. All five vessels were tendered ahead of required activation schedules.

TA 97-3 included the tanker MISSION CAPISTRANO and breakbulk GULF SHIPPER, both at Beaumont, TX, with both ships accepted prior to their activation deadlines.

The final FY 1997 no-notice readiness test was TA 97-4. It involved the breakbulk vessels CAPE ALAVA, CAPE JUBY, and CAPE NOME at Norfolk, VA, a LASH, CAPE FLATTERY, and a

acquisition of a wide variety of vessels, including containerships, tankers, bulk carriers, tugs, barges, supply vessels, ferries and passenger vessels.

During calendar year 1996, $125 million was deposited into these accounts. Since the program was initiated in 1971, fundholders have deposited $6.3 billion in CCF accounts and withdrawn $5.1 billion for the modernization and expansion of the U.S. merchant marine. As of September 30, 1997, a total of 136 companies were parties to CCF agreements.

Construction Reserve Fund

Like the Capital Construction Fund, the Construction Reserve Fund (CRF) encourages upgrading of the American-flag fleet. This program allows eligible parties to defer taxation of capital gains on the sale or other disposition of a vessel if net proceeds are placed in a CRF and reinvested in a new vessel within 3 years.

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

The number of companies with CRF balances increased from 10 to 11 during FY 1997. (See Table 8). The total monies on deposit increased from $10.5 million to $30.5 million.

Metrication

MARAD accomplished its goal of converting to the System International (SI) measurement (metric) by 1997. The Agency is continuing its efforts to collect information and reference material for dissemination internally and externally. The annual reports *Outlook for the U.S. Shipbuilding and Repair Industry* and *The Report on Survey of U.S.*

T-SHIPS ON ORDER OR UNDER CONSTRUCTION

(as of September 30, 1997)

SHIPYARD	APPROXIMATE SHIP CLASS and HULL NUMBER	VESSEL NAME	ESTIMATED DELIVERY DATE	CONTRACT PRICE in Millions)
New Construction:				
Halter Marine	T-AGS 63	HENSON	02/20/1998	$47.2
Halter Marine	T-AGS 64	- unnamed -	01/13/2000	$51.7
Halter Marine	T-AGOS 23	IMPECCABLE	12/20/1998	$60.0
Avondale	T-AKR 300	BOB HOPE	01/31/1998	$265.2
Avondale	T-AKR 301	FISHER	09/24/1998	$210.0
Avondale	T-AKR 302	- unnamed -	04/12/1999	$210.0
Avondale	T-AKR 303	- unnamed -	10/08/1999	$206.4
Avondale	T-AKR 304	- unnamed -	04/30/2000	$211.1
National Steel	T-AKR 310	- unnamed -	08/11/1998	$269.1
National Steel	T-AKR 311	- unnamed -	12/28/1998	$218.0
National Steel	T-AKR 312	- unnamed -	10/28/1999	$218.0
National Steel	T-AKR 313	- unnamed -	04/28/2000	$207.0
National Steel	T-AKR 314	- unnamed -	10/22/2000	$200.0
National Steel	T-AKR 315	- unnamed -	04/27/2001	$227.0
Conversion:				
National Steel	T-AKR 299	SODERMAN	11/11/1997	$211.6
Total	15 Ships			$2,600.7

Chart 4

U.S. COMMERCIAL SHIPBUILDING ORDERBOOK (1,000 GT AND OVER) SEPTEMBER 30, 1997

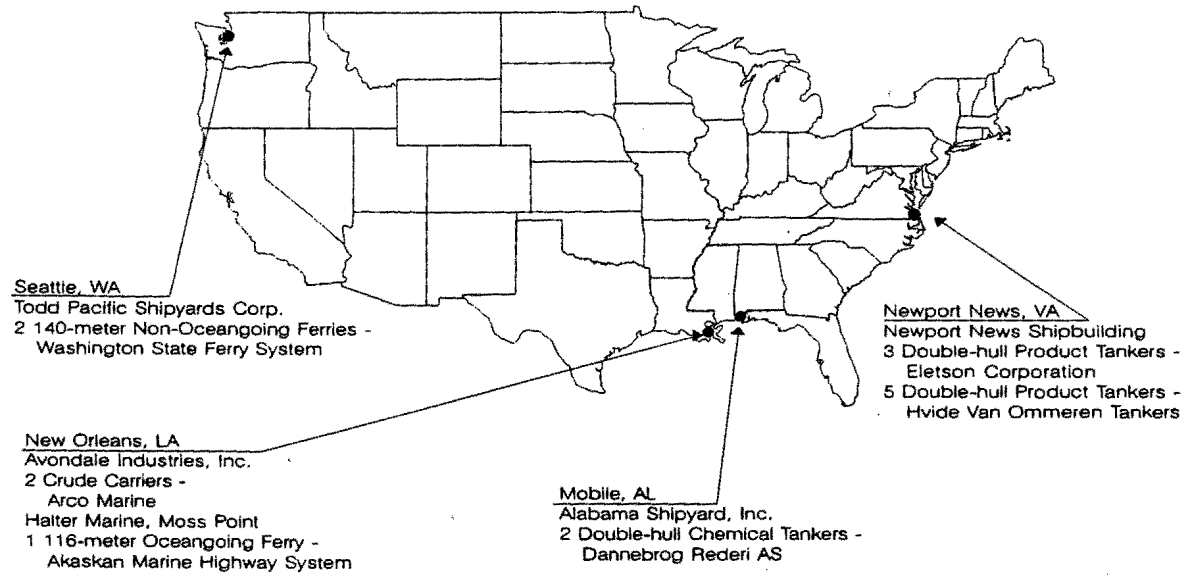


Chart 5

Shipbuilding and Repair Facilities now are published using the SI system.

Shipbuilding Base

The U.S. Major Shipbuilding Base (SB) is defined as privately owned shipyards that are open, having at least one shipbuilding position, consisting of an inclined way, a launching platform, or a building basin capable of accommodating a vessel 122 meters in length or over. With few exceptions, these shipbuilding facilities are also major repair facilities with drydocking capability. Utilizing this definition, as as of January 1, 1997, there were 17 major shipbuilding facilities in the United States.

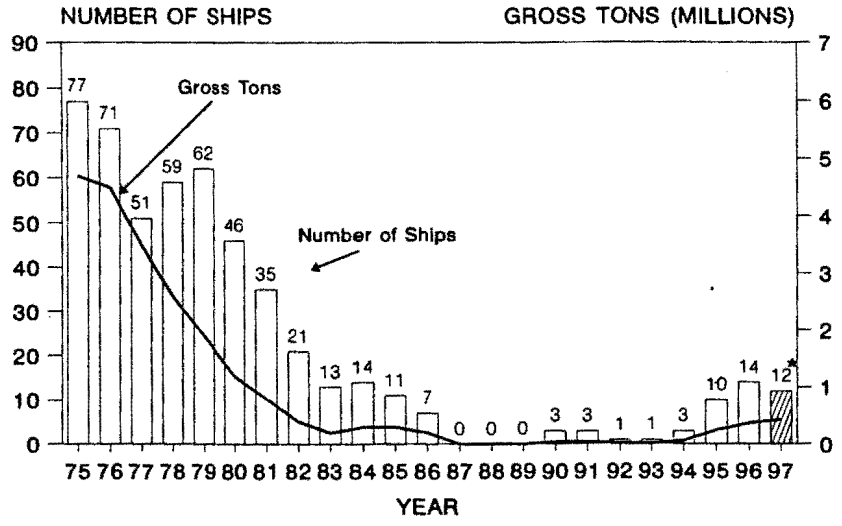
Shipyard Activity

During FY 1997 the shipyards in the major shipbuilding base had a diverse order book, including both Navy and commercial construction. Navy shipbuilding included surface combatants, submarines, aircraft carriers and T ships. 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 mostly assigned to the MSC.

As of September 30, 1997, 14 T-ships were on order or under construction in three privately owned U.S. shipyards. In addition, there was one T-ship undergoing conversion. Two T-ship conversions were completed and orders for two new ships were placed in FY 1997. Chart 4 lists the T-ships currently under construction or conversion.

As of September 30, 1997, there were 12 commercial oceangoing vessels larger than 1,000 gross tons on order from commercial shipyards in the United States. Orders for 10 of these vessels were facilitated by MARAD's Title XI Maritime Guaranteed Loan Program. Newport News Shipbuilding and Drydock Co. is constructing eight double hull product tankers. Three are being built for Eletson Corp. (Fleves Shipping Corp.) and five are being constructed for Hvide Van Ommeren Inc. Alabama Shipyard

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



* Data as of October 1, 1997

Chart 6

is constructing two chemical tankers for Dannebrog Rederi AS.

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Avondale Industries, Inc. is constructing two Millennium Class crude carriers for Arco Marine and Halter Moss Point Shipyard is constructing one oceangoing passenger/vehicle ferry for the Alaskan Marine Highway System. Two non-oceangoing 140 meter passenger/vehicle ferries are being built at Todd Pacific Shipyards Corp. in Seattle, WA.

The vessels being constructed at Newport News represent the first order for U.S. built oceangoing commercial ships for export since 1957. These tankers are 183 meters in length and 46,500 deadweight tons. The vessels being constructed at Avondale will be approximately 274 meters in length and 125,000 deadweight tons. The Alabama tankers are 144 meters and 16,000 deadweight tons. The Alaskan ferry will be 116 meters in length with a 26 meter beam, a deadweight of 1,695 tons and capable of carrying over 120 vehicles and 750 day passengers. Chart 5 shows the locations of the shipyards constructing commercial vessels greater than 1,000 gross tons at the end of FY 1997.

During FY 1997, Newport News Shipbuilding delivered one double-hulled product tanker, the *American Progress* for Mobil Oil. Avondale Industries completed the order for four double-hull tanker reconstructions from American Heavy Lift, by completing the *Capt H.A. Downing*, the *Anasazi*, the *New River* and the *Monseigneur*. Todd Pacific Shipyards completed

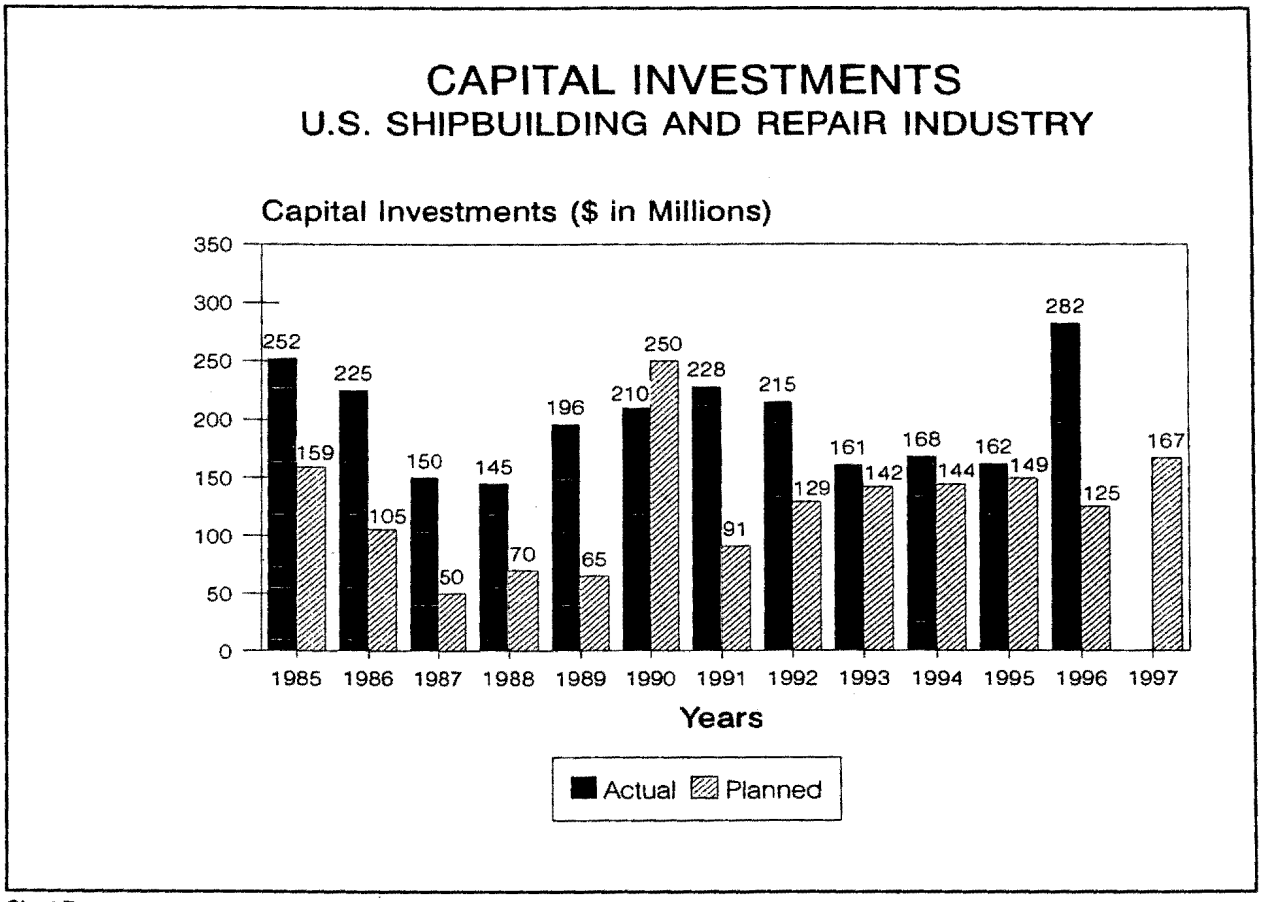


Chart 7

one of the non-oceangoing ferries, the *Tacoma*. Additionally, during FY 1997, Alabama Shipyard received a contract to construct four 1,432 TEU containerships from COSCO Line (America) but this contract was terminated on September 29, 1997 due to contractual differences. Chart 6 shows the commercial shipbuilding order book at the end of each calendar year since 1975.

Shipyard Improvements

The U.S. shipbuilding and ship repair industry invested more than $282 million in FY 1996 to upgrade and expand facilities. This was the highest level of capital investment made by the industry in any one of the past twelve years.

Much of this investment went to improve efficiency and competitiveness, including new shipyard layouts, new under roof fabrication buildings, new pipe shops, new panel lines and the purchase of new cranes and transporters, 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 planned to spend approximately $167 million for improvements in FY 1997.

The industry's capital investments since 1970 have totaled approximately $5.9 billion. Chart 7 shows capital investments in the shipbuilding and repair industry since 1985.

Table 4: TITLE XI APPROVED GUARANTEES IN FISCAL YEAR 1997			
Company	No. Vessels	Type	Guarantee Amount
Massachusetts Heavy Industries, Inc.	N/A	Shipyard Reactivation	$55,000,000
COSCO Line (America), Inc	4	1432 TEU Container Vessels	$137,687,000
CPD Barge Company	18	Jumbo Hopper Barges	$5,401,000
Trailer Bridge, Inc. (ex Coastal)	2	Triple Stack Box Carriers	$10,515,000
HAM Marine, Inc.	N/A	Shipyard Modernization	$24,817,000
Riverbarge Excursion Lines, Inc.	2	Hotel River Barges	$15,941,000
Mersea Ships 1, Inc.	2	SWATH 300-Passenger Commuter Vessels	$29,901,000
Trico Marine International, Inc.	1	Twinhull Crewboat	$9,643,000
Secunda Atlantic, Inc.	1	240' Anchor-Handling Tug/Supply Vessel	$17,103,000
Cashman Equipment Corporation	7	Single-Skin Steel Flat Barges	$6,612,000
Trailer Bridge, Inc.	3	Triple Stack Box Carriers	$16,918,000
TOTAL			$329,538,000
In FY 1997, 11 applications were approved. Two involved shipyard modernization and 9 involved new vessel construction. One was terminated. At year's end, there were 17 applications pending.			

Table 5: MARITIME GUARANTEED LOAN PROGRAM (TITLE XI) PROGRAM SUMMARY
Principal Liability (Statutory Limit $9.5 Billion) -- SEPTEMBER 30, 1997

Vessel Type	Contracts in Force: Vessels Covered	Contracts in Force: Outstanding Amount (Millions)
Coastal	116	149,323,615.69
Bulk	57	1,039,835,525.64
Drill Rig	1	153,091,000.00
Drill Supply	6	74,130,000.00
Inland	1,182	188,689,735.78
Liner	294[1]	148,252,000.00
Other	36[2]	820,538,516.08
TOTALS	1,692	$2,573,860,392.19

[1]Includes 289 LASH barges.
[2]Includes cruise vessels, dredging vessels, crane barges, pipe-laying barges, power plants, and improvement projects.

Table 6: WORLDWIDE SHIPBUILDING DELIVERIES - CALENDAR YEAR 1996

(Note: Tonnage in Thousands)

	Total	All Types	Tanker		Dry Bulk		Containers		Ro-Ro		Cruise/Passenger		Other	
	No.	DWT	No.	DWT	No.	DWT	No.	DWT	No.	DWT	No.	DWT	No.	DWT
Country of Construction	925	37,301	245	13,170	266	17,165	195	5,226	20	211	15	81	184	1,448
Japan	347	15,743	103	5,169	156	9,122	32	937	8	105	2	12	46	398
Korea(South)	160	11,627	48	5,218	48	4,340	55	1,967	-	-	-	-	9	102
China	61	1,716	8	262	25	1,034	10	80	-	-	-	-	18	340
Germany	73	1,235	1	33	-	-	49	1,074	2	10	3	22	18	96
Taiwan	14	1,184	1	2	11	1,128	1	46	-	-	-	-	1	8
Spain	16	833	7	453	2	327	1	11	4	32	-	-	2	10
Poland	32	830	2	60	3	262	25	492	-	-	-	-	2	16
Italy	17	704	7	264	4	300	2	102	2	22	2	16	-	-
Croatia	14	568	9	362	4	170	1	102	-	-	-	-	-	-
Denmark	15	535	4	76	1	75	4	340	-	-	-	-	6	44
Romaina	10	379	3	165	1	172	2	13	-	-	-	-	4	29
Ukraine	9	262	6	246	-	-	-	-	-	-	1	2	2	14
Singapore	26	253	17	127	3	61	5	63	-	-	-	-	1	2
Brazil	2	245	-	-	-	-	-	-	-	-	-	-	1	20
Netherlands	46	211	3	12	1	22	6	34	1	5	1	4	34	134
United Kingdom	5	167	4	160	-	-	-	-	-	-	-	-	1	7
Finland	5	164	2	146	-	-	-	-	-	-	3	18	-	-
Bulgaria	8	130	2	12	2	82	-	-	-	-	-	-	4	36
Norway	6	111	5	103	-	-	-	-	1	8	-	-	-	-
Russia	15	110	2	35	-	-	-	-	1	23	-	-	12	52
France	2	80	1	74	-	-	-	-	-	-	1	6	-	-
Turkey	8	67	-	-	-	-	1	13	-	-	-	-	7	54
Slovakia	8	30	-	-	-	-	-	-	-	-	-	-	8	30
Sweden	2	30	-	-	-	-	-	-	1	6	-	-	1	24
Portugal	4	22	2	12	-	-	-	-	-	-	-	-	2	10
Malaysia	2	16	-	-	1	16	-	-	-	-	-	-	-	-
Lithuania	2	11	-	-	-	-	-	-	-	-	-	-	2	11
Phillippines	3	10	3	10	-	-	-	-	-	-	-	-	-	-
India	2	6	-	-	2	6	-	-	-	-	-	-	-	-
Egypt	1	6	-	-	-	-	-	-	-	-	-	-	1	6
Yugoslavia	1	6	-	-	1	6	-	-	-	-	-	-	-	-
South Africa	1	4	1	4	-	-	-	-	-	-	-	-	-	-
Indonesia	1	3	-	-	-	-	-	-	-	-	-	-	1	3
Czech Republic	1	2	-	-	-	-	-	-	-	-	-	-	1	2
Fiju		1	-	-	-	-	-	-	-	-	1	1	-	-
Chile		-	-	-	-	-	-	-	-	-	1	-	-	-

Table 7: CAPITAL CONSTRUCTION FUND HOLDERS–September 30, 1997

Abdon Callais Boat Rentals, Inc.
AFFCO, Incorporated
Afram Lines (USA) Co., Ltd.
Alaska Riverways, Inc.
Alpha Marine Services, Inc.
A.M.C. Boats, Inc.
Al A. Gonsoulin
Amalgated Henway, Inc.
Amak Towing Co., Inc.
American Classic Voyagas, Co.
American President Lines, Ltd.
American Shipping, Inc.
Anderson Tug & Barge Co.
Andover Company, L.P.
Apex Marine Corp.
Aquarius Marine Co.
Atlantic Richfield Co.
Atlas Marine Company
Aries Marine Corp.
Bethlehem Steel Corp.
Bigane Vessel Fueling
Binkley Co., The
Bludworth, Richard W.
Botruc Enterprises, Inc.
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.
Cook Inlet Tug & Barge Co., Inc.
Cowan Towing & Salvage Co.
Crewboats Inc.
Cross Marine, Inc.
Crowley Maritime Corp.
Danos Curole Marine Contractors, Inc.
Delta Queen Steamboat Co., The
Durocher Dock & Dredge
Edison Chouest Offshore, Inc.
Edward E. Gillen Co.
Eserman Offshore Service, Inc
Exxon Corporation
Falcon Alpha Shipping, Inc.
Falcon Capital, Inc.
Falgout Bros. Inc.
Falgout Marine, Inc.
Farrell Lines, Incorporated
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., Inc.
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.
Newman Boat Line, Inc.
Nicor, Inc.
Northland Services, Inc.
Ocean Shipholdings, Inc.
Oceanic Research Services, Inc.
O.L. Schmidt Barge Lines, Inc.
Oglebay Norton Co.
OMI Corp.
Otter Candies, Inc.
Otter Creek Co.
Overseas Shipholding Group, Inc.
P.J. Brix, L.L.C.
Pacific Hawaiian Line, Inc.
Rainbow Tours
Ritchie Transportation Co.
Sacramento Tugboat Co.
Sause Bros. Inc.
Sause Bros. Ocean Towing Co., Inc.
Seabulk Tankers, Ltd.
Sea-Land Corp.
Sea-Mar Operators, Inc.
Sheplers, Inc.
Siegfried Co.
Silver Bay Loggings Inc.
Smith Lightening Co., Inc.
Stan Stephens Charters, Inc.
St. Bartholomey Corp., The
St. Bernard Boat Rental Inc.
State Boat Corp.
Steel Style Marine
TMT Corporation
Tobias, Inc.
Titus, Inc.
Total Transportation, Inc.
Totem Resources Corp.
Union Oil Co. of California
Washington Island Ferry Line, Inc.
Waveland Marine Service Inc
West Travel Inc
WFC, Inc.
Windjammer Cruises, Inc.
Y & S Marine, Inc.
Zidell Corp.
Zita Corp.

Table 8: CONSTRUCTION RESERVE FUND HOLDERS -- SEPTEMBER 30, 1997

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

Chapter 3

Legislation, Legal Services, and Agency Decisions

Legal Services

The Maritime Administration (MARAD) and the Department of Defense (DOD) reviewed implementation of a guidance memorandum issued by the Administrator of the Office of Federal Procurement Policy (OFPP) regarding waivers of the cargo preference laws for the purchase of commercial items and commercial components under a subcontract. The memorandum clarified the policy and intent of the rule which granted the waivers, and set out certain limits on its applicability. MARAD, DOD, and OFPP agreed that continued vigilance is necessary. Additional guidance was prepared for the DOD Acquisition Deskbook which is to be followed by amendment of the Defense Federal Acquisition Regulation Supplement. The agencies also are working to improve MARAD's monitoring of DOD cargo movements to ensure compliance with the cargo preference laws

In addition, MARAD issued a revised policy addressing the criteria for granting waivers of the U.S.-flag shipping requirement for cargoes subject to Public Resolution 17 of the 33rd Congress. Most such cargoes are generated by programs of the Export-Import Bank. The new policy, which supersedes a 1959 policy statement, establishes a mechanism for greater communication among the shippers, carriers, and MARAD.

Also in fiscal year (FY) 1997, MARAD and the Environmental Protection Agency's (EPA) continued negotiations on the sale of obsolete National Defense Reserve Fleet (NDRF) vessels that may contain Polychlorinated Biphenyls (PCBs). A new enforcement letter issued by the EPA requires removal of liquid PCBs in the United States in transformers, capacitors, and hydraulic and heat transfer systems, as well as any readily removable non-liquid PCBs in other shipboard components.

MARAD has been directed to sell all obsolete vessels in the NDRF by September 30, 2001, and to maximize the proceeds to the Government (P.L. 103-451). Sales agreements were prepared for two ships sold to a domestic scrapper. All potential scrapping countries were provided a general notification of the new policy on the export of ships formerly owned by the Government, and a specific notice must be provided to the importing country prior to each individual export.

In FY 1997, MARAD drafted Capital Construction Fund, Construction-Differential Subsidy (CDS), Operating-Differential Subsidy (ODS), and Maritime Security Program (MSP) agreements. The MSP replaces the expiring ODS program which fully compensated U.S. carriers on a reimbursable basis for the higher costs of operating ships under the U.S. flag as compared to those of foreign-flag competitors. As an incentive for U.S.-flag operators to further reduce costs, and increase efficiency, Congress established the MSP funding level at fixed amounts well below that of ODS. (See Chapter 1.)

MARAD also issued an *Opinion and Order* establishing the legal requirements for compliance with the domestic operations restrictions in the recently enacted section 656 of the Merchant Marine Act of 1936. The *Opinion and Order* involved a principal carrier in the MSP that had claimed a "grandfathered" level of service to which other domestic carriers objected.

MARAD extensively reviewed documents submitted by Lykes Bros. Steamship Co., Inc. involved in its application to transfer ODS and MSP agreements to a reorganized company emerging from bankruptcy. The proposal was rejected because it involved time chartering U.S.-flag vessels to a foreign-controlled entity which would have excessive control over the ostensible U.S. citizen owner.

The Agency published its updated *Compilation of Maritime Laws* in FY 1997. It contains the text of the Merchant Marine Act of

1936, the Maritime Security Act of 1996 (MSA), the Shipping Act of 1984, and other related acts, as amended through the 104th Congress.

MARAD promulgated or participated in a series of rulemakings, including final rules in the following areas: Procedures to implement the provisions of the MSA; a procedural rule concerning reemployment rights of certain merchant mariners, allowing mariners to obtain MARAD certification for reemployment rights and other benefits after serving on vessels used by the United States in a war, armed conflict, national emergency, or maritime mobilization; and a rule which eliminated certain U.S. citizenship requirements for owners and charterers of vessels in MARAD's obligation guarantee program.

Several legislative milestones occurred in FY 1997. Most notably, after a long bipartisan Congressional and Administration effort, the President signed P.L. 104-239, the MSA on October 8, 1996. The MSA established a new 10-year MSP intended to assure the retention by the United States of an active, privately owned, U.S.-flag and U.S.-crew merchant shipping fleet to meet commercial needs and to provide sustainment sealift capability in time of war or national emergency.

The MSA significantly impacts numerous MARAD programs. It replaces the ODS program, which is being phased out; amends section 804 of the Merchant Marine Act of 1936 to allow MSP and ODS contractors to use foreign-flag vessels in certain cases; ends certain restrictions on vessels built with CDS once they reach 25 years of age; amends the restrictions on foreign transfer of vessels; establishes re-employment rights for merchant mariners who serve on Government-operated ships during times of crisis; extends the War Risk Program under Title XII of the Merchant Marine Act of 1936; restores performance and payment bonds authority for contractors activating National Defense Reserve Fleet (NDRF) vessels; and establishes a new contracting system so that Great Lakes ports may bid on 100 percent of P.L. 480 Title II cargoes, without diminishing the 75 percent cargo preference requirement.

In addition, resounding Congressional support for the Jones Act continued. H. Con. Res. 65 expressed recognition of the critical importance of the Jones Act and its related statutes to our economic and military security. The measure was co-sponsored by 231 members of the House.

A large measure of support also was given S. Res. 24, which reaffirmed the cargo preference policy of the United States. It also stressed the importance of our U.S.-flag fleet and the need for each Federal agency to ensure compliance with the intent and purpose of the cargo preference statutes; MARAD also was instructed to closely and strictly monitor any cargo subject to cargo reservation laws.

For the first time, MARAD's authorization was incorporated into the National Defense Authorization Act. This legislation provides funding for MARAD's operations and training activities and the expenses and administration of the Title XI Loan Guarantee Program. The measure also supports MARAD 's efforts to scrap obsolete NDRF vessels, as required by the National Maritime Heritage Act; extends the end date to September 30, 2001 for scrapping all obsolete vessels; eliminates the requirement for an obsolete *Report on the Relative Cost of Shipbuilding*; and authorizes participants in the MSP or an Emergency Preparedness Plan (EPP) to utilize a replacement vessel or capacity as a temporary replacement for a vessel which has been activated under the MSP or EPP.

Other maritime-related legislative activity included the Water Resources Development Act of 1996, P.L. 104-303, signed on October 12, 1996, which assists the Nation's port system by permitting the Government to contribute funds from the Harbor Maintenance Trust Fund to the upland disposal costs of dredging. It also authorized a number of much needed port and inland waterway projects. The Merchant Mariners Fairness Act of 1997, S.61, introduced in FY 1997, would extend eligibility for burial benefits to World War II merchant mariners serving from August 15, 1945, to

December 31, 1946--the official end of hostilities and the date that applies to all military services and other groups awarded veteran status. It also was incorporated in S. 414, the Ocean Shipping Reform Act of 1997, which is intended to deregulate international ocean shipping. Both bills were under consideration in the Congress at year's end.

MARAD also encountered significant litigation challenging actions under the Merchant Marine Act of 1936, as amended. One case contested MARAD's denial of ODS payments for a voyage where a bid to the Department of Agriculture was not augmented by the prospective payment of ODS payments for a voyage where the cargo was reserved for U.S.- flag vessels. Another case challenged MARAD's payments under the MSA to a competitor of the plaintiff, who argued that MARAD had improperly interpreted the "grandfathering" provision regarding the level of domestic service. In a third case, a shipowner challenged MARAD's determination that a vessel built with construction-differential subsidy could enter the domestic trade after the expiration of its economic life. Each has been settled, withdrawn, or appealed after decisions affirming MARAD's position

At year's end, MARAD was sued for disapproving a transfer of MSA operating agreements because the citizenship requirements of section 2 of the Shipping Act of 1916 would not have been satisfied.

The Agency also was party to eight cases before the Equal Employment Opportunity Commission and the Merit System Protection Board. Five cases were resolved in the Agency's favor, and three were settled.

MARAD also has provided litigation support to the Department of Justice for the defense of claims of injuries to seamen employed on MARAD-owned vessels. At the end of the period, approximately 75 such cases were active. Also, MARAD continues as named defendant in multiple asbestos cases; approximately 500 seaman injury claims alleging asbestos exposure have been filed to date.

The Maritime Subsidy Board (MSB), by delegation of the

Maritime Subsidy Board

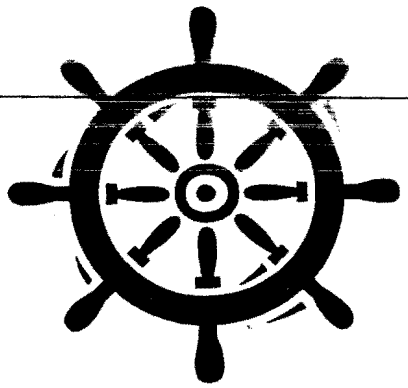
Secretary of Transportation, awards, amends, and terminates contracts subsidizing the construction and operation of U.S.-flag vessels in the U.S. foreign commerce. The MSB holds public hearings, conducts fact-finding investigations, and compiles and analyzes trade statistics and cost data to perform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

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

The MSB conducted regular meetings during the reporting period and a number of notices relating to adjudicatory proceedings and development and adoption of rules and regulations were published in the *Federal Register*.

In FY 1997, the Maritime Administrator and the MSB took a number of administrative actions to strengthen the U.S. Merchant Marine. Significantly, the Maritime Administrator implemented the new MSP as required by the MSA, which further amended the Merchant Marine Act of 1936, as amended.

The Maritime Administrator and the MSB took actions which established an MSP fleet of 47 modern and militarily useful vessels operating in U.S. foreign commerce, and conformed the old ODS program agreements to the requirements of the MSP. The MSP program, which is responsible for reflagging several large, modern vessels to the U.S. registry and is authorized until 2005. The ODS program phases out in 1999 for liner vessels and in 2001 for bulk vessels.



Chapter 4

Port, Intermodal, and Environmental Activities

The Maritime Administration (MARAD) provides technical assistance in port, intermodal, and advanced cargo handling technologies and environmental compliance, planning, management, and operations to State and local port authorities, terminal operators, private maritime industry, and agencies of the United States, and foreign governments. MARAD also plans for the use of ports and port facilities and plans for the priority use and procurement of containers and other intermodal equipment to minimize disruption of inventory distribution in times of national emergencies. (See Chapter 1.)

Ports

MARAD promotes development of technologically advanced, efficient, and competitive public and private ports serving the domestic and deep ocean maritime commerce of the United States both in peace and times of national emergency. The principal fiscal year (FY) 1997 activities are summarized below.

Port Facility Conveyance Program

By delegated authority, MARAD conveys Base Realignment and Closures (BRAC) and other surplus Federal real property to public entities for the development or operation of a port facility. The program provides a no-cost means for local entities to acquire property for use as a port facility. The program helps create jobs and revitalize communities negatively impacted by base closures or other Federal action.

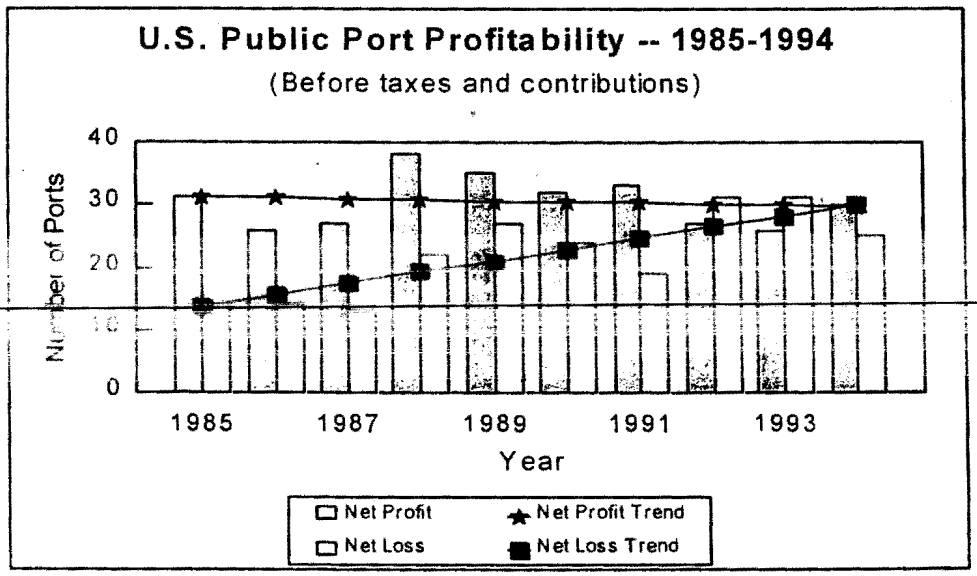
Port facility conveyance applications were approved for the Port of Los Angeles, CA, and the Rhode Island Economic Development Corporation. In addition, the former Naval Civil Engineering Laboratory located in Port Hueneme, CA, was conveyed to the Oxnard Harbor District in March 1997.

Land Use and Access Conflicts

MARAD presented the results of a study, *Resolution of Land Use and Port Access Conflicts at Inland Waterway Ports*, to the Inland Rivers, Ports, and Terminals Association and to the World Bank in FY 1997. The study provides recommendations and tools to resolve land use and port access problems along America's inland waterways.

Public Port Financing

An Analysis of U.S. Public Port Profitability and Self-Sufficiency (1985-1994) was released. It was produced cooperatively between MARAD and the American Association of Port Authorities (AAPA). It examines whether geographical location, port size, type of organization and operation,

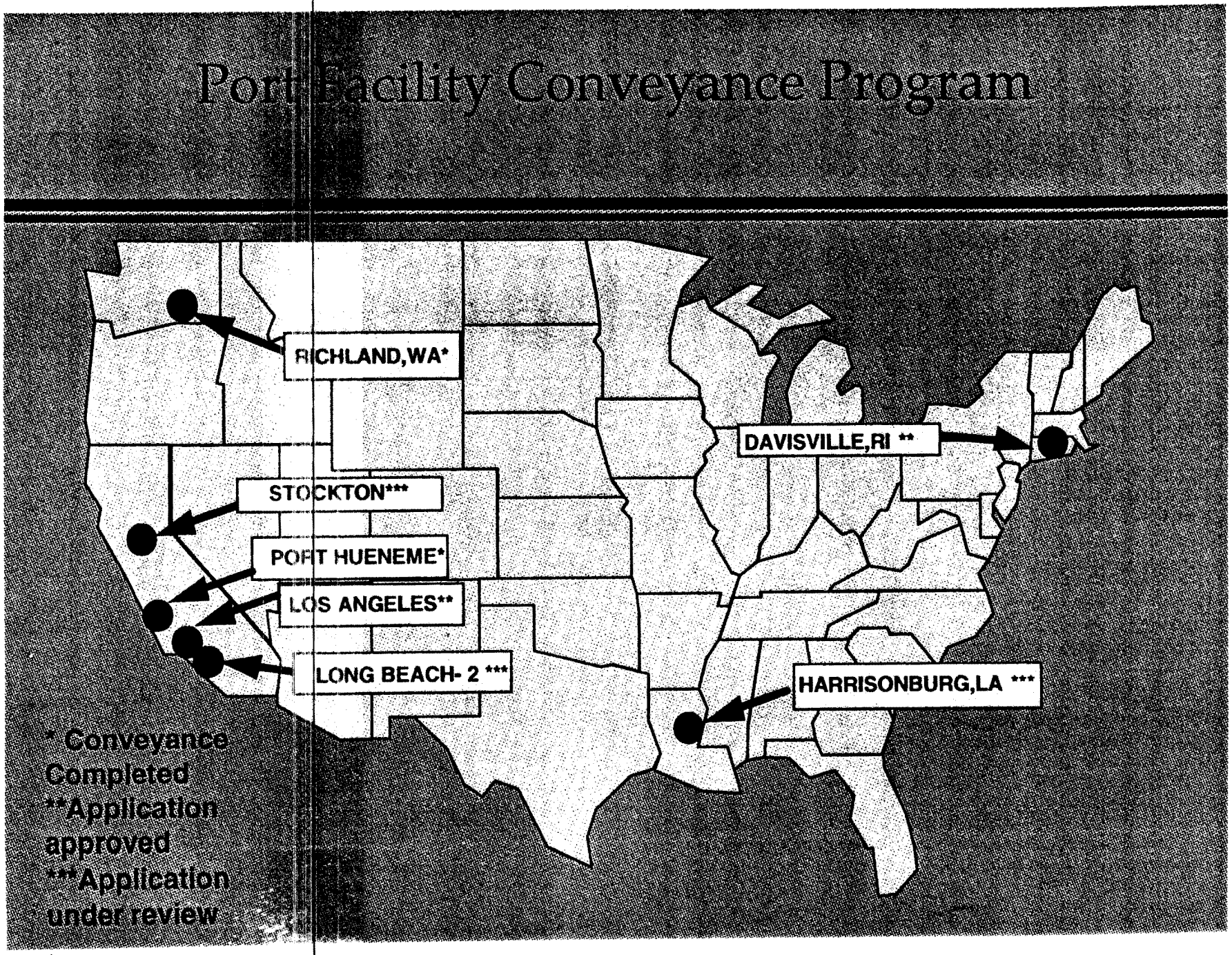


Source: *An Analysis of U.S. Public Port Profitability and Self-Sufficiency (1985-1994)*, pp. 8-9. Data based on annual finance surveys conducted by the American Association of Port Authorities (AAPA).

Note: The number of ports responding varies from year to year. For example, in 1988 port responses to the AAPA finance survey increased 33 percent.

Chart 8

Port Facility Conveyance Program



and strategic planning affect U.S. public port profitability. Chart 8 graphically illustrates the before tax profits discussed in the study.

MARAD also published the *United States Port Development Expenditure Report* in FY 1997. It analyzed the industry's capital expenditures for 1995 and proposed expenditures through the year 2000, as well as financing methods used to fund these expenditures. Charts 9 and 10 show the public port industry's capital expenditures for 1995 and proposed expenditures to the year 2000.

In a joint effort with the National Waterways Conference and the Inland Rivers, Ports, and Terminals Association, MARAD initiated a study of capital expenditures at inland river ports. The study will examine actual 1996 expenditures and historical expenditures for 1995 and earlier. MARAD will use its updated, expanded database of U.S. port financial data from 1978-1996 to allow more in-depth analyses of the financial data.

Chart 9
U.S. Port Capital Expenditures for 1995
(Thousands of Dollars)

Region	Expenditure	Percent
North Atlantic	$60,948	4.3%
South Atlantic	172,517	12.3%
Gulf	158,977	11.3%
South Pacific	673,497	48.1%
North Pacific	143,910	10.2%
Great Lakes	1,970	0.1%
AK, HI, PR, &V.I.*	192,536	13.7%
Total	$1,404,355	100.0%

* Alaska, Hawaii, Puerto Rico, & Virgin Islands.

Chart 10
U.S. Port Capital Expenditures for 1996 - 2000
(Thousands of Dollars)

Region	Expenditure	Percent
North Atlantic	$254,113	4.2%
South Atlantic	1,281,626	21.2%
Gulf	967,099	16.0%
South Pacific	2,668,139	44.3%
North Pacific	792,248	13.1%
Great Lakes	72,826	1.2%
AK, HI, PR & VA	N/A	N/A
Total	$6,036,051	100.0%

A MARAD/industry working group was established to revise and update the Agency's *Port Risk Management Guidebook*. The working group includes AAPA, port authorities, and insurance consultants. It will provide port executives with the basic skills and information needed to establish and maintain appropriate, cost-effective insurance programs. Aimed at small and medium-sized U.S. ports lacking full-time risk managers, the revised guidebook will familiarize experienced risk managers with the special requirements of public port authorities.

Maritime Intelligence and Security

MARAD's Maritime Intelligence and Security Program 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. During FY 1997, MARAD focused on maritime security threats including piracy, terrorism, stowaways and drugs, cargo theft, fraud, bribery and extortion of U.S. cargoes on ocean vessels or in any port worldwide.

The Agency coordinated Federal and maritime industry interaction on courses of action, facilitation of effective solutions, exchange of information on maritime security issues, and dissemination of intelligence to the commercial maritime industry. The Agency also produced a *Port Security: A National Planning Guide*, in collaboration with the USCG and DOT's Office of Intelligence and Security. In addition, MARAD distributed the quarterly Agency publication, *Maritime Security Report*. It spotlighted international criminal activity and security issues which could pose a threat to U.S. commercial maritime interests and the movement of U.S. civilian cargoes in foreign trade.

MARAD also organized and conducted a session, *Transportation Security: A Systemic Approach,* at the Transportation Research Board's (TRB's) 1997 Annual Meeting.

Other security projects during the year included production of a series of port security technical manuals in collaboration with the USCG and the OST Office of Intelligence and Security and a port security training initiative based on the May 1997 Caribbean Summit plan of action.

Deepwater Ports

In FY 1997, DOT revised its delegation of authority under the Deepwater Port Act of 1974 (Act), as amended, and reserved the authority to issue, amend, or transfer a deepwater port license. Coordination between MARAD and the USCG in processing applications for construction and operation of deepwater ports is delegated to MARAD. Certain functions under the Act are delegated to the Maritime Administrator.

National Maritime System (NMS)

The NMS is a significant contributor to the American economy and links the United States to the world. In 1995, 2.2 billion short tons of foreign and domestic commerce were transported via the maritime mode. MARAD defined the NMS to ensure that its importance was fully recognized during development of the National Transportation System (NTS).

The NMS consists of: the national and global network of navigable ocean (domestic and foreign), lake, river, and inland waterway routes; the vessels of waterborne commerce such as liners, bulk carriers, tugs, barges, and ferries; and a complex of ports and terminals serving as intermodal points of transfer from the water system to the land-based modes.

It is composed of deep draft ocean trades and deep draft rivers, bays, and estuaries and over 1,205 miles of shallow draft inland and intracoastal waterways, 275 locks, 355 ports, and more than 4,000 terminals. The NMS encompasses the coastwise and intercoastal deep draft trades and U.S.-controlled offshore sea lanes to Alaska, Hawaii, Puerto Rico, and Guam, as well as the Great Lakes.

Economic Development

MARAD plans to develop a "tool box" of information on U.S. Government economic development programs that may be leveraged by ports to promote development in port areas. Initial efforts focused on the U.S. Department of Housing and Urban Development's Empowerment Zone and the Environmental Protection Agency's (EPA) Brownfields Initiative.

MARAD also is a member of a DOT working group that is reviewing the Conrail acquisition application submitted by Norfolk Southern and CSX.

Port Readiness

MARAD continued its port readiness efforts. In FY 1997, MARAD provided monthly reports to the military on available facilities at ports with planning orders and, along with military personnel, visited all strategic ports identifying those that should be listed in planning orders.

MARAD also continued as chair of the National Port Readiness Steering Group and the National Port Readiness Working Group. Under MARAD's leadership, the Memorandum of Understanding (MOU) on Port Readiness was updated; a Strategic Defense Workshop was held in Washington, DC, for military, industry, and port readiness personnel from around the Nation; and a revised *National Port Readiness Network* brochure was released.

Technical Assistance to U.S. and Foreign Ports

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

MARAD also continued to provide technical assistance to foreign governments in the privatization of cargo handling operations, the conduct of human resource training, and the improvement of port security. The Agency headed the U.S. delegation to the Organization of American States (OAS) meeting of its Permanent Technical Committee on Ports in San Carlos de Bariloche, Argentina, in December 1996. MARAD also continued to chair the OAS training program and organized courses on port management in Spain, port planning and operations in Guatemala, and port security in Colombia.

In addition, MARAD represented the United States on the Asia Pacific Economic Cooperation (APEC) Group of Experts on Ports. The Group has identified common problems and initiatives to improve port efficiency in the APEC region. MARAD is chairing the issue of environmental considerations in ports and is addressing the problem of port dredging and dredged material disposal to accommodate larger container vessels.

MARAD also served as a member of the delegation to the meeting of the Permanent International Association of Navigation Congresses (PIANC) held in Venice, Italy, in May 1997. MARAD initiated the establishment of a PIANC international working group on Advances in Maritime Intermodal Freight Transportation which will be chaired by the United States.

Other MARAD activities in FY 1997 included cooperating with the USCG to establish an industry and Government technical team to assess and recommend improvements to Haiti's seaports, in response to a directive from the National Security Council. MARAD also hosted a representative of Japan's Ministry of Transportation who conducted a major research study on labor practices and costs in the U.S. port industry.

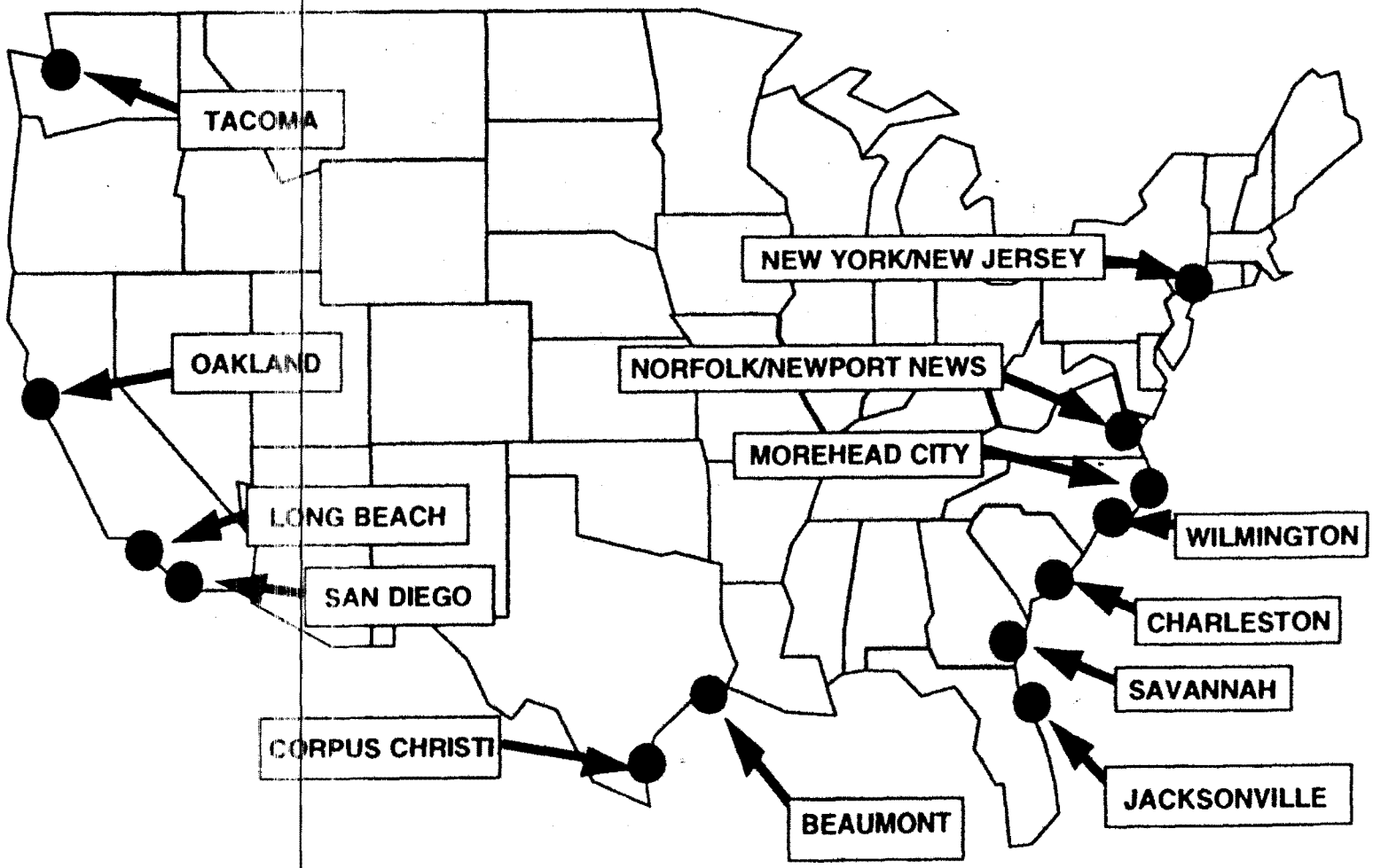
Intermodal Freight Infrastructure Development

Increases in foreign trade dictate a need for higher levels of productivity at U.S. ports. Productivity helps to lower operating costs, reduce port congestion, and make ports more competitive. At foreign ports, automation of equipment has helped contribute to increased productivity. In the United States, increased use of automation is becoming more common as the power of computer technology increases and its cost becomes lower. The Federal Highway Administration (FHWA) has developed a new automated vehicle control systems (AVCS) and completed a study which discusses the use of AVCS in a terminal environment. MARAD is collaborating with the FHWA to explore the feasibility of using AVCS on terminal tractors in an automated mode to lower operating costs and increase productivity.

Intermodal Initiatives

The Center for the Commercial Deployment of Transportation Technologies (CCDoTT) was established to demonstrate new technology applications that can facilitate intermodal and port operations for Department of Defense (DOD) deployment and to enhance the capabilities for cargo and personnel movement tracking and total asset versatility. CCDoTT is maintained at the California State University at Long Beach and includes public and private organizations that will provide

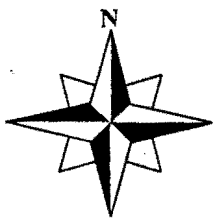
Strategic Ports with Port Planning Orders



services for prototyping agile port facilities operating in combination with high speed sealift and related rapid deployment technologies. The U.S. Transportation Command (TRANSCOM) and MARAD will jointly administer this program. MARAD also is working with public and private organizations to develop commercial technologies that can be of benefit to DOD while making the U.S. maritime industry more competitive in the world market.

Intermodal Systems and Equipment

MARAD continued to assist in developing the U.S. intermodal system by promoting innovative commercial technology that can be used in all facets of the transportation system. MARAD signed new agreements that assist the commercial intermodal industry to focus on productivity, competitiveness, and cost sharing. A new 5-year agreement for the Cargo Handling Cooperative Program (CHCP) includes ten organizations including shipping companies, port authorities, stevedoring companies/terminal operators, railroads, trucking companies, and governmental agencies. The mission of the CHCP is to increase productivity of ocean/marine transportation companies through cargo handling, including areas of data management, information systems, and computer hardware, and research and development.



Intermodal Initiatives

Completed Initiatives

Intermodal Data and Information

To meet the need for information about intermodal connector projects on a local, State, and the national level, the National Maritime Intermodal Information System (NMIIS) was developed. It allows the Agency to profile and track major access infrastructure projects for internal analyses and studies. The system uses information gathered from Regional offices of local, State, and Federal agencies to create project profiles.

Interagency Activities

The Agency initiated and signed a Cooperative Education and Training Initiatives Agreement between MARAD, FHWA and the Research and Special Projects Administration (RSPA). The agreement will expand the logistics and intermodal programs at the United States Merchant Marine Academy (USMMA) through coordination with the National Highway Institute (NHI) of the FHWA and University Transportation Centers Program(UTCP) managed by RSPA.

The motivations driving the proposed cooperative effort are the need for coverage of international intermodal transportation under RSPA's university program structure; the expansion of NHI's coverage of logistics and intermodal freight transportation topics; the current development of a logistics and transportation major at the USMMA; a link with the TRB's logistics and transportation education, and the broader DOT objective of establishing a national transportation education and training policy. This cooperative project complements DOT's Garrett A. Morgan Technology and Transportation Futures Program educational initiative, which seeks to educate students of all ages.

A specific element seeks to integrate multi disciplinary and intermodal transportation curricula into the degree programs of the USMMA. An Interagency Working Group has been established to investigate areas of mutual interest and cooperation and to develop an implementation plan and schedule.

MARAD also actively participated in DOT's reauthorization process for ISTEA and during the development of the Administration's NEXTEA legislative proposal. The Agency conducted a focused outreach program with maritime interests; provided critical input and comments to DOT's publication of the *National Freight Policy*; and participated and commented on the Congressional proposals and markups for the reauthorization of ISTEA process.

Military/Defense Liaison

The Agency worked with TRANSCOM and the Military Traffic Management Command's Joint Traffic Management Office about container supplies for the TRANSCOM-sponsored exercise Joint ORDNANCE WARGAME 1997. Several leasing and shipping companies were contacted to determine the availability of a container fleet, on a specific date, for use during a contingency operation. One of the exercise goals was to have non-DOD personnel assist in assessing the adequacy of intermodal commercial transportation systems to move military cargo during contingencies.

Ongoing Projects

Interagency Activities

MARAD continued to work with DOT to address the coverage of intermodal freight infrastructure requirements, particularly under the reauthorization of ISTEA and the Administration's legislative proposal--NEXTEA, a 6-year, $175 billion investment program. Additionally, NEXTEA would open the State Infrastructure Bank program to all States and would dedicate $100 million annually to help leverage nonfederal public resources for projects of national significance, such as interstate trade corridors. In supporting seamless connections among different forms of transportation, such as between trucks, railroads, and ports that are important for efficiency, the proposal would expand funding eligibility to include access to intermodal terminals and water ports. NEXTEA also simplifies the Statewide and metropolitan planning factors by focusing on several broad issues such as connectivity, energy efficiency, and global connectivity.

MARAD continued to provide maritime and seaport perspectives to the North American Free Trade Zone Agreement (NAFTA) seeking compatibility through its work on a subcommittee of land transportation standards among the United States, Canada, and Mexico.

The Agency continued its participation in the TRB's Committee for the Study of Policy Options for Intermodal Freight. It was formed to highlight the importance of intermodal freight transportation efficiency, identify options to overcome major impediments, indicate areas where research could resolve or reduce existing problems, examine implications of trends in intermodal technology and in trade, and identify changes in public policy that could foster more efficient intermodal freight movements.

Impacts of Changes in Ship Design on Transportation Infrastructure and Operations

MARAD, DOT's Office of Intermodalism, the FHWA, and Federal Railroad Administration (FRA) co-sponsored and cost-shared the proactive DOT initiative which addresses expected consequences of larger ships on the U.S. transportation infrastructure. This initiative seeks to determine those issues which public policy makers should address regarding the accommodation of such ships, should they come into widespread service. Primary input to the nationwide investigation was gathered from participants (shipping lines, port managers, surface transportation providers, and Federal/State/local transportation agency representatives) at a series of DOT-sponsored outreach sessions held in Seattle, WA, Houston, TX, New York, NY, and Norfolk, VA.

Projects Initiated

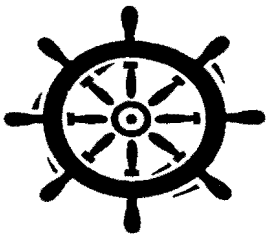
International Organization of Standardization Integration

MARAD joined Technical Committee (TC) 204 of the Geneva-based International Organization for Standardization (ISO) in late 1996. This TC is primarily concerned with the overall system and infrastructure aspects of transport information and control systems, including tagging. Participation on this committee permits MARAD to provide suggestions and input on tagging standards for containers and other intermodal equipment being developed in the international intermodal arena.

Intermodal Education and Training

In cooperation with the Intermodal Association of North America, MARAD will take the lead in updating a status report on intermodal access to U.S. ports and terminals. The report will examine and analyze critical physical infrastructure impediments that hamper the efficiency and productivity of the Nation's transportation from a broader intermodal transportation system perspective.

MARAD also initiated a Coastal Shipping Study to assess the emerging challenges of intercity, interstate, and intermodal freight movement and their effect on transportation services and infrastructure. The study's objectives are threefold: assess the freight traffic from a transportation system perspective; develop options to facilitate sustainability and optimization of the system's efficiency and cost-effectiveness based on environmental (including socio-economic and environmental justice) safety, defense and economic impacts; and examine the potential use of domestic waterborne freight transportation to alleviate pressures or constraints on the system.



Environmental Activities

The MARAD environmental protection program seeks to enhance environmental protection and sustainable development in MARAD programs and in the U.S. maritime industry.

Dredging

MARAD continued to address dredging and dredged material management issues that face many of the Nation's ports and harbors. The Agency remained an active participant in the activities of the National Dredging Team (NDT) and Regional Dredging Teams (RDTs). The NDT seeks to facilitate communication, coordination, and resolution of dredging issues among participating Federal agencies and to assure that dredging of U.S. harbors and channels is conducted in a timely and cost-effective manner, while ensuring environmental protection. The RDTs are intended to resolve regional dredging issues. In addition to MARAD, participating agencies include the COE, the EPA, the U.S. Fish and Wildlife Service (FWS), and the U.S. National Oceanic and Atmospheric Administration (NOAA).

The NDT serves as a forum for promoting implementation of the National Dredging Policy and the 18 recommendations in the December 1994 Report to the Secretary of Transportation, *The Dredging Policy in the United States: An Action Plan for Improvement.*

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

In June 1997, the NDT met with the RDTs in Annapolis, MD, to review objectives and activities relating to dredging the Nation's ports, and to discuss progress with stakeholders. The NDT described its current activities: development of dredged material management planning guidance and preparation of public outreach materials. Representatives from each regional team then described its ongoing activities and the issues currently being addressed. To date, there are seven RDTs covering New England, the Mid-Atlantic, South Atlantic/Eastern Gulf, Western Gulf, Great Lakes, South Pacific/Pacific Islands, and Pacific Northwest. Under the RDTs are Local Planning Groups which address project-specific planning and coordination.

Environmental Compliance and Compliance Management

MARAD seeks to protect the environment by ensuring that MARAD facilities are operated and MARAD programs are conducted in compliance with environmental laws and treaties. Since the inception of the biennial environmental audit program in 1992, MARAD has corrected over 90 percent of the deficiencies identified in assessments of the five facilities.

During FY 1997, the Agency continued to correct deficiencies detected in biennial environmental compliance audits, to reduce the amount of regulated hazardous substances and materials that are used or found at its facilities and aboard MARAD vessels, to reduce the quantities of hazardous wastes that are generated by MARAD facilities and vessels and to implement the Presidential executive orders dealing with pollution prevention, recycling, and environmental justice.

An Agency Environmental Quality Action Team (EQAT) has been formed to coordinate and direct MARAD environmental compliance activities, and additional field staff have been charged with environmental duties. In addition, MARAD undertook the development of management guidance for polychlorinated biphenyls (PCBs) at MARAD facilities and an Agency implementation guide for the Emergency Planning and Community Right-To-Know Act (EPCRA).

The Agency has continued its efforts to assure that Title XI loan guarantee projects and ship disposal sales are in compliance with applicable environmental laws and treaties. Work continued with other Federal agencies, including the U.S. Navy, USCG, NOAA, and EPA, to address the environmental and economic issues associated with scrapping Government vessels.

Furthermore, MARAD completed research on environmentally sensitive ship breaking and recycling. The research project includes an environmental assessment on the sale of National Defense Reserve Fleet (NDRF) vessels for scrapping and several appended research reports. The research reports concern such issues as: hazardous materials sampling and testing; analysis of ships destined for scrapping; assessing current and advanced technologies for ship breaking/recycling; surveying of ships and materials for ship breaking/recycling; reviewing the legal regime for ship breaking/recycling; and assessing the markets, costs, and benefits of ship breaking/recycling.

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

Environmental Standards

MARAD continued its involvement in the development of national and international standards. For example, the Agency serves on the International Organization for Standardization (ISO) Technical Committee on Ships and Marine Technology (TC8), where MARAD is the U.S. delegate to the Marine Environmental Protection Subcommittee (SC2) and the convener for the Subcommittee's working group on environmental response. MARAD participated on the ASTM F-25 Shipbuilding Standards Committee and the F-25 Subcommittee on Marine Environmental Protection; the National Shipbuilding Research Program (NSRP), SP-1 Environmental Panel; and the Interagency Coordinating Committee on Oil Pollution Research. MARAD also actively participated in Departmental and interagency committees involved in environmental issues affecting the maritime industry, including environmental justice and brownfields redevelopment.

MARAD participated in the activities of the U.S. Shipping Coordinating Committee (SHC). The SHC and its subcommittees and working groups, which are generally chaired by the USCG, prepare U.S. positions for meetings of the Assembly, Council, committees, and subcommittees, as well as for special international conferences, of the International Maritime Organization (IMO). Significant IMO accomplishments during FY 1997 include the development and adoption of (1) the 1996 Protocol to the London Convention, which addresses the prevention of marine pollution from the dumping of waste and other matter at sea, and (2) the 1997 Protocol to the International Convention for the Prevention of Pollution from Ships, as modified by the Protocol of 1978 (MARPOL 73/78), which addresses the prevention of air pollution from ships. MARAD also is working with the AAPA Harbors, Navigation and Environment Committee on development of an environmental code of practice for ports.

Industry Support

MARAD continued to assist the U.S. shipbuilding and ship repair industry with its efforts to comply with environmental laws and regulations and to address environmental regulatory issues. This involved establishing working relationships with Federal and State regulatory agencies to foster the development of economically and environmentally sound regulatory policies and practices. MARAD also is a member of an IMO correspondence group charged with developing proposed international measures for reducing the adverse effects of anti-fouling paints used for ships on the marine environment.

The Agency has been actively involved in research and development (R&D) organizations, including the National Shipbuilding Research Program, to support the R&D efforts designed to enhance the competitiveness and viability of the U.S. maritime industry, and completed a research project on marine engine air pollution monitoring and control.

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.

Because U.S. commercial ports need to expand and modernize to meet the Nation's future commerce and military needs and because significant environmental issues also exist for ports, MARAD worked to advance port-related programs, such as dredging and dredged material management, facility conveyance, economic development, and brownfields redevelopment. Each of these programs has an environmental component that must be addressed for satisfactory

implementation. For example, brownfields are abandoned, idled, or underused industrial and commercial properties where expansion or redevelopment is complicated by real or perceived contamination. Such properties can be redeveloped or reused at considerable economic and environmental advantage to ports and other sections of the maritime industry.

Chapter 5

Domestic Operations

The domestic shipping segment of the American merchant marine operates on the Great Lakes, the inland waterways, and in the coastwise, intercoastal, and domestic offshore trades. During fiscal year (FY) 1997, this segment handled a combined total of over 1 billion short tons of cargo, which resulted in about 24 percent of all domestic surface transportation traffic (on a ton-mile basis). Domestic water operation contributes $7 billion to the gross domestic product, and is the most environmentally friendly form of surface transportation.

In FY 1997, the Maritime Administration (MARAD) supported the domestic shipping industry through technical assistance and research.

Technical Assistance

One of the most significant ways that MARAD serves the maritime community is through board membership on the Interagency Committee for Waterway Management (ICWWM). MARAD is a primary leader of the ICWWM in cooperation with the U.S. Coast Guard (USCG), National Oceanic and Atmospheric Administration (NOAA), the Army Corps of Engineers (COE), and other maritime related Federal agencies. This allows MARAD to act as a facilitator within the Department of Transportation (DOT) and the Federal Government for Federal activities that benefit the domestic merchant marine. While serving as a governing board member, MARAD also is active in the Research and Development Subcommittee of the ICCWM and the Recreational Boating and Strategic Plan Development Subcommittee.

MARAD achievements in FY 1997 included serving as a partner with the barge and towing industry and the American Waterways Operators (AWO) on production of the promotional video, *Barging into the 21st Century*. The video, which received a national award, highlights the efficiency and reliability of the U.S. domestic barge and towing industry.

The Agency also served as a Federal observer on the Inland Waterways Users Board. MARAD advised the domestic tanker industry of the forecast for the transportation demand for winter heating oil, and coordinated efforts to promote the employment of the domestic tanker fleet. And, the Agency provided the Water Transportation Committee of the American Association of State Highway and Transportation Officials with studies on the economic and environmental advantages of domestic waterborne transportation. The Agency also served as a Federal advisor to the Upper Mississippi River Basin Association and the Illinois River Carrier Association.

MARAD co-sponsored the Fifth Federal Waterways Research and Development Conference. It was held in February 1997 with the joint cooperative efforts of NOAA, the USCG, and other maritime related agencies. The conference brought together public and private maritime interests to discuss the possible future direction of waterway research and development. The conference was open to the public for the first time, which greatly added to the general vigor and quality of the conference as a whole. Separately, and in other forums, the Agency provided technical assistance to the USCG Towing Safety Advisory Committee, the Transportation Research Board, the Permanent International Association of Navigational Congresses' Shallow-Draft Waterways and Ports Standing Committee, the Upper Mississippi River Environmental Summit and the Upper Mississippi River Economic Conference, and assigned an advisor to the Missouri River Basin Association and to the Secretary of the Army on the Revised Master Water Use Plan for the Missouri River.

Technical Research

MARAD participated in a number of domestic shipping research projects with universities, trade organizations, and other Federal agencies. These research efforts addressed a variety of environmental, economic impact, and trade issues.

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

Jones Act Support

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

The Jones Act generates environmentally sound transportation and thousands of jobs for American citizens touching every region of the Nation. In addition, more than 80 million passengers and 1 billion tons of cargo worth about $222 billion were transported in FY 1997 under the Jones Act trade, which is 24 percent of the domestic inter-city cargo in America for just 2 percent of the entire domestic freight bill.

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

Throughout the year, MARAD receives requests for information on the Jones Act or for assistance locating a coastwise qualified vessel to meet their needs. The Agency provides answers and possible sources to solve their domestic transportation problems.

MARAD's assistance resulted in over $1 million of additional revenue to U.S. carriers. One of the Agency's major activities in 1997 was assistance offered to Union Pacific Railways during the rail crisis in September 1997. Facing a severe shortage of railcars and other equipment, Union Pacific sought MARAD's assistance in locating a coastwise carrier that could transport more than 3,000 containers from the U.S. West Coast, to the Eastern United States. MARAD named three carriers capable of meeting the emergency need.

MARAD is required to respond within 48 hours to formal Jones Act waiver requests. There were no waivers to the Jones Act granted for commercial operation of foreign vessels in U.S. domestic trade in FY 1997.

Industry Trends And Profile

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

Great Lakes

The U.S.-flag Great Lakes bulk fleet consisted of 70 self-propelled ship and tug/barge units of a minimum of 1,000 gross registered tons. (See Table 9) As of October 1, 1997, 63 were in active service, with only 5 vessels laid up and two temporarily inactive. Two of the long-term idled vessels were being used as storage facilities for cement cargoes.

Cargo movement has soared in recent years to more than 115 million tons during the latest 10-month shipping season. Iron ore, coal, and limestone remain the primary commodities followed by cement, salt, sand, grain, and liquid-bulk.

In what may become a trend, calendar year (CY) 1997 marked the first full year of operation of the Integrated Tug/Barge INTEGRITY. Christened in the Summer of 1996, the INTEGRITY is the newest ship on the Lakes and the first cargo ship built in the U.S. Lakes since 1982. This LaFarge-owned cement carrying barge is 460' long, 70' wide, with a maximum draft of 26'6", and has a capacity of 17,000 tons. Crewing consists of 9, in contrast to a total of 24 to 28 on a ship of comparable size.

The straight deck bulker, J. L. MAUTHE, is being converted to a self-unloading barge at Bay Shipbuilding in Sturgeon Bay, WI, to respond to the growing aggregate market.

Interlake Transportation, Inc., is designing the new barge, PATHFINDER, to marry as an articulated tug/barge with a 126'6" tug being designed by Ocean Tug Barge Engineering of Massachusetts.

The articulated tug/barge is designed to combine the economics of tug and barge operation with the speed and weather reliability of a ship. Labor savings will be realized with a crew of 14, half of the crew of 28 she required as a conventional steamship

A House Subcommittee approved a $2 million study to construct a new multi-mission, heavy icebreaker to replace the 53-year-old Mackinaw. The USCG icebreaker MACKINAW and other icebreaking ships are needed to break winter's icy grip on shipping lanes in the early shipping season. The USCG has committed to keeping MACKINAW fully operational until 2006.

The first major luxury cruise ship in the Great Lakes in 30 years

Table 9: U.S.-FLAG GREAT LAKES BULK FLEET --SEPTEMBER 30, 1997			
	Vessels	Gross Registered Tons	Deadweight Tons (Tankers in BBls)
Total	**70**	**1,065,533**	**2,040,190 (bbls)267,929**
Tankers	**2**	**9,758**	**19,244**
Active	1	3904	7200
Temporarily Inactive	1	5854	12,044
ITB Tankers	**5**	**16,085**	**248,685**
Active	4	12,959	188,685
Temporarily Inactive	1	3,126	60,000
ITB Bulk	**5**	**62,564**	**124,700**
Active	5	62,564	124,700
Bulk	58	977,126	1,915,490
Active	53	930,912	1,831,400
Laid Up (more than 12 months)	5	46,214	84,090
Note: The method of recognizing the fleet has been changed to more accurately reflect the emergence of the integrated tug/barge (ITB) on the Great Lakes. The car ferry category was dropped in order to provide a more precise picture of cargo carriers.			

sailed in the Fall of 1997. The 492-foot, 14,000 ton *C. Columbus* sailed from Germany and through the Seaway in FY 1997. The fully booked vessel stirred much interest and anticipation for a revival for passenger services on the Lakes. The Hapag Lloyd vessel is committed for a return trip next year and may be joined by a sister ship in 1999.

Technical Assistance to the Great Lakes

In an effort to increase trade between the U.S. saltwater ports and ports of the Great Lakes, MARAD compiled a listing, *U.S. Flag/Seaway Size Vessels, Domestic Great Lakes to Saltwater Ports Cargo Trade*, to provide information on vessels available for maritime commerce in this trade lane. The ITB DIXIE COMMANDER has successfully operated here for the past 3 years.

Inland Waterways

The barge and towing industry is a vital component of our Nation's intermodal transport system that moves over 600 million tons annually. This represents 54 percent of all U.S. export grain, 30 percent of the country's petroleum and petroleum products, and 20 percent of the nation's coal--for less than 2 percent of the Nation's total transportation costs.

According to COE statistics, 639.9 million tons of cargo moved on the Nation's inland waterways in 1996, nearly a 3 percent increase over the 620.3 million tons moved in 1995. The cyclical nature of inland waterway operations was clear in CY 1997, both from a meteorological and economic viewpoint.

Barge operators struggled with both high water and a generally depressed freight market early in the year. Difficult operating conditions existed both on the Illinois and Ohio Rivers which were closed in late February and early March.

Barge rates showed an improvement in the Fall when both open and covered hopper equipment availability became tight, and spot rates for grain shipments were running between 250 and 300 percent of the benchmark tariff, which was more than 25 to 50 percent higher when compared to the Fall of 1996. One reason for the strengthening of rates was attributed to the congestion and shortage of equipment that plagued major western rail carriers, especially the Union Pacific during the rail strike. Consequently, there was some diversion from rail to barge as evidenced by the increase in the lower Mississippi's share of export wheat that was running about 8 percent more than in September 1996.

Operating Conditions

In late February, warm temperatures, heavy rains, and melting snow, combined with frozen ground conditions, resulted in Illinois and Upper Mississippi River flows that were five times the normal rate. Water levels rose 26 feet in 10 days. In some areas, these levels receded almost as rapidly as they rose. However, navigation did not escape harm. The Illinois River was closed for about 2 weeks in early March, and heavy rains forced the Ohio River to close for almost 3 weeks. In

addition, river traffic was temporarily interrupted on the lower Mississippi due to high water that caused both minor mishaps and barge break aways. However, the major flooding on the upper Mississippi River from melting record snow pack in the upper basin never occurred.

New Equipment

New construction levels rose in CY 1996. Barge operators on the Mississippi River System took deliveries of just over 1,000 dry cargo barges in 1996, more than twice the number delivered in 1995. Preliminary figures for 1997 indicate continued rise, with about 1,600 new barges expected to be built this year.

Market Conditions

Agriculture

Grain dominates cargo movements on the Mississippi River--sometimes called "the Grainchute of the Nation." Much of the towing industry relies on this market, which has been weakened by reduced overseas demand for both corn and soybeans. In addition, barge rates were low while costs rose due to the high water conditions in the Spring of 1997. There were, however, some encouraging signs. Agricultural policy reforms encourage farmers to become more market-oriented while curtailing set-aside acreage, and increased planted acreage should result in greater yields for grain exports compared with 1996.

Coal

CY 1996 began marginally for transporting coal. However, this trend reversed in October as lock closures, heavy fog, and low water combined to leave coal shippers scrambling to find open hopper tonnage.

The availability of equipment was further exacerbated due to the seasonal shift of some covered hopper barges that had been operating in the coal trade back into the grain trade.

While competition from alternative fuels could inhibit U.S. export growth, barge operators are optimistic, as they see both foreign and domestic demand for electricity likely to grow, and carbon-based fuel, led by coal, is expected to generate over 75 percent of future energy demand. Therefore, coal shipments are expected to increase modestly during the next 5 years, influenced by both European imports and competitive U.S. supplies.

Prospects for increased barging of coal appear good as utilities along the inland river system are expected to demand a wider variety of fuel types, and consequently, average barge hauls should become longer as river utilities buy more coal from western U.S. or foreign sources when new sulphur regulations go into effect.

Steel

Transportation of steel and steel products has soared. As a natural highway for both raw materials and finished goods, sites along the Mississippi River have become prime locations for the steel industry, especially the burgeoning mini-mill sector where shipments are expected to double, approaching 14.5 million tons by the year 2005. Unfinished steel, imported at very low rates from the former communist countries in Eastern Europe, is finished in the U.S., and then re-exported at very profitable rates. Finished steel products, imported mainly from South America, are shipped directly upriver to the automobile industrial centers in Kentucky, Tennessee, and Michigan. About 1,000 barges are employed in the steel trade.

Columbia/Snake River System

Diversion of cargo from rail and truck lines was the main reason that inland Container-on-Barge (C-O-B) traffic on this system increased last year. C-O-B growth continues to be impressive as volume increased by 42 percent during the first half of 1997, compared to the same period in 1996. During the Summer of 1997, four new, ocean-going container lines began serving the Port of Portland, while three C-O-B barge operators began or were considering adding new or improved service to four upriver container ports on the Columbia/Snake system. Each of the barge lines also began offering nonscheduled service as needed in response to specific customer requests.

In September 1997, one barge operator added a second, dedicated, refrigerated container barge in response to increasing volumes of frozen french fries for export. The 465-mile long Columbia/Snake system is the only U.S. waterway that has made the container-on-barge concept a success.

Domestic Ocean Trade Developments in 1997

Industry Concerns

At year's end, the industry was stable. However, a number of issues must be faced including the need for replacing an aging fleet of

towboats and barges, the potential for a shortage of qualified personnel, the specter of additional regulation, reduced funding for channel maintenance and improvements, dredged material disposal, endangered species, Pacific salmon recovery, and State activism in regulating marine transportation.

The long-term outlook for the barge industry seems favorable. Barge rates are expected to remain intact as well as the demand for barge service. With a good harvest, grain shipments are likely to improve; with new mini-mill steel plants contributing to tonnage, barge demand is expected to remain firm in the near future.

Recent cutbacks in Federal crop land set-aside incentive programs should lead to increasing crop yields, which augurs well for the long-term prospects of the industry. Ironically, one of the looming questions is not whether farmers can raise the grain, but rather whether the aging infrastructure of the waterway system can support the growing demand for increased tonnage.

Over 50 percent of the locks and dams on the inland waterways will be more than 50 years old by the year 2000.

In a report done for the COE on projected traffic on the Upper Mississippi between 2000 and 2050, it was estimated that barge traffic will increase by 63 percent over the next 50 years. The largest portion of the increase was projected to come from the volume of grain carried. The forecast predicts an average growth rate of 2 percent per year on the Upper Mississippi River during the remainder of the 1990s, then a slightly lower increase of 1.5 percent annually between 2000 and 2005, and about a one percent growth rate during the remainder of the study period. The Illinois Waterway was projected to experience a similar trend.

By some estimates, the towing industry will need 14,000 new barges by the year 2005 to renew and expand the fleet. In the meantime, carriers are improving their asset utilization by increasing density on certain river segments, and boosting loaded mile percentages and load weights. Absent substantial new construction, the fleet will become older, and eventually, total capacity will shrink. At current rates, carriers do not feel that they are enjoying a return that is sufficient compensation in order to rebuild or even expand the fleet, which is especially true for the tank barge sector. Because of strong competition both within the industry and from other transport modes, many operators believe that the needed return on investment for new construction will not be available in the near term. They also expect that the number of carriers will shrink. In recent years, 58 inland barge companies have consolidated into 16 and, while his trend has tapered off in the last few years, additional mergers are expected.

Forecasts of Future Traffic

Domestic Ocean

The domestic ocean trades move vital commodities both for the mainland and the non-contiguous (i.e. offshore) United States. The major products moving in domestic waterborne trade are crude petroleum, refined petroleum products, residual fuel, and coal. Containerized cargoes such as textiles, manufactured goods, household goods, and groceries move between the contiguous 48 states and Alaska, Hawaii, and Puerto Rico. In fact, Puerto Rican container trade is so robust that in 1996 it ranked as the nations fifth largest port, based on the number of containers transhipped.

As of mid-1997, the U.S.-flag, coastwise-qualified fleet included about 163 self-propelled vessels, 122 of which were tankers, 32 were intermodal vessels (composed of 19 containerships and 13 roll-on / roll-off vessels), and the remaining 9 were miscellaneous-use vessels. These numbers do not reflect the true size of the oceangoing domestic fleet, however, as there are a large number of tugs, barges, tug/barge combined units, and smaller vessels active in this trade. In late 1996, the COE estimated that there were over 7,033 vessels engaged in or available for, coastwise operation, excluding fishing and excursion vessels, general ferries and dredges. While 75 percent of the coastwise trade is in petroleum products, large numbers of containers are shipped in these markets; for example, over 370,000 forty-foot equivalent units of containerized cargo move annually in the Puerto Rican trade.

A significant domestic ocean shipping event in FY 1997 was the heating fuel crisis during the Winter of 1996. Heating fuel inventories in the Northeastern U.S. were drastically low, the critical pipeline running from Texas to New Jersey was at maximum capacity, and heating fuel prices at the consumer

level were well above 50 percent greater than the year before.

The Secretary of Energy announced that a blanket waiver of the Jones Act was under consideration to ease transport and supply problems, especially in New York. In response, the Maritime Administrator worked closely with the Energy Department to assess the situation continuously. Concurrently, MARAD vigilantly monitored shipping prices, worked with shippers, and matched carriers and shippers to meet accelerated fuel oil shipping schedules. Although shipping prices for heating fuel to the Northeast rose, all requirements were met and no Jones Act waivers were required.

The construction and rebuilding of vessels eligible for the coastwise trade continued the upward trend begun in 1996. In 1997, ARCO announced a new tanker construction project to include three new vessels for the Alaska trade. Other 1997 developments included a resurgence in interest in domestic high speed ferry activity, growth in the Puerto Rican and East Coast container trades (highlighted by the introduction of two new large container transport barges), and another banner year for the offshore industry.

Offshore Industry

The offshore maritime industry, dominated by oil production activity in the Gulf of Mexico, continues its boom begun in 1996. The trade is made up of over 1,200 U.S.-flag vessels employing over 16,500 Americans. Rates per vessel continued climbing to a record $2000/day. These rates sparked a construction boom. Newer, larger vessels are coming on line, the average length of crew boats is more than 160 feet. For example, CHOUEST Inc. plans to build 60 vessels by early 1999; deliveries are scheduled for a boat every 2 weeks starting in the Spring of 1998.

U.S. Gulf rates for the supply vessels (anchor handling tug-supply), which are much larger than the crew boats, are now over $7000/day, with the biggest boats fitted for deep water now are in the $9000/day range. Some oil companies are seeking to lock in these spot rates with term contracts so they will not be left without boats when they need them.

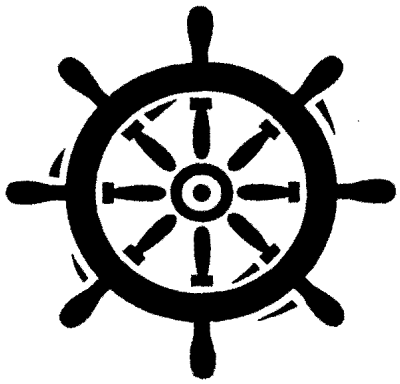
The big boats, designed for deep water, will not be able to work cost effectively near shore. This is significant as older fields are viewed with 3-D seismic and new reservoirs are being found off the beaches.

Second Tier Shipyard Activity

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

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

Operators of barges and towboats have begun ordering ne equipment and inland shipyards are building many replacement vessels. A recent survey revealec 32 new towboats and 583 inland cargo and liquid cargo barges (91 deck, 396 hopper, and 96 tank) were delivered in 1995, and about 1,100 more barges were delivered in 1996.



Chapter 6

Ship Operations

U.S.-Flag Fleet Profile

The U.S.-flag, privately owned, deep-draft merchant fleet (including the Great Lakes fleet shown in Table 9) totaled 356 vessels with an aggregate carrying capacity of about 15.3million deadweight tons (dwt.) on September 30, 1997.

The oceangoing segment of the privately owned fleet comprised 286 vessels of 13.3 million dwt., of which 265 ships of 12.2million dwt. were active. The latter included 12 dry bulk vessels, 78 containership, 26 roll-on/roll-on\roll-off vanships known as RO/ROs), 1 cruise passenger, 124 tankers (including liquefied natural gas carriers), and 24 other types. (See Table 10.) The remaining 21 vessels were inactive and laid up.

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

The privately owned, American-flag merchant fleet ranked 11th in the world on a dwt. basis and 15th in the total number of ships on September 1, 1997 (See Table 12.)

Commercial cargoes carried by ships of all flags in the U.S. oceanborne foreign trade totaled 975.2 million metric tons during calendar year 1996. U.S.-flag foreign trade tonnage decreased from 35.5 million metric tons in 1995 to 28.8 million metric tons in 1996, and the U.S.-flag share of total tonnage decreased from 3.3 percent in 1995 to 3.0 percent in 1996. Commercial cargoes transported in U.S. oceanborne foreign trade from calendar year 1987 through calendar year 1996 are shown in Table 13 by tonnage and value, and the portion carried by U.S.-flag vessels.

Operating-Differential Subsidy

Designed to offset certain lower ship operating costs of foreign-flag competitors, operating-differential subsidy (ODS) is paid to U.S.-flag vessels which operate under an ODS contract in an essential foreign trade. The Maritime Security Program (MSP) is gradually replacing ODS as the primary support for the U.S.-flag merchant marine. (See Chapter 1). Existing ODS agreements will continue to be honored but no new contracts will be signed. Net subsidy outlays during FY 1997 amounted to $121.6 million. There were no subsidized voyages terminated in the Great Lakes trade during FY 1997.

ODS accruals and expenditures from January 1, 1937, through September 30, 1997, are summarized in Table 14. Accruals and outlays by shipping lines for the same period are shown in Table 15. ODS contracts in force are shown in Table 16.

Subsidy Rates

The Subsidy Index System, established by the Merchant Marine Act of 1970, provides for payment of seafaring wage subsidies in per diem amounts. The rate of change in the index is computed annually from data provided 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.

ODS is paid monthly for completed voyages based on tentative rates. Final rates are calculated following completion of each rate year (RY) after collection of the contractors' actual cost and voyage data. MARAD has completed the RY 1998 (July 1, 1997-June 30, 1998) tentative rates and has substantially completed RY 1996 final ODS rates applicable to liner and bulk vessel operations.

Section 804 Activities

Section 5 of the Maritime Security Act of 1996 (MSA) provides an amendment to section 804 of the Merchant Marine Act, 1936, as amended (1936 Act) by adding a new section (f). Section 804 (f)(1), (3), (4), and (5) allows an operator, with either the traditional ODS contract or the new MSP Operating Agreement, or any holding company, subsidiary or affiliate of the contractor:

☞ to own, charter, or operate any foreign-flag vessel on a voyage that does not call at a port in the United States,

☞ to own, charter, or operate any foreign-flag bulk cargo vessels,

☞ to charter or operate foreign-flag vessels that are operated solely as replacement vessels for U.S.-flag vessels that are made available pursuant to section 653 of the 1936 Act, and

☞ to enter into time or space charters or other cooperative agreements with respect to foreign-flag vessels. No approval is now required for any of these operations.

New section 804(f)(2)(A) provides that MSP operators are "grandfathered" for any foreign-flag vessels in line haul service between the United States and foreign ports, which are owned, chartered, or operated by such operator or any holding company, subsidiary, affiliate or associate of such owner or operator on the date of enactment of the MSA. The MSP operator can replace these vessels in the future without requiring a section 804 waiver. The vessels grandfathered under the MSA are shown in Chart 11. The amendment to section 804 of the 1936 Act applies to the ODS operators on the earlier of the date an MSP payment is made to any contractor that is not an ODS operator or the date the particular ODS operator enters into an MSP Operating Agreement.

☞ On December 18, 1996, MARAD granted a waiver of the provisions of section 804 of the Act to Maersk Line, Limited, for the term of its operating agreements and subsequent renewals, to allow its affiliate, A.P. Moller, insofar as it is not a U.S. citizen entity, to own or operate foreign-flag vessels in line haul service between the United States and foreign ports.

☞ On March 11, 1997, MARAD waived the provisions of section 804 of the 1936 Act, under special circumstances and for good cause shown, so as to allow American President Lines, Ltd. (or any holding company, subsidiary, affiliate or associate of APL or any transferee of any MSP Operating Agreement from APL), to own, operate and/or charter up to 18 foreign-flag vessels in line haul service between the United States and foreign ports for the full term of each of APL's MSP Operating Agreements, Nos. MA/MSP - 1 through MA/MSP- 9.

Chart 11: Vessels Grandfathered Under the Maritime Security Act

Companies	Number of Vessels
American President Lines, Ltd.	6
Waterman Steamship Corporation	6*
Lykes Bros. Steamship Co., Inc.	2*
First American Bulk Carrier Corp.	0
Farrell Lines, Incorporated	0

*Vessels for these companies have since expired

Foreign Transfers

Under Section 9 of the Shipping Act of 1916, as amended, MARAD approved the transfer of 28 ships of 1,000 gross tons and over to foreign ownership and/or registry. Thirteen 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.

MARAD's approval of the transfer of vessels of 3,000 gross tons and over to foreign ownership and/or registry are subject to the terms and conditions of 46 CFR Part 221. As such the vessels require MARAD approval for any subsequent transfer of ownership and/or registry and are available for requisitioning if needed. At year's end, there were a total of 168 vessels subject to these terms, 19 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 $19,115 in this reporting period, including fees filed pursuant to contracts reflecting the terms and conditions stipulated in 46 CFR Part 221.

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

Ship Operations Cooperative Program

The Ship Operations Cooperative Program (SOCP) is a cost-shared Government/industry partnership intended to improve the competitiveness, productivity,

efficiency, safety, and environmental responsiveness of vessel operations. Currently, there are 25 members. Recent additions include the SIU Harry Lundeberg School of Seamanship, AMO Center for Advanced Maritime Officers Training, and Penn State's Applied Research Laboratory.

In addition to the continuing development of the Reliability, Maintainability, and Availability (RAM) Data Bank program being carried out by the Gulf Coast Region Maritime Technology Center, efforts have begun on several projects under a Training Initiative. These include the development and production of a series of training videos for mariners to support of the 1995 Amendments to the Standards of Training, Certification, and Watchkeeping, development of an Internet-based training materials database, and a training video review and evaluation project. Production of 10 training videos is expected to be completed in FY 1998.

Two reports were completed in FY 1997 on a Safety Assessment of Maritime Regulations, one dealing with Shipping Articles and the other with the Official Log.

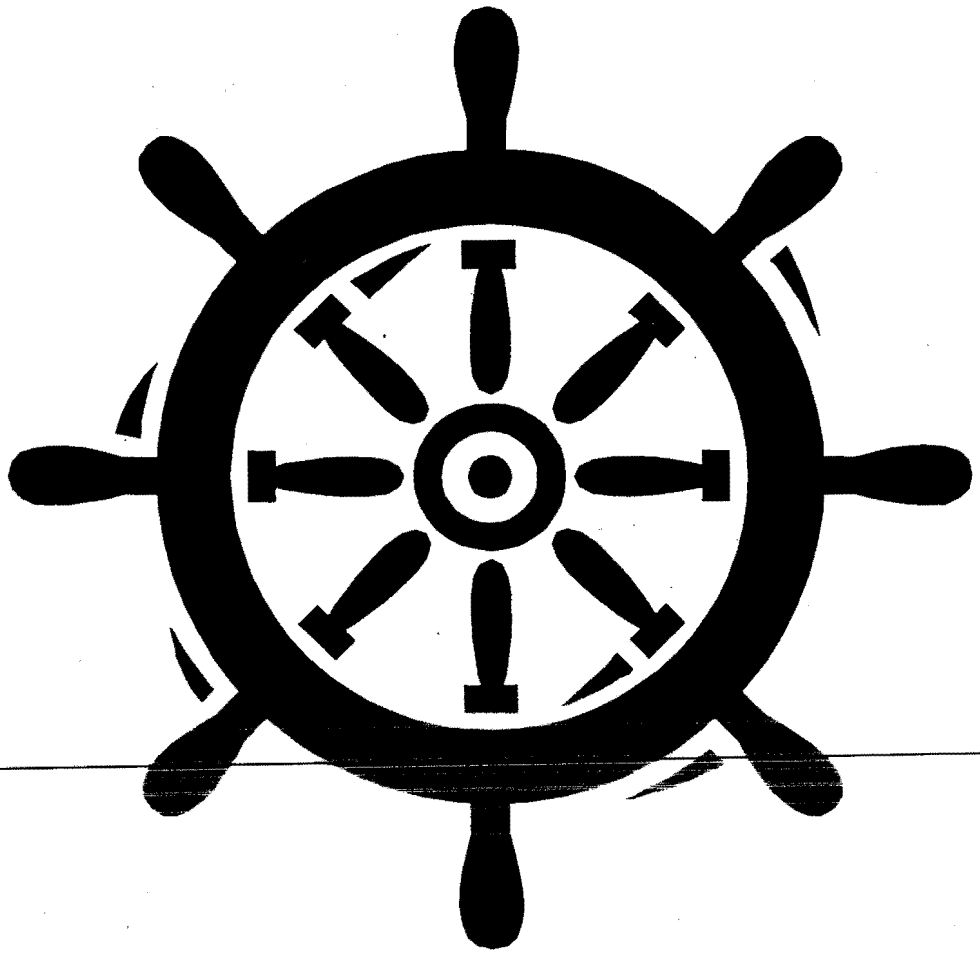


Table 10: U.S. OCEANGOING MERCHANT MARINE September 30, 1997[1]						
	Privately Owned		Government-Owned[2]		Total	
	Number	Deadweight	Number	Deadweight	Number	Deadweight
	Ships	Tons	Ships	Tons	Ships	Tons
		(000)		(000)		(000)
Active Fleet:						
Tanker	24	7,930	1	17	125	7,947
Dry Bulk	12	529	-	-	12	529
Containership	78	2,554	1	16	79	2,570
Roll-on/Roll-off	26	528	-	-	26	528
Cruise/Passenger	1	7	3	30	4	37
Other	24	629	5	53	29	682
Total Active Fleet	165	12,177	10	116	275	12,293
Inactive Fleet:						
Tanker	10	919	27	869	37	1,788
Dry Bulk	3	46	-	-	3	46
Containership	1	20	4	71	5	91
Roll-on/Roll-off	2	32	32	718	34	750
Cruise/Passenger	2	20	7	62	9	82
Other	3	43	112	1,727	115	1,770
Total Inactive Fleet	21	1,080	182	3,447	203	4,527
Total Active and Inactive:						
Tanker	134	8,849	28	886	162	9,735
Dry Bulk	15	575	-	-	15	575
Containership	79	2,574	5	87	84	2,661
Roll-on/Roll-off	28	560	32	718	60	1,278
Cruise/Passenger	3	27	10	92	13	119
Other	27	672	117	1,780	144	2,452
Total U.S.- Flag	186	13,257	192	3,563	478	16,820

[1] Self-Propelled Vessels of 1,000 gross tons and over-Including Integrated Tug/Barges; Excludes Great Lakes Vessels

[2] Includes 47 NDRF, 94 RRF, and 47 non-retention vessels

Table 11: DEPLOYMENT OF U.S.-FLAG OCEANGOING MERCHANT FLEET [1]--September 30, 1997

		Vessel Type													
		Total		Tanker		Dry Bulk		Containership		Roll-on/ Roll-off		Cruise/ Passenger		Other	
Status															
Ownership		Deadweight		Deadweight		Deadweight		Deadweight		Deadweight		Deadweight		Deadweight	
Type of Deployment	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	
Grand Total	478	16,820	162	9,735	15	575	8	2,661	60	1,278	13	119	144	2,452	
Active Vessels	275	12,293	125	7,947	12	529	7	2,570	26	528	4	37	29	682	
Privately-Owned	265	12,177	124	7,930	12	529	7	2,554	26	528	1	7	24	629	
U.S. Foreign Trade	84	3,037	9	394	8	416	4	1,769	7	125	-	-	13	333	
Foreign-to-Foreign	25	1,487	18	1,331	1	24	4	132	-	-	-	-	-	-	
Domestic Trade	122	6,727	89	5,974	3	89	2	587	4	68	1	7	1	2	
Coastal	64	2,317	55	2,090	3	89	5	136	-	-	-	-	1	2	
Noncontiguous	58	4,410	34	3,884	-	-	1	451	4	68	1	7	-	-	
M.S.C. Charter	30	926	8	231	-	-	3	66	15	335	-	-	10	294	
Government-Owned	10	116	1	17	-	-	1	16	-	-	3	30	5	53	
Ready Reserve Force (RRF)	2	24	-	-	-	-	-	-	-	-	1	9	1	15	
Other Reserve (NDRF)	4	55	1	17	-	-	1	16	-	-	-	-	2	22	
Other Custody	4	37	-	-	-	-	-	-	-	-	2	21	2	16	
Inactive Vessels	203	4,527	37	1,788	3	46	5	91	34	750	9	82	115	1,770	
Privately Owned	27	1,080	10	919	3	46	1	20	2	32	2	20	3	43	
Temporarily Inactive	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Lay up	20	1,046	9	885	3	46	1	20	2	32	2	20	3	43	
Laid up (MARAD Custody)	1	34	1	34	-	-	-	-	-	-	-	-	-	-	
Government-Owned (MARAD Custody)															
National Defense Reserve	182	3,447	27	869	-	-	4	71	32	718	7	62	112	1,727	
Ready Reserve Force (RRF)	92	1,913	10	304	-	-	3	51	29	672	-	-	50	886	
Other Reserve (NDRF)	47	876	9	342	-	-	1	20	3	46	-	-	30	468	
Nonretention [2]	43	658	8	223	-	-	-	-	-	-	7	62	32	373	

[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 1, 1997				
	(Tonnage in Thousands)			
Country	Deadweight Tons	Rank by Deadweight	No. of Ships[1]	Rank by No. of Ships
Panama	133,577	1	4,228	1
Liberia	94,816	2	1,598	2
Greece	45,889	3	803	10
Bahamas	38,089	4	993	7
Cyprus	35,703	5	1,451	5
Malta	35,483	6	1,214	6
Norway (NIS)	30,351	7	645	12
Singapore	27,919	8	836	8
China	22,394	9	1,473	4
Japan	20,946	10	723	11
United States[2]	16,820	11	478	15
Philippines	13,158	12	543	13
Saint Vincent	12,387	13	805	9
All Other	211,290		11,606	
Total	738,822		27,396	

[1] Oceangoing merchant ships of 1,000 gross tons and over.
[2] Includes 192 United States Government-owned ships of 3,563 dwt.

Table 13: U.S. OCEANBORNE FOREIGN TRADE [1]

Millions Metric Tons

Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996*
Total Tons	730.2	798.6	849.7	867.6	846.1	867.4	884.5	913.5	971.3	975.2
U.S.-Flag Tons	29.2	31.1	37.0	35.2	34.3	34.2	36.8	35.5	32.5	28.8
U.S. Percent of Total	4.0	3.9	4.4	4.1	4.1	3.9	4.2	3.9	3.3	3.0
Liner Total Tons	80.7	84.6	93.1	97.9	104.3	106.4	111.6	122.8	137.1	127.8
Liner U.S.-Flag Tons	12.0	14.2	17.8	17.1	17.5	17.3	17.3	17.3	16.1	11.0
Liner U.S. Percent	14.9	16.8	19.1	17.4	16.7	16.2	15.5	14.1	11.7	8.6
Nonliner Total Tons	332.3	366.9	372.5	384.5	385.4	369.0	344.1	337.8	408.6	409.4
Nonliner U.S.-Flag Tons	6.4	6.2	6.3	7.1	7.9	6.4	8.4	8.4	8.8	8.1
Nonliner U.S. Percent	1.9	1.7	1.7	1.8	2.1	1.7	2.5	2.5	2.2	2.0
Tanker Total Tons	317.1	347.1	384.1	385.1	350.8	385.8	428.7	455.9	425.6	437.9
Tanker U.S.-Flag Tons	10.8	10.7	12.9	11.0	8.9	10.6	11.0	9.8	7.6	9.6
Tanker U.S. Percent	3.4	3.1	3.4	2.8	2.5	2.7	2.6	2.2	1.8	2.2

Value ($ Billions)

Total Value	359.4	397.7	437.0	451.5	458.3	487.3	501.4	564.6	618.3	620.8
U.S.-Flag Value	44.8	57.7	71.3	69.8	70.7	73.6	74.1	76.8	75.3	50.1
U.S. Percent of Total	12.5	14.5	16.3	15.5	15.4	15.1	14.8	13.6	12.2	8.1
Liner Total Value	221.9	253.4	279.7	299.5	322.5	344.7	368.4	426.9	462.7	443.9
Liner U.S.-Flag Value	41.7	53.1	65.0	64.5	66.5	69.2	68.6	70.9	68.1	43.9
Liner U.S. Percent	18.8	21.0	23.3	21.5	20.7	20.1	18.6	16.6	14.7	9.9
Nonliner Total Value	92.1	98.9	100.7	88.0	81.6	86.9	77.8	79.1	93.2	105.3
Nonliner U.S.-Flag Value	1.6	3.2	4.4	3.6	2.6	2.9	4.0	4.5	6.0	4.7
Nonliner U.S. Percent	1.8	3.2	4.3	4.1	3.5	3.3	5.2	5.7	6.4	4.5
Tanker Total Value	45.4	45.4	56.6	64.0	54.2	55.7	55.2	56.4	62.4	71.5
Tanker U.S.-Flag Value	1.5	1.4	1.9	1.7	1.3	1.5	1.5	1.3	1.2	1.5
Tanker U.S. Percent	3.2	3.1	3.3	2.6	2.4	2.7	2.7	2.3	1.8	2.1

Source: U.S. Census Bureau

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

Table 14: ODS ACCRUALS AND OUTLAYS--JANUARY 1, 1937, TO SEPTEMBER 30, 1997

	Accruals			Outlays		
Calendar Year of Operation	Subsidies	Recapture	Subsidy Accrual	Paid in FY 1996	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	366,654,502	-0-	366,654,502	-0-	366,654,502	-0-
1983	278,716,168	-0-	278,716,168	-0-	278,716,168	-0-
1984	342,756,506	-0-	352,756,628	-0-	342,756,628	-0-
1985	367,368,710	-0-	367,368,710	-0-	367,368,710	-0-
1986	317,963,824	-0-	317,963,824	-0-	317,963,824	-0-
1987	183,188,408	-0-	183,188,408	-0-	183,188,408	-0-
1988	219,079,931	-0-	219,079,931	-0-	219,079,931	-0-
1989	221,564,961	-0-	221,564,961	-0-	221,564,961	-0-
1990	231,208,232	-0-	231,208,232	-0-	231,208,232	-0-
1991	216,365,214	-0-	216,365,214	-0-	216,365,214	-0-
1992	213,129,380	-0-	213,129,380	-0-	213,129,380	-0-
1993	214,105,066	-0-	214,105,066	-0-	214,105,066	-0-
1994	213,716,552	-0-	213,716,552	-0-	213,716,552	-0-
1995	197,851,660	-0-	197,851,660	-0-	197,851,660	-0-
1996	178,559,375	-0-	178,559,375	26,099,918	178,559,375	-0-
1997	140,609,850	-0-	140,609,850	95,456,507	95,456,507	45,153,343
Total Regular ODS	$10,354,427,097	$238,186,435	$10,116,240,662	$121,556,425	$10,071,087,319	$45,153,343
Soviet Grain Program [1]	$147,132,626	$-0-	$147,132,626	$-0-	$147,132,626	-0-
Total ODS	$10,501,559,723	$238,186,435	$10,263,373,288	$121,556,425	$10,218,219,945	$45,153,343

[1] No longer operative

Table 15: ODS AGCRUALS AND OUTLAYS BY SHIPPING LINES–JANUARY 1, 1937, TO SEPTEMBER 30, 1997

	Accruals			Outlays	
LINES	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, Ltd. [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	10,813,074	0	10,813,074	10,813,074	0
American President Lines[3]	1,781,398,885	17,676,493	1,763,722,392	1,757,290,148	6,432,244
American Shipping Co.	21,220,420	0	21,220,420	21,220,420	0
American Steamship Co.	76,462	0	76,462	76,462	0
Aquarius Marine Co.	53,991,668	0	53,991,668	53,188,862	802,806
Aries Marine Shipping	25,291,415	0	25,291,415	25,291,415	0
Asco-Falcon II	587,268	0	587,288	587,268	0
Atlantic & Caribbean S/N [1]	63,209	45,496	17,713	17,713	0
Atlas Marine Co.	65,656,465	0	65,656,465	61,778,583	3,877,882
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 Shipping, Inc.	10,420,257	0	10,420,257	5,773,086	4,647,171
Chestnut Shipping Co.	96,200,252	0	96,200,252	92,110,775	4,089,477
Delta Steamship Lines	575,053,817	8,185,313	566,868,504	566,868,504	0
Ecological Shipping Co.	4,968,943	0	4,968,943	4,968,943	0
Equity Carriers, Inc.	1,497,110	0	1,497,110	1,497,110	0
Farrell Lines Incorporated	771,435.322	1,855,375	769,579,947	765,258,232	4,321,715
First American Bulk Carriers Corp.	45,445,986	0	45,445,986	44,119,391	1,326,595
Gulf & South American Steamship	34,471,780	5,226,214	29,245,566	29,245,566	0
Lachmar	16,397,623	0	16,397,623	13,835,158	2,562,465
Lykes Bros. Steamship Co., Inc.	2,192,182,207	52,050,598	2,140,131,839	2,136,431,213	3,700,396
Margate Shipping Co.	143,675,309	0	143,675,309	143,675,309	0
Moore-McCormack Bulk Transport	138,963,495	0	138,963,495	135,717,681	3,245,814
Moore-McCormack Lines [8]	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	8,882,777	0
Ocean Carriers	45,994,825	0	45,994,825	45,994,825	0
Ocean Chemical Carriers, Inc.	14,699,168	0	14,699,168	13,518,468	1,180,700
Ocean Chemical Transport, Inc.	17,460,130	0	17,460,130	14,423,130	3,037,000
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.	35,845,320	0	35,845,320	35,845,320	0
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
Vulcan Carriers	29,645,656	0	29,645,656	26,802,659	2,842,997
Waterman Steamship Corp.	463,302,850	0	463,302,850	4602,167,769	3,086,081
Worth Oil Transport	17,428,314	0	17,428,314	17,428,314	0
Total Regular ODS	$10,354,427,097	$238,186,435	$10,116,240,662	$10,071,087,319	$45,153,343
[illegible]	[illegible]	$0	$147,132,626	$147,132,626	$0
Total ODS	**$10,501,559,723**	**$238,186,435**	**$10,263,373,288**	**$10,218,219,945**	**$45,153,343**

[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 subsidized in November 1970, returned as a subsidizedcarrier 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, 1997

A. Liner Trades

Operator and Contract No.	Contract Duration	Number Subsidized Ships	Service	Required Service as described in Appendix A
American President Lines, Ltd. MA/MSB-417	1-01-78 to 12-31-97	8	Transpacific Service U.S. Pacific/Far East Indonesia, Malaysia and Singapore	1/, 2/
Farrell Lines Incorporated MA/MSB-482	1-01-81 to 12-31-97	4	U.S. Atlantic/Mediterranean	1/
First American Bulk Carrier Corporation MA/MSB-451(a)	8/29/90 to 12/31/98	2	U.S./Atlantic-Gulf/Europe 3/	1/
Lykes Bros. Steamship Co., Inc. MA/MSB-451	1-01-79 to 12-31-97	4	U.S. Atlantic-Gulf/Europe	1/
Note: Lykes ODS Contract was terminated effective as of July 29,1997 pursuant to Maritime Subsidy Board action of July 9, 1997. Data shown above as of termination date.				
Mid-Atlantic National Bank MA/MSB-425 (formerly United States Lines, Inc. (S.A.) and Delta Steamship Lines, Inc.)	6-17-78 to 12-31-97	0	U.S. Atlantic/Caribbean	22 (min) 33(max) 4/, 5/
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	1/
Note: Waterman's ODS Contract expired on December 31, 1996. Data shown above as of termination date.				
Total Liner Trades		**22**		

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	13	373,865
Cargo/Containership	4	54,882
Passenger	1	2,262
Miscellaneous	23	48,664
Total	**41**	**479,673**
Recapitulation by Nationality		
Aruban	1	1,487
Belizean	3	4,063
British Virgin Islands	1	1,153
Canadian	3	5,895
Cayman Islands	1	2,262
Ecudorian	1	1,007
New Zealand	1	7,067
Panamanian	4	68,633
Russian	2	2,146
St. Vincent & The Grenadines	3	19,358
Switzerland	1	57,691
Vanuatuan	5	11,642
Venezuelan	2	2,414
Total	**28**	**184,818**
Sale to Foreign Nationals for Scrapping	13	294,855
GRAND TOTAL	**41**	**479,673**

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 ocean borne 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 trade practices that may negatively affect 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 U.S. cargo preference laws is essential in encouraging Federal agencies to maximize the use of U.S.-flag vessels. MARAD is required to report to Congress annually 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 to be carried on U.S.-flag vessels be increased from 50 to 75 percent.

o **The Cargo Preference Act of 1904 (1904 Act)** 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 rates that are not excessive or otherwise unreasonable. 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 an instrumentality of the Government 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 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 was pending before the Federal Maritime Commission.

Civilian Agencies

Israeli Cash Transfer

A "side letter" was in effect from FY 1980 to FY 1989 under the Israeli Cash Transfer Program. The agreement allows U.S. carriers to transport 50 percent of the grain generated by the program. The government of Israel (GOI) did not execute a "side letter" with AID for 1991. In December 1991, the GOI issued a new "side letter" to AID for FY 1992. Since 1992, the GOI has continued to issue the "side letter" on an annual basis. In FY 1996, U.S.-flag vessels transported approximately 770,000 metric tons and earned a revenue of approximately $20 million. A "side letter" was issued for 1997.

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.

Since the termination of break bulk vessel operations by Lykes Bros. Steamship Co., Inc., the requests for non-availability waivers for project cargoes have increased dramatically. MARAD published in the *Federal Register* its new policy, effective June 30, 1997, regarding extended waivers: If the U.S. shipper fulfills all of the criteria (such as meeting with the carriers and asking for a rate quotation 45 days in advance of shipment, and no U.S.-flag service will be available), then the shipper can request an extended waiver for a period not to exceed 6 months. MARAD can grant an extension of up to 3 months after the first 6 month period if U.S.-flag service is still unavailable.

Military Cargoes

MARAD initiates and recommends regulations and procedures for DOD services and 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 needs of all constituents within the context of U.S.-flag carriage requirements.

The Cargo Preference Act of 1904 requires that items procured for or owned by the military departments or defense agencies, be carried exclusively (100 percent) on U.S.-flag vessels, if available at rates that are not excessive or otherwise unreasonable. The preponderance of DOD cargoes moves under contracts the Military Traffic Management Command (MTMC) negotiates with U.S.-flag carriers.

MARAD receives quarterly reports from MTMC on the movement of DOD-sponsored shipments of personal effects as a result of a Memorandum of Agreement between MARAD and MTMC signed March 2, 1996. MARAD also has been receiving data on the movement of privately owned vehicles (POVs) being transported between selected turn-in points in CONUS to six points in the Republic of Germany. The ocean carrier awarded the contract reports ocean tonnage and revenue. MARAD continues to work closely with DOD representatives to improve reporting and monitoring of cargo preference shipments by fostering improved communication and meeting the needs of our customers.

Commercial Items

The Federal Acquisition Streamlining Act of 1994 authorized the exemption from the certain government-unique procurement laws, including the Cargo Preference Laws, for the acquisition of commercial items and commercial component parts procured under a subcontract. MARAD entered into negotiations with other Federal agencies and the Office of Federal Procurement Policy to determine how best to implement limited exemptions of the Cargo Preference Laws to minimize the impact to the U.S.-flag fleet of any lost cargo and, at the same time, to further the goals of procurement reform. Guidance for contracting officers regarding the scope of the exemption from the Cargo Preference Laws was published in the Defense Acquisition Desk Book and language to revise the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement to incorporate this guidance is being developed.

DOD Services and Agencies

Defense Security Assistance Agency

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

The statistics reflected in Table 18 from 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 transfers. 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

Principally because of the increased use of air transportation to deliver products more expeditiously, this program continued to decline.

Army/Corps of Engineers (COE)

The trend in downsizing and budgetary cutbacks continues to show in the decreased Army program tonnage for FY 1996. MARAD is continuing to improve communications with contract officers and contractors to ensure compliance with cargo preference laws. Enhancements to the computer system used by MARAD allow greater efficiency and flexibility in reporting.

The COE program remains in compliance with the cargo preference laws, although a reduction in tonnage and revenue occurred within FY 1996. MARAD is currently working with COE to ensure contracting personnel are enforcing compliance with the 1904 Act.

Defense Logistics Agency (DLA)

Tonnage under the DLA program decreased significantly because of a decline in the number of contracts awarded, the increased use of air transportation and the Defense Transportation System [illegible] fleet.

Navy/Marine Corps

The Navy/Marine Corps program was in compliance with the cargo preference laws during this reporting period. Several construction projects kept the total program tonnage at a high level, while the total number of contracts has decreased.

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, 81.5 percent of the 2.6 million metric tons of humanitarian aid commodities were transported on U.S.-flag vessels during the 1996/1997 Cargo Preference Year (CPY). Shipments were 800,000 metric tons (24 percent) lower than the previous year [3.6 million metric tons (58 percent) lower than shipments during CPY 1994/1995] due mainly to funding reductions for the humanitarian aid programs and higher commodity prices.

o **Title I** provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. Approximately 632,000 metric tons of bulk grain were shipped during the current CPY 1996/1997. This was about 313,000 metric tons (33 percent) less than the prior year and 968,000 metric tons (61 percent) less than shipments during CPY 1994/1995.

o **Title II** is a donation program administered by AID which generated approximately 1.5 [illegible] metric tons of packaged, processed, and bulk commodities for least developed countries. Shipments increased by 200,000 metric tons due to a Commodity Credit Corporation (CCC) accounting change the previous year which restricted funding; however, they have been reduced by 1.3 million metric tons since CPY 1994/1995.

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 CPY 1991/1992. Approximately 202,000 metric tons of bulk grain were shipped during the current CPY, a reduction of 261,000 metric tons (56 percent) from last year and 898,000 metric tons (82 percent) less than CPY 1994/1995.

o **Section 416** is a donation program established primarily to distribute surplus commodity, to the extent such surpluses exist, which generated only 6,000 metric tons of bulk grain and other surplus agricultural commodities for least developed countries during CPY 1995/1996, and no shipments for the current year.

o **Food for Progress** provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the current CPY, 273,000 metric tons (377,000 metric tons, {58 percent} less, than the previous CPY and 320,000 metric tons, (54 percent) less than CPY 1994/1995 shipments) of commodity, principally bulk grain, were donated. The Commonwealth of Independent States was the primary recipient.

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. 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) $29.6 million for OFD invoices and documents submitted during FY 1997. Approximately $13.7 million of the payments related to shipments made during the 1996/1997 CPY for 457,316 metric tons at a rate of $30 per ton. Additional OFD obligations covering the fourth quarter of the 1996/1997 CPY remain outstanding and will be paid upon receipt of invoices from USDA. CCC was not reimbursed for OFD that included inland freight and bagging and stacking costs.

Based on payments made during FY 1997, the average OFD cost for which MARAD reimbursed USDA was $26.08 per metric ton, an increase of $8.12 per metric ton, or 23 percent. This increase was due, in part, to lower agricultural program funding levels, increased U.S.-flag competition and weak foreign-flag rates. However, fourth quarter OFD obligations that remain outstanding are expected to increase the average OFD paid for shipments during the 1996/1997 CPY which OFD (after removing tonnage related to prior CPYs) amounted to $30.03 per metric ton for the $13.7 million paid. This could be attributed to the softness of foreign-flag rates as new tonnage enters the market and increased U.S.-flag rates due to a substantial reduction in the tonnage capacity of the U.S.-flag dry bulk fleet.

Under the 1985 Act, if the total obligations incurred by USDA and CCC for ocean freight and OFD on exports of agricultural commodities and products under certain agricultural programs exceed 20 percent of the value of the commodities exported under these programs, plus the ocean freight and OFD, MARAD must reimburse CCC for the excess.

In 1994, MARAD paid USDA $35.2 million for such excess freight costs relating to FY 1992. That payment was in addition to the OFD reimbursement during the year. USDA is reviewing program costs for FY 1993 and FY 1994 to determine if such shipping costs exceeded the 20 percent threshold.

Minimum Tonnage

The minimum tonnage for agricultural products was created by the Food Security Act of 1985 and established under Section 901c(a)(1) of the Merchant Marine Act, 1936, as amended. This includes P.L. 480, Section 416, and the Food for Progress programs. The purpose of formulating a minimum tonnage 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 2,883,875 metric tons of such agricultural products were exported. The minimum tonnage calculated for FY 1996 is 8,069,595 metric tons. This represents a deficit of 5,542,770 metric tons.

The foreign food aid tonnage exported during FY 1996 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. However, during the past three fiscal years the collective minimum tonnage deficit amounted to approximately 13.8 million metric tons. This lack of tonnage has resulted in a substantial downsizing in the dry bulk U.S.-fleet. Even though rescinded, the administration's budget submitted by USDA for FY 1998 requested a $50 million recission for Title I funding for FY 1997, and a reduction of $100 million for FY 1998. This same budget recommendation requested a 64 percent increase in funding for Government assisted agricultural programs that are not subject to preference requirements due to the 1995 Farm Bill compromise.

MARAD has met with USDA to discuss this issue and will maintain this dialogue because budget reductions for the humanitarian aid programs are inconsistent with the increased funding for Government-impelled programs not subject to cargo preference.

Fair and Reasonable Rates

Section 901(b)(1) of the Merchant Marine Act of 1936, as amended, requires a percentage of Government-impelled cargoes to be carried on U.S.-flag vessels. However, the section also stipulates that the vessels must be available at rates that are deemed to be fair and reasonable.

MARAD is responsible for providing the shipper agencies with guidance on whether an offered freight rate is fair and reasonable. Regulations governing the calculation of fair and reasonable guideline rates are codified at 46 CFR Part 382. During CPY 1996/1997, MARAD calculated 129 fair and reasonable guideline rates at the request of the shipper agencies.

Table 18: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1996				
(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	11,752	103,322	67,671	65.6
Bulker	2,160	65,311	48,000	73.5
Tanker	0	10,500	0	0.0[1]
TOTAL	13,912	179,133	115,761	64.6
P.L. 480 - Title II[2]				
Liner	73,100	787,435	542,355	68.9[3]
Bulker	43,288	534,938	530,639	99.2
Tanker	10,202	174,712	166,362	95.2
TOTAL	126,590	1,497,085	1,239,356	82.8[4]
P.L. 480 - Title III[2]				
Liner	2,002	40,449	20,640	51.0[5]
Bulker	4,139	97,701	71,829	73.5[6]
Tanker	4,545	64,567	64,567	100.0
TOTAL	10,686	202,717	157,036	77.5[7]
Department of Agriculture:				
P.L. 480 - Title I[2]				
Liner	5,769	74,736	56,224	75.2[8]
Bulker	25,438	544,706	445,455	81.8[9]
Tanker	814	12,792	8,719	68.2[10]
TOTAL	32,021	632,234	510,399	80.7[11]
Food for Progress[2]				
Liner	15,887	98,638	88,281	89.5[12]
Bulker	6,841	174,765	127,778	73.1[13]
TOTAL	22,728	273,403	216,059	79.0

Table 18 : GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1996 (continued)				
(Note: These numbers do not include domestic shipments)				
National Aeronautics and Space Administration	30	105		61.9
National Science Foundation	6,794	52,568	52,526	100.0
General Services Administration	4	4	3	75.0
Department of Transportation: Federal Transit Administration	2,226	5,994	3,357	56.0[14]
Coast Guard	47	520	346	66.5
U.S. Information Agency Voice of America	126	443	183	41.3[1]
	7	18	18	100.0
Department of State: Foreign Building Office	117	929	491	52.8
Other Agencies	7,675	12,977	8,738	67.3

PUBLIC RESOLUTION 17 CARGOES:

	Total Metric Tons	U.S.-Flag Metric Tons	Total Freight Revenue	U.S.-Flag Freight Revenue	Percentage U.S.-Flag Metric tons
Eximbank	216,431	101,893	79,650,631	48,182,603	47.1[1]

Table 18: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1996 (continued)
(Note: These numbers do not include domestic shipments)

CARGO PREFERENCE ACT OF 1904 CARGOES: (Note: These numbers are for FISCAL YEAR 1996)				
	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	981,966	981,966	0	20.2
U.S. Government-owned vessels	70,760	70,760	0	1.5
MSC chartered vessels	3,283,474	198,743	3,084,731	67.6
MSC Charter Foreign Flag	28,678	28,678	0	.6
Foreign-Flag vessels	491,422	70,121	421,301	10.1
Total carriage MSC Troop Support Cargo	4,856,290	1,350,268	3,506,032	100.0
	U.S.-Flag Revenue ($1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Department of Defense Commercial Contractor Cargoes (including POVs and Personal Property Shipments)	104,400	128,731	126,943	99.0
Defense Security Assistance Agency (DSAA):				
	U.S.-Flag Revenue ($1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Foreign Military Financing and MAP Merger Programs				
Liner:	21,643	60,818	40,517	66.6
Tanker:	11,617	320,813	320,813	100.0
TOTAL	33,230	381,631	361,330	94.7
Notes:				
1. Imbalance due to non-availability of U.S.-flag service.				

2. The Food Security Act of 1985 (P.L. 99-198) impacted on the P.L. 480 Section 416, Titles I, II and III, and the Food for Progress programs by changing the reporting period from a calendar year to a 12-month period 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, 1996 to March 31, 1997, is 75 percent.
3. After giving effect to the non-availability of certain U.S.-flag vessels, the liner category met the 75 percent requirement.
4. Cargo preference is monitored on a global basis by vessel type for the Title II program.
5. Ethiopia did not ship any preference cargo on U.S.-flag liner vessels.
6. Nicaragua (67 percent) failed to meet the requirement and Honduras shipped no cargo on U.S.-flag bulk vessels.
7. Cargo preference compliance is monitored by country and vessel type.
8. Angola (AO-5007) did not ship any liner cargo on U.S.-flag vessels due to no offers and the Philippines (RP-5005, 63 percent) failed to meet the 75 percent requirement.
9. The following countries did not ship any cargo on U.S.-flag bulk vessels: Angola (AO-5006, due to no offers), Congo (CF-5008), and the Ivory Coast (IV-5006, due to insufficient offers). The following countries also failed to meet the 75 percent requirement: Jamaica (JM-5017, 68 percent, due to insufficient offers), Jordan (JO-5026, 0 percent, when combined with JO-5025, 100 percent, exceeded 75 percent), Sri Lanka (CE-5007, 71 percent) and Suriname (NS-5009, 68 percent due to insufficient offers). Note: Sri Lanka could have shipped 100 percent U.S.-flag, but would not receive OFD for tonnage in excess of 75 percent.
10. El Salvador (ES-5010, 0 percent) did not meet the 75 percent requirement for tankers due no U.S.-flag offers. After giving effect to the non-availability of certain U.S.-flag tankers, the category met the 75 percent requirement.
11. The Title I program is monitored by individual Purchase Authorization.
12. Equatorial Guinea did not ship any liner cargo on U.S.-flag vessels due to no U.S.-flag offers and Georgia (73 percent) failed to meet the 75 percent requirement for U.S.-flag liner vessels.
13. Tajikistan did not ship any cargo on U.S.-flag bulk vessels, and Russia (59 percent) failed to meet the 75 percent requirement; however, bulk vessels meets the 75 percent requirement after giving effect to the non-availability of certain U.S.-flag vessels.
14. These program tonnages are reflected in metric tons for uniformity only. Cargo preference compliance for those programs involving high cube/low density cargo is achieved on a gross revenue ton basis. Percentage reflected on a weight tonnage basis for such programs do not necessarily represent the exact extent of the programs' compliance with the statue. U.S.-flag vessels achieved 50 percent of the revenue tons.

Chapter 8

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 focuses on fostering a safe and efficient maritime transportation system through the effective use of human resources.

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

Academy graduates also are committed to a 5-year maritime service obligation. This requires 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 in the U. S. Armed Forces or the National Oceanic and Atmospheric Administration also satisfies the obligation.

The Class of 1997 comprised 94

U.S. Merchant Marine Academy

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

Graduates receive Bachelor of Science degrees and U.S. Coast Guard (USCG) licenses as deck or engineering officers, or both, and a commission in the U.S. Naval Reserve or another uniformed service.

The Academy is an integral component of the defense readiness called for in our national security policy, and guarantees a source of merchant marine officers to meet our domestic and international U.S.-flag crewing needs.

Prior to addressing the Kings Point Class of 1997, Secretary Rodney E. Slater recognizes the illustrious career of then Maritime Administrator, A.J. Herberger (VADM, USN.-Ret.).

third mates, 112 third assistant engineers, and 12 who completed the dual deck/engine license program. Twenty-three of the third mate licensees earned endorsements as Qualified Members of the Engine Department (QMED) in the fifth 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.

The Academy's recently added program in shipyard and marine engineering management complements the sound engineering undergraduate education curriculum to enable a graduate to work successfully in a shipyard or power plant.

Twenty-three women were among the 1997 graduates, bringing the total to 336 since the first coeducational graduating class in 1978. U.S. Secretary of Transportation Rodney E. Slater, delivered the commencement address.

Within 3 months after graduation, about 91 percent of the 216 graduates had found employment in the maritime or transportation industry--aboard ship or ashore--or were serving on active military duty.

Average enrollment at the Academy during the year was 931. At the beginning of the 1997-98 academic year, the regiment of midshipmen included 105 women, 12 of whom were scheduled to graduate in June 1998. Members of Congress nominated 1,637 constituents for the Class of 2001 and a total of 266 appointments were made in FY 1997.

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.

Hats fly at the end of the commencement exercises.

State Academies

MARAD provides financial assistance to six State maritime academies to train merchant marine officers pursuant to the Maritime Education and Training Act of 1980: 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, Galveston, TX.

State maritime academy cadets who participate in the Student Incentive Payment Program receive a maximum of $3,000 annually to offset school costs. Participating cadets are obligated to remain employed in the maritime industry for three years, to accept a reserve commission in the Navy or one of the other armed forces, and to renew or upgrade their U.S. Coast Guard 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 shore side laboratories. The Maine Maritime Academy has replaced its school

ship. The new STATE OF MAINE is the former TANNER, sister ship to the California Maritime Academy's current training ship, and was placed in service and completed its first annual training cruise in 1997. The STATE OF MAINE is the third diesel-powered training ship to be delivered. It joins the GOLDEN BEAR and the TEXAS CLIPPER at the California and Texas academies. Vessels at the New York and Massachusetts academies also have been upgraded.

Supplemental Training

MARAD provides supplemental training for seafarers in marine firefighting, intermodalism, and defense readiness. In FY 1997, 2,227 maritime personnel were trained in ship and barge firefighting, including U.S. citizen seafarers, USCG personnel, and port city professional firefighters. MARAD-sponsored basic and advanced firefighting training is offered at: MARAD's 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 San Diego, CA.

MARAD's National Sealift Training Program for Masters and Chief Mates at the U.S. Merchant Marine Academy was developed to improve U.S.-flag strategic sealift support capability and reduce vulnerability to piracy and hostage threats. Combining the Master Mariners Readiness Course with course modules in Defense Communications and Maritime Security, this program 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 1997, 66 senior deck officers completed this program.

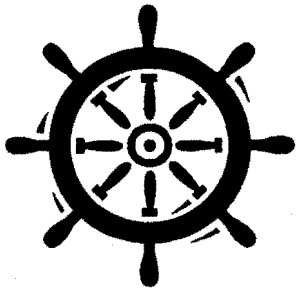
Merchant Marine Awards

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. Under this authority, MARAD assisted in replacing merchant marine decorations issued to merchant mariners who served during World War II, Korea, Vietnam and Operation DESERT STORM. In FY 1997, MARAD responded to more than 1,500 inquiries on awards and related issues.

Labor

Labor Data

In FY 1997, average monthly U.S. seafaring employment in all sectors (private, Government contract, and Great Lakes) decreased to 10,843, down 3 percent from the FY 1996 average of 11,205. (See Table 19.) The total work force in selected U.S. commercial shipyards decreased 12 percent, from 69,353 in FY 1996 to 61,118 in FY 1997. Shipyard employment estimates at the same level which was 22,829 in FY 1996 and 22,743 in FY 1997.



Seafaring Labor Relations

Most seafaring labor collective bargaining agreements remain in effect through June 1999. The last outstanding negotiations between American President Lines, Ltd. and its deck and engine officer unions, the International Organization of Masters, Mates and Pilots and the National Marine Engineers Beneficial Association ended in agreement in August and September, respectively, of this year.

Annual Crewing Assessment of U.S. Merchant Mariners

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

During MARAD's annual RRF readiness exercise, American maritime labor unions reported that approximately 8,221 active mariners were available to meet reserve sealift needs, this is nearly 7 percent less available than reported a year ago. The active mariner base would be sufficient for at least two crew rotations to meet initial crewing requirements and to staff the ships for the first few months of the crisis.

The Maritime Security Act of 1996 authorized funding of up to 47 American vessels crewed by U.S. citizen mariners. This new law provides U.S. mariners with basic re-employment rights, a new incentive for qualified inactive

incentive for qualified inactive mariners to volunteer and sail in support if needed.

Longshore

Longshore labor and management on the West, East and Gulf coasts are enjoying an unprecedented unified front since agreeing last year to terms through June 1999. Employers and the International Longshore and Warehouse Union on the West Coast and the International Longshoremen's Association on the East and Gulf Coasts are a unified negotiating body extending into the next millennium.

Safety

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

Human factors contribute to about 80 percent of all accidents. Improvements are key to achieving reliable, efficient, and competitive marine transportation that is safe for crew, passengers, and cargo while reducing the potential for pollution from accidents. This area is of equal concern in the shipbuilding, ship repair, and longshore industries.

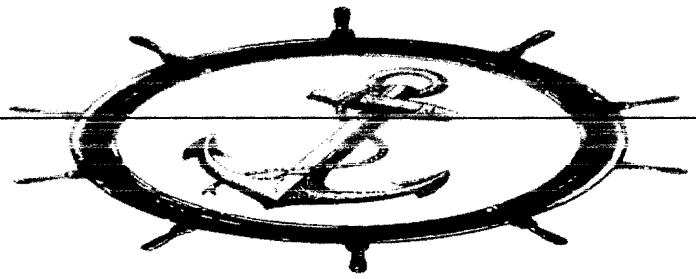
MARAD is working with other DOT modal administrations through the Department's Human Factors Coordinating Committee and "Fatigue Group" to identify common interests, research, and approaches to collectively address operator performance issues. MARAD also participated on the National Science and Technology Council Transportation Interagency Coordinating Committee's Subcommittee on Human Performance in Transportation Systems. A national multiagency strategic plan for transportation research on "Human-Centered Transportation Systems" was drafted and a Federal Research and Development initiative was approved.

The Maritime Advisory Committee for Occupational Safety and Health (MACOSH) was formed by the Department of Labor to advise the Occupational Safety and Health Administration (OSHA) on maritime issues. MARAD is working with the industry to support this committee, which is focusing on shipbuilding and longshore issues of standards and safety. A 1-year temporary committee, MACOSH was extended in 1996 for an additional 2 years. The committee and its subgroups held several meetings during the year and a draft report, "Basic Elements of Marine Occupational Safety and Health Program Standard," was completed. The facilitator coordinates maritime affairs at OSHA and provides a single point of contact for the marine industry.

Table 19: MARITIME WORK FORCE AVERAGE MONTHLY EMPLOYMENT

	Average Monthly Employment in Fiscal Year	
	1996	1997
Seafaring Shipboard Jobs:[1]	**11,205**	**10,843**
Shipyards:[2]	**69,353**	**61,118**
Production Workers	44,190	34,591
Management and Clerical	25,163	26,527
Longshore:	**22,829**	**22,743**

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



Chapter 9

International Activities

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

Consultations with Japan

Early in fiscal year (FY) 1998, a landmark settlement between the United States and Japan on Japanese port practices was reached in Washington, DC. This agreement is intended to promote competition, lower costs and increase efficiency of loading and unloading ships in Japanese ports. For the first time, U.S. carriers will be permitted to obtain licenses to run their own terminal operation in Japan and will be able to carry out operational changes. This settlement, which marks the end of 14 years of intense discussions, was negotiated under the leadership of Secretary of Transportation Rodney E. Slater, Deputy Secretary of Transportation Mortimer L. Downey, and Under Secretary of State Stuart Eizenstat.

The U.S. delegation, led by the Maritime Administrator, met several times early in FY 1997 to discuss reform of service restrictions. As a result of Japan's failure to terminate or reform its existing system, the Federal Maritime Commission (FMC), an independent Federal agency charged with regulating the commercial shipping industry, on February 4, 1997, imposed fees of $100,000 per voyage on Japanese liner operators operating in the U.S. trade effective April 14, 1997.

In the hope of avoiding formal imposition of these sanctions, the Maritime Administrator held additional discussions on port issues with a Japanese government delegation in Washington, DC on April 2-11, 1997. As a result, a Memorandum of Consultation (MOC) was signed identifying commitments by the Japanese government to reform the prior consultation system and to facilitate the issuance of licenses for port transportation businesses to U.S. and other foreign carriers. As a result of this agreement, the FMC agreed to temporarily suspend the sanctions until September 4, 1997.

On June 23, 1997, the acting Maritime Administrator met with Japanese officials and private sector representatives in Tokyo to urge prompt implementation of the commitments made in the MOC. However, by September 4, 1997, the Government of Japan had failed to implement any of the port reform measures in the MOC.

As a result, the FMC final rule imposing fees on Japanese shipping lines went into effect. Subsequent intense discussions in Washington, DC resulted in approval of a settlement with Japanese carriers on October 27, 1997.

Discussions with China

The Acting Maritime Administrator led a U.S. delegation to Beijing for discussions on maritime and related issues on June 25-27, 1997. During the talks, the U.S. delegation raised a number of issues including the competence, nature and activities of the Shanghai Shipping Exchange, implementation of PRC commitments to permit freight forwarding by U.S. shipping companies, port access policy, and a number of other problems in the intermodal sector.

Consultations with Brazil

Brazilian maritime legislation enacted in January 1997 included a tax exemption for vessels under a new second registry called "REB." The provision excludes freight revenues in calculating import duties and other taxes only when cargoes are shipped on REB vessels, a significant cost advantage for those vessels. The United States delegation views the provision as unfair to U.S. carriers and inconsistent with the U.S.-Brazil maritime agreement.

The Acting Maritime Administrator led a U.S. delegation in consultations on this and other issues in Brasilia on May 27-28, 1997. However, the tax issue remained unresolved at the close of this reporting [illegible]. The U.S. also raised concern over the cross trades, i.e., cargo-sharing agreements that restrict access of U.S. carriers to cargo moving between Brazil and third countries such as Argentina, Uruguay and Chile.

Another major issue discussed, but which remains unresolved, is access for U.S. carriers to bonded warehouse facilities in Brazilian ports.

Secretary Slater and members of the Chinese delegation in Washington June 25-17, 1997 for discussions on maritime and related issues.

Maritime Agreement with Ukraine Signed

On January 23, 1997, the Maritime Administrator and Ukrainian Deputy Minister of Transport signed a new 3-year maritime agreement. The agreement provides an open maritime relationship based on no discrimination and accords vessels of each country equal treatment with respect to tonnage duties and liberal treatment in granting port access. The agreement succeeds one that expired in 1995.

Organisation for Economic Cooperation and Development (OECD)

MARAD continued to work closely with the U.S. Trade Representative in the effort to achieve Congressional approval of the OECD Agreement that would end shipbuilding subsidies and other trade-distorting practices. MARAD joined the U.S. delegation to an OECD meeting in October 1996 that discussed arrangements for the Agreement's eventual implementation. The Agency also participated in meetings with industry groups to clarify their views and develop proposals for legislative revisions being considered by Congress.

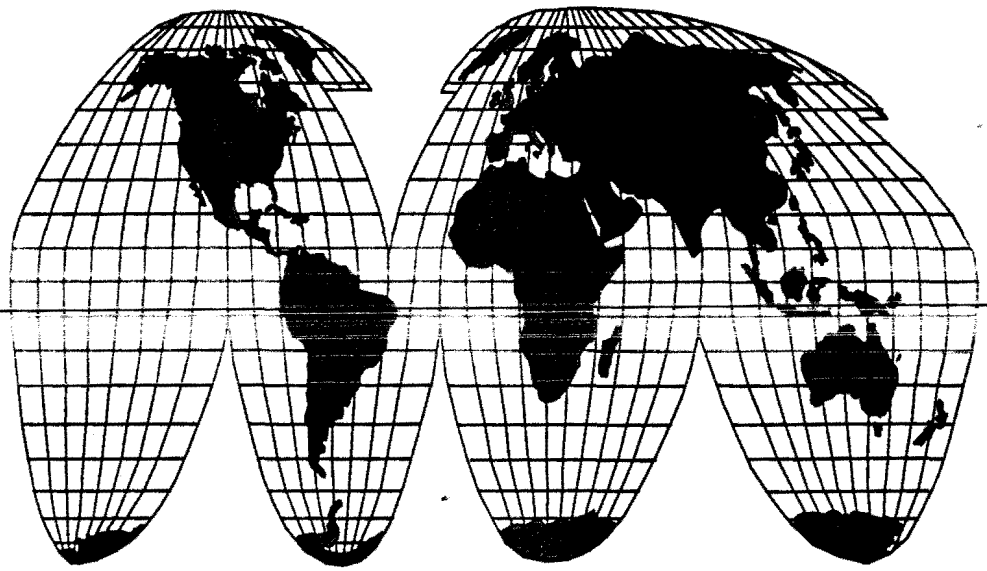
MARAD also participated in meetings of the OECD's Maritime Transport Committee. The Committee considered shipping industry and policy matters within OECD member countries, as well as maritime developments with major economies outside the organization. The Committee hosted an extensive discussion of competition policy for liner shipping with a diverse group of industry representatives.

Other Activities

The third meeting under the Transportation Science, and Technology Exchange Agreement between the U.S. Department of Transportation and the Japanese Ministry of Transport took place in Tokyo, Japan in November 1996. MARAD's areas of interest included oil-spill prevention from tankers, marine-engine-air emission reduction, techno-superliner technology, intelligent-ship-navigation systems and related human factors. All participants agreed to share information on progress in each area.

The Agency also participated in the 12th annual meeting of the U.S./Canada Emergency Planning Committee for Civil Transportation held in Washington, DC on May 1-2, 1997.

In FY 1997, MARAD also participated in meetings, training events, and exercises involving civilian and military elements of the North Atlantic Treaty Organization (NATO). The Agency worked with NATO's Senior Civil Emergency Planning Committee and included training of shipping-industry-civilian experts to support mobilization under sealift deployment of NATO forces. The Maritime Administrator, who served as Chairman of the Planning Board for Ocean Shipping (PBOS), assumed sole responsibility for functions of the PBOS Secretariat.



Chapter 10

Administration

Maritime Strategies and Policies

MARAD completed two Congressionally mandated studies in fiscal year (FY) 1997. The Maritime Policy Study examined how Federal maritime programs have been developed to achieve Congressionally mandated maritime goals. The Maritime Security Act of 1996 requires the Secretary of Transportation to describe departmental policies over the next 5 years to foster and maintain a United States merchant marine capable of meeting economic and national security requirements. The Department of Transportation's policies, as stated in MARAD's strategic goals and carried out in Agency programs, seek to provide a competitive U.S. fleet to carry our domestic and international waterborne commerce, a domestic shipbuilding industry that prospers in the domestic and international marketplace, and a technologically advanced maritime transportation infrastructure.

The second study focused on competition in the noncontiguous domestic maritime trades and examined the need for statutory or regulatory changes to ensure the availability of an efficient domestic transportation system. The Interstate Commerce Commission Termination Act of 1995 (P.L.104-88) (ICCTA), (Section 407), requires a study of competition in the noncontiguous domestic maritime trades between the mainland of the United States and Puerto Rico, Hawaii, Alaska, and Guam. The report examined the need for statutory or regulatory changes to ensure the preservation and development of a domestic transportation system that meets this Nation's needs. Based upon evidence submitted to the public docket, the study concluded that although the offshore trades are concentrated, competition has been dynamic and responsive to market trends and pressures. In addition, average freight rates rose much less rapidly than has the general rate of inflation.

The study recommends that Congress consider eliminating the tariff filing requirement in the U.S. mainland-Alaska and U.S. mainland-Puerto Rico trades based upon the increased use of contracts and time-volume arrangements in these trades. It also recommends that Congress should reduce the rate increases permitted by ICCTA from 7.5 percent to 3-4 percent annually and consider granting shippers additional opportunities to negotiate collectively with carriers for rate discounts.

Strategic Planning

A thorough review of MARAD strategic goals was conducted in conjunction with the formulation of the FY 1999 budget, as required by the Government Performance and Results Act of 1993 (GPRA). Agency objectives were synthesized into four strategic goals which define anticipated long-term accomplishments in the key areas of National Security, Shipbuilding, Intermodalism, and Trade. (MARAD's Strategic Goals may be found on page viii.)

The GPRA is aimed at measuring the effectiveness of Federal programs against performance goals derived from the strategic planning process. Performance goals and measures were defined for each of the new strategic goals in an initial Performance Plan submitted to the Office of Management and Budget with MARAD's FY 1999 budget, and briefings on performance planning were presented to Congressional committee staff.

The MARAD strategic goals and performance goals support the broader goals set forth in the *Department of Transportation Strategic Plan 1997-2002.*

Planned accomplishments for activities designed to achieve the strategic/performance goals also provide the basis for periodic progress reviews between the Maritime Administrator and the Deputy Secretary of Transportation. As strategic planning is an iterative process, minor refinement of the strategic goals, performance goals, and performance measures will remain an ongoing activity.

Customer Service Initiatives

Executive Order 12862, "Setting Customer Service Standards," mandates a customer needs-driven approach for providing Government services to the public, as does DOT's Strategic Plan. In FY 1997, MARAD evaluated its performance and customer reactions for the Federal Ship Financing Program (Title XI), the electronic bulletin board (MARlinespike), National Maritime Resource and Education Center (NMREC), the U. S. Merchant Marine Academy, U.S.-Flag Carriers, and the Port, Intermodal and Environmental Activities customer service plans. As a result, MARAD determined that MARlinespike could be discontinued and its service provided more efficiently through the Internet at **http://www.marad.dot.gov.**

MARAD continuously enhanced and improved its Home Page to provide better communication with the maritime industry and the public. The active service plans provide information on the purpose of each program, services provided, guaranteed response times, and feedback on how well the program performed in meeting customer needs.

Information Resources Management

MARAD's information resources management planning program supports short-and long-range mission goals defined in the Agency's Strategic Plan. For example, the assessment phase of the Year 2000 project will be completed early in 1998.

MARAD concentrates technology resources toward strengthening its infrastructure to enhance internal communication, information, and data sharing opportunities. To support this project, a Wide Area Network was established among MARAD headquarters and three regional offices.

MARAD's 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.

Safety Program

MARAD furnishes its employees with safe working environments. During FY 1997, 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 sites. It encompasses 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, reserve fleets, regional offices, and USMMA were provided occupational medical examinations during FY 1997. For example, the Public Health Service conducted 34 medical examinations of Suisun Bay Reserve Fleet employees. Twenty-three other fleet employees received trade-specialized examinations, e.g., annual visual acuity for crane operators and annual hearing exams for employees exposed to hazardous levels of noise.

MARAD continued to administer its Respiratory Protection Program, mainly at reserve fleet installations, to safeguard employees against possible work-related airborne hazards. The Program, 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 ear protection equipment 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.

Safety Shoe Programs at reserve fleet installations 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.

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

Personnel

MARAD's employment totaled 978 at the end of FY 1997. A MARAD senior executive service member received the Distinguished Presidential Rank Award. Three MARAD employees received the Secretary's Silver Medal and three individuals received the Secretary's Award for Excellence. Four employees received the Secretary's Award for Valor in a group presentation. Seventeen employees were awarded the Administrator's Bronze Medal and nine additional employees received the Bronze Medal for their efforts in the MSP. Three employees received the MARAD EEO Award in recognition of and appreciation for contributions made toward the furtherance of Equal Employment Opportunity. MARAD also received five Hammer Awards and [illegible] Awards as members of Department of Transportation teams.

The Agency experienced a one percent decrease in the number of female and minority employees. The percentage of handicapped employees increased by one percent.

Eight positions in the Career Opportunities Training Agreement (COTA) Program, formerly Upward Mobility, were established. One employee was promoted to the target level.

Two cross-training positions were advertised under MARAD's Career Enhancement Program and 22 special training announcements were issued. Forty-three applications were approved for tuition assistance through the MARAD Tuition Assistance Program. The audio/video and literature library currently consists of 215 literature items and 70 audio/video items.

Because of FY 1997 Operations and Training budget reductions, MARAD conducted a Reduction-In-Force early in the year involving a total of 60 headquarters and field employees.

Installations and Logistics

Real Property

On September 30, 1997, 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; the Poland Street Wharf at New Orleans, LA; and the Central Region Warehouse at Nederland, TX.

Facilities for training maritime [illegible] at Fort Dix, Freehold, NJ, and Monterey, CA, under MARAD agreements with the U.S. Navy, and at facilities operated by Delgado Community College in New Orleans, LA. MARAD operated 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.

Ports and/or environmental staffs were maintained in Seattle, WA; St. Louis, MO; and at the five regional headquarters. Ship management staffs were also maintained at the regional headquarters as well as at Port Arthur, TX. MARAD closed its field marketing (cargo promotion) offices at Houston, TX; Cleveland, OH; Long Beach, CA; Miami, FL; and Atlanta, GA.

In addition, MARAD operated the Computer-Aided Operations and Research Facility at the U.S. Merchant Marine Academy.

Audits

In FY 1997, the General Accounting Office (GAO) and the Department of Transportation's Office of Inspector General (OIG) submitted these final reports on MARAD activities:

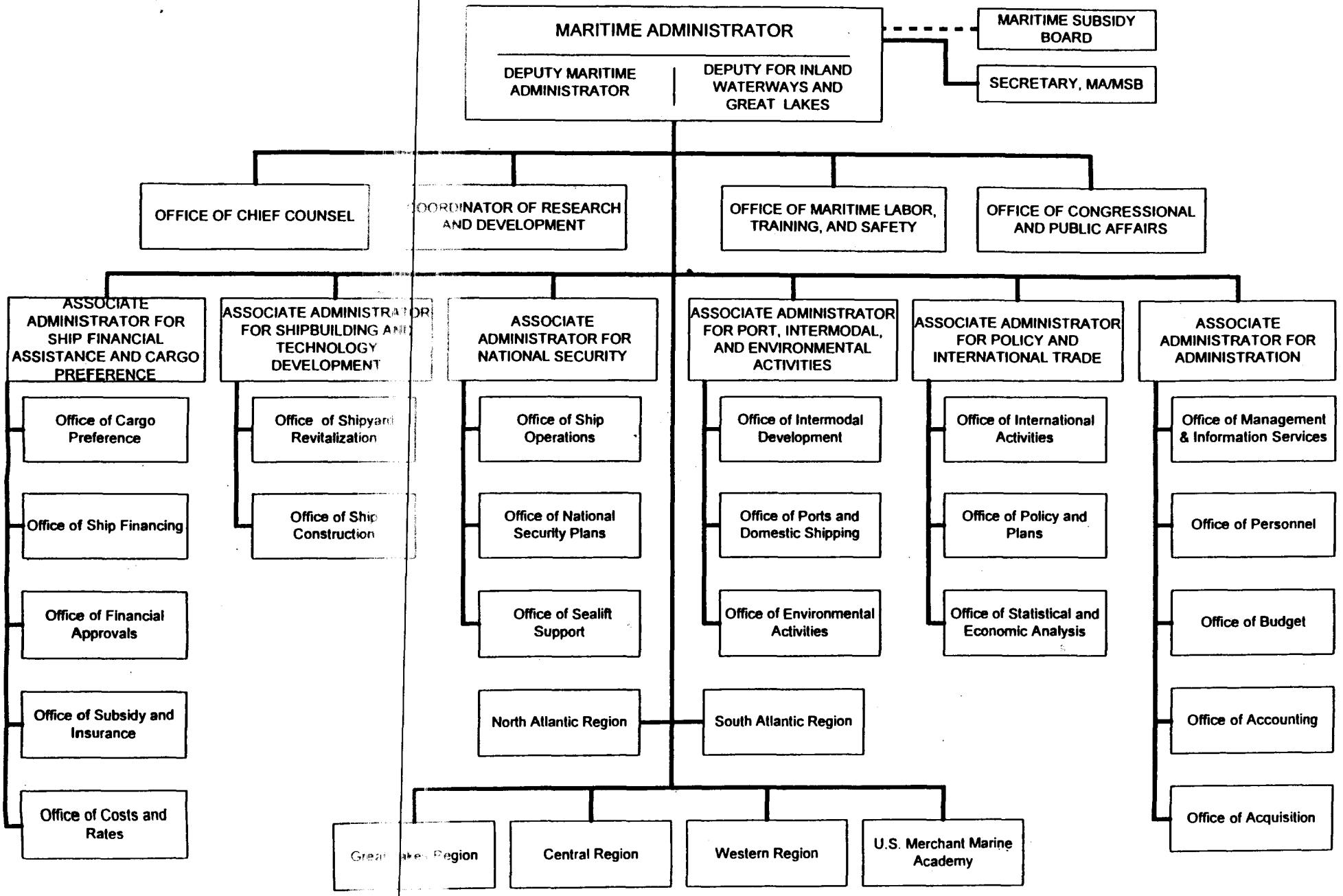
- o *Financial Statements for FY 1996 - OIG Audit*
- o *Budgeting for Insurance - GAO Review*
- o *State Department/United Nations - GAO Review*
- o *Transportation Infrastructure - GAO Review*
- o *Clippings - GAO Review*

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 1997 operations totaled $268.1 million.

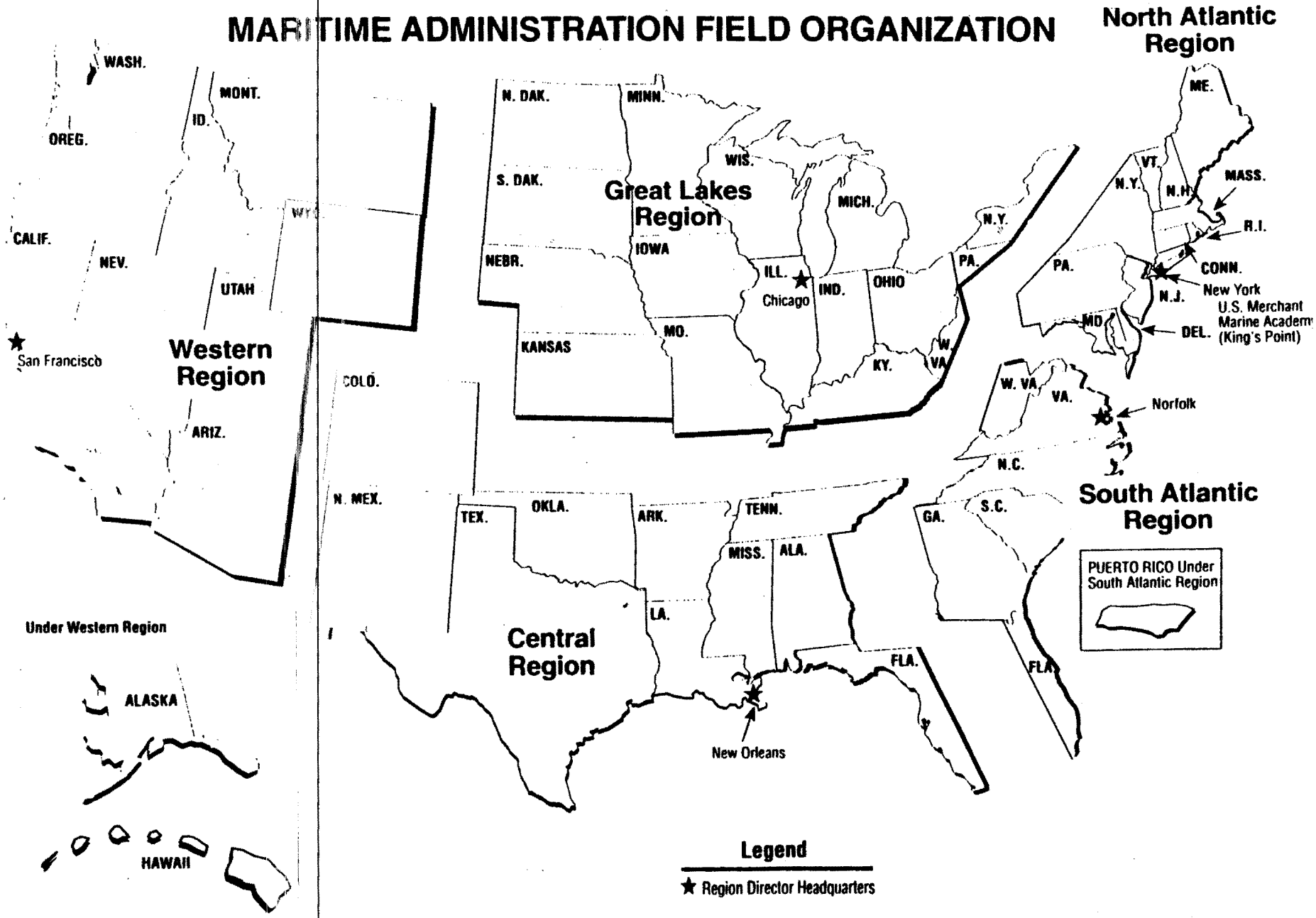
This included $96.9 million in operating-differential and ocean freight differential subsidies; and $68.6 million in administrative expenses including financial assistance to State Maritime Academies. MARAD incurred $37.8 million in other operating income net of expenses. MARAD Financial statements appear as Exhibits 1 and 2.

MARITIME ADMINISTRATION



U.S. Department of Transportation
Maritime Administration

MARITIME ADMINISTRATION FIELD ORGANIZATION



MARAD Regional Map-purposed Map Form Disk

U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 1. Statement of Financial Condition
September 30, 1997, and September 30, 1996

ASSETS	September 30 1997	September 30 1996
Selected Current Assets		
Funded Balances with Treasury:		
Budget Funds	$ 572,698,000	$ 507,130,000
Deposit Funds	2,000	2,000
	572,700,000	507,132,000
Federal Security Holdings	75,246,000	419,975,550
Accounts Receivable:		
Government Agencies	210,061,000	114,439,000
The Public	183,000	389,000
	210,244,000	114,828,000
Advances To:		
Government Agencies		144,000
The Public		3,000
		147,000
Total Selected Current Assets	**$ 858,190,000**	**$683,690,000**
Loans Receivable:		
Repayment in Dollars	40,688,000	51,861,000
Allowances (-)	(25,605,000)	(27,608,000)
	15,083,000	24,253,000
Real Property and Equipment:		
Land	4,112,000	7,749,000
Structures and Facilities	67,557,000	418,150,000
Equipment and Vessels	1,237,934,000	1,655,945,000
Leasehold Improvements	0	174,000
	1,309,603,000	2,082,018,000
Total Other Assets	$1,324,686,000	$2,106,271,000
Total Assets	**$2,182,876,000**	**$2.789,961,000**

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
September 30, 1997 and September 30, 1996

LIABILITIES	September 30 1997	1996
Selected Current Liabilities (Note 2)		
Accounts Payable (Including Funded Accrued Liabilities):		
Government Agencies	$ 166,814,000	$ 51,091,000
The Public	89,455,000	118,229,000
	256,269,.000	169,320,000
Accrued Liabilities for Loan Guaranteed	99,788,000	80,068,000
Unfunded Liabilities:		
Accrued Annual Leave		
Accrued Payroll and Benefits		
Accrued Payroll and Pension	31,007,000	13,393,000
Total Selected Current Liabilities	387,064,000	262,781,000
Deposit Fund Liabilities	0	
Debt issued under borrowing Authority:		
Borrowing from Treasury	0	0
Other Liabilities:		
Vessel Trade-in Allowance and Other Accrued Liabilities	0	0
Future Funding (ODS Contract Authority)		266,509,000
Total Liabilities	**$ 387,064,000**	**$ 529,290,000**
Government Equity		
Unexpended Budget Authority		
Unobligated	396,643,823	299,51[illegible]
Undelivered Orders	[illegible]	[illegible]
	556,457,000	380,76[illegible]
Unfinanced Budget Authority (-)		
Unfilled Customer Orders	(31,007,000)	(13,393,000)
Contract Authority		(266,509,000)
	(31,007,000)	(279,902,000)
Invested Capital	1,270,362,000	2,159,811,000
Total Government Equity	**$1,795,812,000**	**$2,260,671,000**
Total Liabilities and Government Equity	**$2,182,876,000**	**$2,789,961,000**

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	
	1997	**1996**
OPERATIONS OF THE MARITIME ADMINISTRATION		
Net Costs of Operating Activities		
Reserve Fleet Programs:		
Maintenance and Preservation	$ 17,071,420	$ 73,463,732
Direct Subsidies and National Defense Costs:		
Operating-Differential	72,321,635	128,833,214
Ocean Freight Differential	24,610,617	13,640,000
Title XI Credit Reform Program	9,568,757	78,403,757
And Financing Fund		
Maritime Security Program	38,103,971	-0-
Administrative (includes Financial Assistance to State Maritime Schools, School ships, Student Incentive	68,558,160	71,542,044
Other Operating Income Net of Expenes	37,823,000	(3,766,000)
Net Cost of Maritime Administration	**$268,057,560**	**$362,116,747**
Operations of Revolving Funds (-Income):		
Vessel Operations Revolving Fund	599,814	(12,311,000)
War Risk Revolving Fund	(2,244,352)	(1,688,559)
Construction Differential Fund	[illegible]	[illegible]
Federal Ship Financing Fund	[illegible]	[illegible]
Gifts and Payments	[illegible]	[illegible]
	[illegible]	[illegible]
Net Cost of Combined Operations	**$185,036,628**	**$311,262,188**

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

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

BALANCE SHEET for Years Ending in:	1996	1995
Assets		
	(stated in thousands)	
Current Assets -		
Cash	$82,411	$56,180
Marketable Securities	3,126	1,239
Notes Receivable	1,221	51,603
Accounts Receivable	294,972	308,245
Allowance for Doubtful Accounts	(7,889)	(12,611)
Other Current Assets	95,300	131,505
Total Current Assets	$469,141	$536,161
Non-Current Assets-		
Restricted Funds	$13,565	$11,249
Investments	119,404	432,840
Property & Equipment (net of depreciation)	1,108,280	1,375,839
Deferred Charges	13,742	14,052
Other Assets	423,323	24,251
Goodwill, Other Intangible Assets	19,530	21,733
Total Non-Current Assets	$1,697,844	$1,879,964
Total Assets	$2,166,985	$2,416,125
Liabilities and Equity		
Current Liabilities -		
Notes Payable	$41,192	$76,093
Accounts Payable	157,900	155,127
Accrued Liabilities	305,645	326,870
Other Current Liabilities	88,497	7,117
Advance Payments/Deposits	1,339	1,989
Total Current Liabilities	$594,573	$567,196
Non-Current Liabilities -		
Long Term Debt	$419,979	$672,077
Other Liabilities	143,618	137,565
Deferred Credits	201,030	206,548
Total Non-Current Liabilities	$764,627	$1,016,190
Total Liabilities	$1,359,200	$1,583,386
Owners' Equity -		
Invested Capital	$316,764	$412,424
Treasury Stock	0	0
Retained Earnings	491,021	420,315
Total Owners' Equity	$807,785	$832,739
Total Liabilities and Owners' Equity	**$2,166,985**	**$2,416,125**

Appendix II: continued:

INCOME STATEMENT for Years Ending in:	1996	1995
	(stated in thousands)	
Revenue -		
Shipping Revenue	$2,428,798	$2,732,189
Operating-Differential Subsidy	132,960	182,563
Other Ship Operating Revenue	314,744	244,112
Total Revenue from Shipping Operations	$2,876,502	$3,158,864
Expense -		
Shipping Expense	$643,758	$776,349
Shipping Port Call Expense	115,060	118,752
Cargo Handling Expense	1,574,021	1,566,031
Inactive Vessel Expense	3,854	4,334
Other Ship Operating Expenses	32,925	91,211
Total Expense of Shipping Operations	$2,369,618	$2,556,667
Gross Income from Shipping Operations	$506,884	$602,187
Other Revenue	80,658	50,627
Other Expense	17,418	114,731
General and Administrative Expense	397,803	480,423
Depreciation and Amortization Expense	112,175	131,591
Interest Expense	53,006	52,496
Net Income Before Income Taxes	$7,140	$(126,427)
Provision for Income Taxes	6,261	8,675
Net Income After Income Taxes	$879	$(135,102)
Effect of Change in Accounting Policy	0	281
Income (Loss) from Extraordinary Items	18,703	(12,619)
Net Income	$19,582	$(147,440)

* These data are from the Financial Report Form MA-172 filed by fifteen subsidized companies.

Appendix III: STUDIES AND REPORTS RELEASED IN FY 1997

The following major studies or reports were released by MARAD during FY 1997:

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

MARAD '96 (The Annual Report of the Maritime Administration for FY 1996)

Maritime Labor-Management Affiliations Guide

Maritime Security Report

Merchant Fleets of the World

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

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

Vessel Inventory Report as of January 1, 1997

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

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

MARAD REPORT ACRONYMS (Con.)

GIS	Geographic Information Systems
GPS	Global Positioning System
HF	High Frequency
JETRO	Japan External Organization
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
MOC	Memorandum of Consultation
MOU	Memorandum of Understanding
MITAGS	Maritime Institute of Technology and Graduate Studies
MRS	Mobility Requirements Study
MSA	Maritime Security Act
MSB	Maritime Subsidy Board
MSC	Military Sealift Command
MTMC	Military Transportation Management Command
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NCSORG	Naval Control of Shipping Organization
NDRF	National Defense Reserve Fleet
NEC	National Economic Council
NDT	National Dredging Team
NHS	National Highway System
NLRB	National Labor Relations Board
NMREC	National Maritime and Education Resource Center
NMS	National Maritime System
NOAA	National Oceanic and Atmospheric Administration
NRC	National Research Council
NSI	National Shipbuilding Initiative
NSRP	National Shipbuilding Research Program
NYSA	New York Shipping Association
NY/NJ	New York/New Jersey
OAS	Organization of American States
ODS	Operating-Differential Subsidy
ODSA	Operating-Differential Subsidy Agreement
OECD	Organization for Economic Cooperation and Development
OFD	Ocean Freight Differential
OPA	Oil Pollution Act of 1990
OPDS	Offshore Petroleum Discharge System

MARAD REPORT ACRONYMS (Con.)

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

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Last updated: April 20, 1998

The Interagency Task Force on Ship Scrapping issued its report on April 20.

Links related to the Whitbread around-the-world yatch race have been added to MARAD's Kids' page.

Several publications added April 3, 1998.

March 26 and April 3 announcents.

March 20, 1998: Listening Sessions in Seven Cities: **SECRETARY SLATER BEGINS MARINE TRANSPORTATION REVIEW.** News Release; Secretary's remarks; fact sheet.

Several publications added March 20, 1998

News briefing for March 19, 1998.

A direct link has been established from our Kids' page to the Garrett A. Morgan Technology and Transportation Futures web site at education.gov.dot.

Acting Administrator's March 10, 1998,testimony on FY 1999 authorization.

News briefing for March 12, 1998.

News briefing for March 3, 1998.

News briefing for February 24, 1998.

Link established to new web site for interagency panel reviewing ship scrapping programs: http://www.denix.osd.mil.

Interview with Acting Maritime Administrator John E. Graykowski published in Sept. 1997 issue of Sea Power magazine. Reprined with permission from Sea Power.

Federal Register notice on Putting Customers First in the Title XI Program, along with existing Title XI regulations in web text and pdf format. Posted Feb.17, 1998. **Draft new application forms for ship financing and shipyard improvement projects (pdf format) added Feb. 24, 1998**

Errata Sheet and revised Final Opinion and Order for Docket MSP-008, both in pdf format. Posted Feb. 6, 1998.

Maritime Security Report, released Feb. 6, 1998.

A link has been established to the new web site of the Ship Operations Cooperative Program (SOCP), an industry/government/labor partnership formed in 1993. SOCP promotes innovations in ship operations through identification, development and application of new equipment and technologies.

The Maritime Administration's *Compilation of Maritime Laws*, published in January 1997, is now available on line (in pdf format). An update through the end of 1997 will be posted when available.

January 1998:

Docket MSP-008, Final Opinion and Order (in pdf format); this links to corrected document.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release May 21, 1997

NATIONAL MARITIME DAY, 1997

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA
A PROCLAMATION

Throughout America's history -- from the Revolutionary War to today's global challenges -- our United States Merchant Marine has fulfilled its mission with patriotism and efficiency, transporting our Nation's cargoes in times of both peace and conflict. Our Merchant Marine has shown its mettle time and again during major United States military engagements, proving to be a crucial component in support of our Armed Forces' efforts to protect our national interests and defend our freedom. Today, we salute these skilled civilian seafarers, who continue to distinguish their profession and demonstrate their commitment to America's security through their unwavering support of our troops abroad in both peacekeeping and humanitarian operations.

History has taught us how important a nation's flag presence is on the high seas. Heeding the lessons of the past, the Congress and I reaffirmed our pledge for a strong U.S.-flag fleet when I signed into law the Maritime Security Act of 1996. This legislation sets the course for America's Merchant Marine into the 21st century, sustaining a strong sealift capability and bolstering national security. The Act will strengthen American maritime and allied industries, while energizing our efforts to further stimulate the economy through trade and commerce.

As we look to the challenges of the future, we recognize the continuing importance of our U.S. domestic maritime fleet to the maintenance of our Nation's commercial and defense maritime interests. I commend the merchant mariners whose unstinting service has helped maintain both our domestic and our international U.S. fleets.

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

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, do hereby proclaim May 22, 1997, as National Maritime Day. I urge all Americans to observe this day with appropriate programs, ceremonies, and activities and by displaying the flag of the United States at their homes and in their communities. I also request that all ships sailing under the American flag dress ship on that day.

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

WILLIAM J. CLINTON