MARAD 2001

Maritime Administration's Annual Report to Congress

U.S. Department of Transportation

Maritime Administration

MARAD 2001

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Introduction

The annual report of the Maritime Administration (MARAD) for fiscal year 2001, which ended on September 30, 2001, is submitted to Congress in accordance with Section 208 of the Merchant Marine Act of 1936, as amended.

MARAD 2001 includes nine 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. It also contains a few references to MARAD's response to the events of September 11, 2001, which took place a few weeks before the end of the fiscal year. In light of September 11 and the crucial long-term national war on terrorism that we have now begun, every action taken at the Maritime Administration is now examined and re-examined with this perspective in mind.

This report details MARAD's work to support the Nation's maritime policy and the goals of the Administration.

CAPTAIN WILLIAM G. SCHUBERT
Maritime Administrator

CHAPTER 1
National Security

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

The Ready Reserve Force (RRF) is MARAD's premier readiness program. The RRF was created to maintain a surge shipping and resupply capability on short notice to support deployment of forces. As of September 30, 2001, there were 76 vessels in the RRF, maintained by MARAD, constantly ready to be activated in 4, 5, 10, or 20 days. Their readiness is tested by the Department of Defense (DOD) in activations initiated without prior notice or planning. There were 13 such activations in FY 2001, all of which were completed within their assigned readiness time periods.

Two other national security programs, the Maritime Security Program (MSP) and the Voluntary Intermodal Sealift Agreement (VISA), also provide surge sealift capability but are more directed toward the sustainment and resupply phase of a conflict. MSP and VISA have the added benefit of promoting the health of the U.S. maritime industry as a whole.

MARAD also conducts national security planning, training, and operations in areas such as emergency communications, naval control/civil direction of shipping, war risk insurance, and port emergency operations.

Maritime Security Program (MSP)

The MSP serves to maintain an active, privately owned, U.S.-flag and U.S.-crewed liner fleet in international trade, a fleet which is available to support DOD sustainment in a contingency. The MSP is a 10-year program established under the Maritime Security Act of 1996, and provides approximately $100 million in funding annually for up to 47 vessels to offset higher operating costs under U.S. registry.

The program helps the United States retain an active U.S.-flag merchant fleet comprising 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. During fiscal year (FY) 2001, the MSP fleet logged 16,706 operating days across the oceans of the world. As of September 30, 2001, 12 carriers were receiving MSP payments for 47 vessels. MSP operators and types of participating vessels are shown in Figure 1. A complete list of MSP vessels as of September 30, 2001, is shown in Figure 2.

Figure 1: Maritime Security Program Participants as of September 30, 2001

American Ship Management, LLC	9 containerships
Automar International Car	3 RO/RO's*
Central Gulf Lines, Inc.	3 RO/RO's
E-Ships, Inc.	3 containerships
First American Bulk Carrier Corp.	2 containerships
First Ocean Bulk Carrier I, LLC	1 containership
First Ocean Bulk Carrier II, LLC	1 containership
First Ocean Bulk Carrier III, LLC	1 containership
Maersk Line, Ltd.	4 containerships
OSG Car Carriers, Inc.	1 RO/RO
U.S. Ship Management, Inc.	15 containerships
Waterman Steamship Corp.	3 LASH** and 1 RO/RO
Total	**47 vessels**

* RO/RO, roll-on/roll-off vessel
** LASH, lighter aboard ship

The MSP also helps retain a labor base of skilled American 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 substantial U.S. commercial maritime capitalization base valued at more than $8.5 billion.

The MSP replaced the Operating-Differential Subsidy (ODS) program, which 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 increase efficiency, Congress established MSP funding levels at fixed amounts below that of ODS. The MSP provides financial assistance of up to $2.1 million per year per vessel, which is less than half the cost of the ODS program and represents about 13 percent of the cost of operating a U.S.-flag vessel.

During FY 2001, MARAD approved the acquisition of Automar International Car Carrier's (AICC) stock from American Automar, Inc., by American Ocean Enterprises, Inc., a U.S.-citizen company within the meaning of Section 2 of the Shipping Act, 1916, as amended. Under this approval, AICC

Figure 2: MSP Operators and Vessels as of September 30, 2001

Company	*Ship Name*	*Ship Type*	*TEU's*
American Ship Management, L.L.C.	APL KOREA	CONT C11	3,900
American Ship Management, L.L.C.	APL PHILIPPINES	CONT C11	3,900
American Ship Management, L.L.C.	APL SINGAPORE	CONT C11	3,900
American Ship Management, L.L.C.	APL THAILAND	CONT C11	3,900
American Ship Management, L.L.C.	PRESIDENT ADAMS	CONT C10	3,600
American Ship Management, L.L.C.	PRESIDENT JACKSON	CONT C10	3,600
American Ship Management, L.L.C.	PRESIDENT KENNEDY	CONT C10	3,600
American Ship Management, L.L.C.	PRESIDENT POLK	CONT C10	3,600
American Ship Management, L.L.C.	PRESIDENT TRUMAN	CONT C10	3,600
Central Gulf Lines, Inc.	GREEN COVE	RO/RO	N/A
Central Gulf Lines, Inc.	GREEN POINT	RO/RO	N/A
Central Gulf Lines, Inc.	GREEN LAKE	RO/RO	N/A
Automar International Car Carrier, Inc.	FAUST	RO/RO	N/A
Automar International Car Carrier, Inc.	FIDELIO	RO/RO	N/A
Automar International Car Carrier, Inc.	TANABATA	RO/RO	N/A
First American Bulk Carrier Corp.	CHESAPEAKE BAY	CONT	2,409
First American Bulk Carrier Corp.	DELAWARE BAY	CONT	2,409
E-Ships, Inc.	ENDEAVOR	CONT	1,834
E-Ships, Inc.	ENDURANCE	CONT	1,834
E-Ships, Inc.	ENTERPRISE	CONT	1,834
First Ocean Bulk Carrier-I, LLC	LYKES NAVIGATOR	CONT	2,698
First Ocean Bulk Carrier-II, LLC	LYKES DISCOVERER	CONT	2,698
First Ocean Bulk Carrier-III, LLC	LYKES LIBERATOR	CONT	2,698
Maersk Line, Limited	MAERSK CALIFORNIA	CONT	1,400
Maersk Line, Limited	MAERSK COLORADO	CONT	1,169
Maersk Line, Limited	MAERSK TENNESSEE	CONT	1,325
Maersk Line, Limited	MAERSK TEXAS	CONT	1,325
OSG Car Carriers, Inc.	OVERSEAS JOYCE	RO/RO	N/A
U.S. Ship Management, Inc.	SEALAND ACHIEVER	CONT ACV	3,606
U.S. Ship Management, Inc.	SEALAND FLORIDA	CONT ACV	3,606
U.S. Ship Management, Inc.	SEALAND PRIDE	CONT SL-31	2,890
U.S. Ship Management, Inc.	SEALAND MOTIVATOR	CONT SL-31	2,890
U.S. Ship Management, Inc.	SEALAND COMMITMENT	CONT ACV	3,606
U.S. Ship Management, Inc.	SEALAND ATLANTIC	CONT ACV	3,606
U.S. Ship Management, Inc.	SEALAND DEFENDER	CONT D9J	2,306
U.S. Ship Management, Inc.	SEALAND ENDURANCE	CONT D9J	2,306
U.S. Ship Management, Inc.	SEALAND EXPLORER	CONT D9J	2,306
U.S. Ship Management, Inc.	SEALAND INNOVATOR	CONT D9J	2,306
U.S. Ship Management, Inc.	SEALAND INTEGRITY	CONT ACV	3,606
U.S. Ship Management, Inc.	SEALAND LIBERATOR	CONT D9J	2,306
U.S. Ship Management, Inc.	SEALAND PATRIOT	CONT D9J	2,306
U.S. Ship Management, Inc.	SEALAND PERFORMANCE	CONT ACV	3,606
U.S. Ship Management, Inc.	SEALAND QUALITY	CONT ACV	3,606
Waterman Steamship Corp.	GREEN ISLAND	LASH	1,246
Waterman Steamship Corp.	ROBERT E. LEE	LASH	1,246
Waterman Steamship Corp.	GREEN DALE	RO/RO	N/A
Waterman Steamship Corp.	STONEWALL JACKSON	LASH	1,246
			105,829

retained the MSP contracts for the vessels FAUST, FIDELIO, and TANABATA.

An important element of the MSP is the reflagging of new and more efficient vessels to U.S. registry. During FY 2001, three vessels reflagged to U.S. registry were approved by MARAD as substitutes for three MSP vessels. The SEALAND PRIDE and SEALAND MOTIVATOR were substituted in U.S. Ship Management Inc.'s MSP contracts for the NEWARK BAY and SEALAND OREGON, respectively. MARAD also approved Central Gulf Lines, Inc.'s request to replace the MSP Pure Car Truck Carrier (PCTC) vessel GREEN LAKE with the foreign-flag PCTC vessel CYGNUS LEADER. The approval was conditioned upon the reflagging of the CYGNUS LEADER to U.S. registry. The substituted vessel was only three years old, while the GREEN LAKE was built in 1987. After U.S.-flag documentation, the CYGNUS LEADER was renamed the GREEN LAKE.

In addition, two U.S.-flag companies purchased four foreign-flag vessels, all less than 10 years old, which MARAD determined would be eligible for MSP if additional funding were available. These vessels received expedited Coast Guard approval for U.S.-flag registry, and were brought under the U.S. flag. The addition of these ships also greatly benefits the modernization of the U.S. merchant fleet and enhances its competitiveness and sealift readiness.

Voluntary Intermodal Sealift Agreement (VISA)

The Voluntary Intermodal Sealift Agreement (VISA) program 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. VISA was approved as the DOD's principal commercial sealift readiness program on January 30, 1997.

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

The objective of the program 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 minimizing disruption to commercial operations. VISA activation would 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. However, MSP-enrolled vessel capacity must be 100 percent committed during Stage III. By using a time-phased approach to provide capacity to meet varying levels of crisis, carriers can plan options to sustain ongoing commercial arrangements during contingencies while accomplishing DOD's transportation requirements.

MSP/VISA Linkages

More than 75 percent of the militarily useful U.S.-flag commercial dry cargo shipping capacity is enrolled in VISA Stage III, and over 70 percent of that capacity comes from MSP vessels.

In FY 2001, MARAD published a notice in the *Federal Register* on the VISA "Open Season" enrollment for FY 2002. Several new U.S.-flag vessel-operating companies are expected to enroll as a result of the open season. As of September 30, 2001, there were 53 VISA participants, as listed in Figure 3.

Figure 3: VISA Participants as of September 30, 2001

Alaska Cargo Transport, Inc.
American Automar, Inc.
American President Lines, Ltd.
American Roll-On Roll-Off Carrier, LLC
American Ship Management, LLC.*
Automar International Car Carrier, Inc.*
Beyel Brothers Inc.
Caribe USA, Inc.
Central Gulf Lines, Inc.*
Cook Inlet Marine
Crowley Liner Services, Inc.
Crowley Marine Services, Inc.
CSX Lines, LLC
E-Ships, Inc.*
Farrell Lines Incorporated
First American Bulk Carrier Corp.*
First Ocean Bulk Carrier-I, LLC*
First Ocean Bulk Carrier-II, LLC*
First Ocean Bulk Carrier-III, LLC*
Foss Maritime Company
Gimrock Maritime, Inc.
Liberty Shipping Group Limited Partnership
Lockwood Brothers, Inc.
Lykes Lines Limited, LLC
Lynden Incorporated
Maersk Line, Limited*
Matson Navigation Company, Inc.
Maybank Navigation Company, LLC
McAllister Towing and Transportation Co., Inc.
Moby Marine Corp.
NPR, Inc.
Ocean Marine Shipping, Inc.
Odyssea Shipping Line, LLC
OSG Car Carriers, Inc.*
Resolve Towing & Salvage, Inc.
Samson Tug & Barge Company, Inc.
Sea Star Line, LLC
Seacor Marine International, Inc.
Sealift, Inc.
Signet Maritime Corporation
Smith Maritime
STEA Corporation
Stevens Towing Co., Inc.
Superior Marine Services, Inc.
Totem Ocean Trailer Express, Inc.
Trailer Bridge, Inc.
TransAtlantic Lines, LLC
Trico Marine Operators, Inc.
Troika International, Ltd.
U.S. Ship Management, Inc.*
Van Ommeren Shipping (USA), LLC
Waterman Steamship Corp.*
Weeks Marine, Inc.

* MSP Participants

The companies commit specific vessel capacity, intermodal equipment, and management services. As a condition for receiving Government financial support, MSP participants are required to enroll 100 percent of their MSP vessel capacity and a comparable mix of intermodal resources and services in VISA.

Over 105,000 20-foot equivalent units (TEUs) and 1 million square feet of capacity committed to DOD stems from MSP obligations. Other U.S.-flag vessel operators are encouraged to commit non-MSP resources to VISA as a condition for receiving priority for award of DOD peacetime ocean freight contracts.

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

Through VISA's Joint Planning Advisory Group (JPAG), Government and industry representatives 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 2001, two JPAG meetings were convened. On April 19, 2001, MARAD hosted a JPAG meeting at MARAD headquarters. The U.S. Transportation Command (USTRANSCOM) briefed "TURBO Challenge 2001," an exercise involving wartime movement requirements. In addition, USTRANSCOM provided the requirements for a test VISA activation. VISA carrier representatives provided details of how to satisfy the requirements. The results of this exercise are proving useful in assessing the readiness of the VISA fleet to respond to a military crisis. The second JPAG meeting was convened on September 19, 2001. This meeting was conducted by video telephonic conference (VTC). The VTC connected sites at the Military Sealift Command, Military Traffic Management Command and USTRANSCOM. Government and industry representatives were briefed on sealift operations in response to the terrorist attacks of September 11, 2001.

NATIONAL DEFENSE RESERVE FLEET (NDRF)

The NDRF program, including the Ready Reserve Force (RRF) component, keeps MARAD-owned vessels in a laid-up condition, including those that can be activated to support U.S. sealift requirements during a national emergency.

As of September 30, 2001, there were 316 vessels in the NDRF. This includes 140 retention vessels held for national sealift (comprised of 76 RRF ships and 64 NDRF), 132 non-retention ships, and 44 ships held in reimbursable custody. (See Figures 4 and 5.)

The deep lay-up vessels are maintained in three reserve fleet sites: 104 in the James River Reserve Fleet (JRRF) at Ft. Eustis, VA; 44 in the Beaumont Reserve Fleet (BRF) at Beaumont, TX; and 98 in the Suisun Bay Reserve Fleet (SBRF) at Benicia, CA. The remaining 70 vessels maintained in various locations are mostly RRF ships stationed at outport berths based upon a siting plan.

Figure 4: NATIONAL DEFENSE RESERVE FLEET 1945—2001

Fiscal Year	*Ships*	*Fiscal Year*	*Ships*	*Fiscal Year*	*Ships*
1945	5	1964	1739	1983	304
1946	1421	1965	1594	1984	386
1947	1204	1966	1327	1985	300
1948	1675	1967	1152	1986	299
1949	1934	1968	1062	1987	326
1950	2277	1969	1017	1988	320
1951	1767	1970	1027	1989	312
1952	1853	1971	860	1990	329
1953	1932	1972	673	1991	316
1954	2067	1973	541	1992	306
1955	2068	1974	487	1993	302
1956	2061	1975	419	1994	286
1957	1889	1976	348	1995	296
1958	2074	1977	333	1996	303
1959	2060	1978	306	1997	307
1960	2000	1979	317	1998	307
1961	1923	1980	303	1999	312
1962	1862	1981	317	2000	325
1963	1819	1982	303	2001	316

Figure 5: NATIONAL DEFENSE RESERVE FLEET SEPTEMBER 30, 2001

Port	*RRF*	*NDRF Retention*	*NDRF Non-retention*	*Reimbursable Custody*	*Totals*
James River, VA	6	18	70	10	104
Beaumont, TX	6	27	9	2	44
Suisun Bay, CA	4	14	48	32	98
Other Locations	60	5	5	0	70
TOTALS	**76**	**64**	**132**	**44**	**316**

Ready Reserve Force (RRF)

A Memorandum of Agreement between the DOD and MARAD established the RRF as the surge component of the

NDRF in 1976. RRF vessels are kept in a high state of readiness to enable them to be activated in 4, 5, 10, or 20 days to meet surge and resupply military sealift requirements. The ships are used in the event of war or military deployment. They were used in Operations Desert Shield and Desert Storm, and more recently in Haiti, Somalia, Croatia, Bosnia-Herzegovina, and for humanitarian support as part of Hurricane "Mitch" Relief in Central America.

As of September 30, 2001, there were 76 vessels in the RRF fleet, down from 90 the previous year due to the downgrading of 14 aging breakbulk vessels. MARAD has responded to this fleet reduction by increasing militarily useful RO/RO deck space.

The RO/RO's CAPE RACE, CAPE RAY, CAPE RISE, CAPE VICTORY, CAPE VINCENT, and CAPE WRATH have all completed deck space upgrades, and the CAPE WASHINGTON is presently in a shipyard undergoing a similar deck space upgrade. These upgrades significantly enhance the capacity of the vessel type most useful to DOD and offset lost breakbulk capacity.

To meet the readiness needs of DOD, MARAD outports 4- and 5-day RRF ships and assigns them with permanent Reduced Operating Status (ROS) crews. The outporting program provides layberths for RRF ships near the expected loading ports for defense cargoes. At year's end, 56 RRF vessels were assigned to outport locations: 20 on the East Coast, 11 on the Gulf Coast, 25 on the West Coast (including three shallow-draft tankers that are outported in Japan). In addition, there were four RRF vessels fully operational and deployed overseas for the year. The remaining ships in the RRF were located in the three reserve fleet sites: 6 in the James River, VA; 6 in Beaumont, TX; and 4 in Benecia, CA. The schoolships EMPIRE STATE and GOLDEN BEAR, outfitted to carry troops in an emergency, have dual status and, when needed by the DOD, as was the case when the EMPIRE STATE was pressed into DOD service to repatriate refugees during the Somalia incident, they assume the RRF mantle.

ROS crews on the ships in 4- and 5-day readiness status consist of 9 or 10 merchant mariners who execute a planned maintenance program and become part of the sailing crew upon vessel activation. The use of ROS crews greatly enhances the ability to successfully activate RRF ships. Since the establishment of the ROS program following the Persian Gulf sealift experience in the early 1990s, there have been no activation failures on ships with such crews.

25th Anniversary of the Ready Reserve Force

Preparations for the recognition of the 25th anniversary of the RRF commenced early January 2001, and continued throughout the fiscal year. MARAD employees paused to look back on the genesis of this unique sealift program. Activities to recognize the RRF program included the development of an electronic history, the issuance of a coloring book featuring the RRF and US Merchant Marine, opening RRF vessel sea trials to local media, and the issuance of the *MARAD UPDATE*, an agency newsletter, which featured programs of national security.

The national recognition of the program, originally scheduled for September 14, 2001, was postponed until FY 02 as a result of the events of September 11, 2001. Instead, MARAD and its sealift partners in industry concentrated on providing emergency response measures including heightened ship and layberth security, anti-terrorism training for RRF vessel crews, testing of the material condition of vessels through dock and sea trials, and general preparations to support sealift requirements of Operation Enduring Freedom.

Implementation of New Ship Manager Contracts

A procurement solicitation (RFP DTMA91-97-00002) was issued on August 1, 1997. This solicitation requested offers for ship management services from qualified sources to maintain and operate RRF vessels in defined phases of readiness as directed by MARAD. Services include determining vessel deficiencies, writing repair specifications, supervising repairs, identifying spare parts requirements, storing spare parts shipboard, maintaining inventory, and provisioning, crewing, activating, operating, and deactivating the vessels in compliance with U.S. Coast Guard regulations and American Bureau of Shipping standards and other regulatory requirements.

On April 28, 2000, the Office of Acquisition announced 33 contract awards for maintenance and operational services for RRF vessels as outlined in Figure 6.

Protests were filed by some unsuccessful offerors. During the course of the summer, several protests were withdrawn. In September 2000, the General Accounting Office dismissed the remaining protests, which were filed upon the announcement of Ship Manager contract awards. On October 1, 2000, MARAD began the transition of RRF vessels between former and incoming ship managers and general agents.

The second set of vessels received notice to proceed on November 1, 2000.

Approximately four vessels were held for later turnover due to operational considerations. A post-award conference with all Ship Managers was held November 13, 2000, at MARAD Headquarters in Washington, DC. By January 1, 2001, the 2000 Ship Manager contracts were fully implemented and transition from former to present Ship Managers was completed.

A Systematic Ship Maintenance Program

The initial concept of the RRF was to develop a dedicated fleet of ships that would implement a sound, systematic material conditioning program for cargo ships with capabilities not necessarily readily available in the commercial marketplace. This program would test selected vessels through operations and exercises. During FY 2001, MARAD conducted 58 sea trials, including 13 conducted as part of no-notice activations, 14

scheduled dock trials, and 17 drydockings in U.S. shipyards. Sea trials and the inclusive rigorous testing of the main engine and all supporting engine room systems are vital to ensure the readiness of the RRF fleet.

Prior to Desert Shield/Desert Storm, sea trials were not routinely conducted, nor was vessel maintenance and repair adequately funded. Since then, a vigorous sea trial program, combined with adequate maintenance and repair funding, regular

Figure 6: RRF Ship Managers

Ship Manager, by contract	*RRF Vessels Assigned*
1. Keystone Shipping Services	CAPE RACE, CAPE RAY, CAPE RISE
2. Crowley Liner Services	CAPE LAMBERT, CAPE LOBOS
3. American Overseas Marine Corp.	CAPE JOHNSON, CAPE JUBY
4. Mormac Marine Enterprises	CAPE ANN, CAPE ARCHWAY
5. Mormac Marine Enterprises	CAPE ALEXANDER, CAPE AVINOF
6. Crowley Liner Services	CAPE WASHINGTON, CAPE WRATH
7. Marine Transport Lines, Inc.	CAPE DUCATO, CAPE EDMONT
8. Marine Transport Lines, Inc.	CAPE DECISION, CAPE DOUGLAS
9. Marine Transport Lines, Inc.	CAPE DIAMOND, CAPE DOMINGO
10. Interocean Ugland Management Corp.	CORNHUSKER STATE, FLICKERTAIL STATE, GOPHER STATE
11. Interocean Ugland Management Corp.	CAPE MAY, CAPE MENDOCINO
12. Keystone Shipping Services	CAPE KENNEDY, CAPE KNOX
13. Mormac Marine Enterprises	CAPE TAYLOR, CAPE TEXAS, CAPE TRINITY
14. Keystone Shipping Services	CAPE VICTORY, CAPE VINCENT
15. American Overseas Marine Corp.	CAPE JACOB, CAPE JOHN
16. Pacific Gulf Marine, Inc.	DIAMOND STATE, EQUALITY STATE
17. Pacific Gulf Marine, Inc.	CAPE FAREWELL, CAPE FLATTERY, CAPE FLORIDA
18. Keystone Shipping Services	MISSION BUENAVENTURA, MISSION CAPISTRANO
19. Interocean Ugland Management Corp.	PETERSBURG, POTOMAC
20. Keystone Shipping Services	ADM. WM. CALLAGHAN, CAPE ORLANDO
21. Marine Transport Lines, Inc.	CAPE HENRY, CAPE HORN, CAPE HUDSON
22. Crowley Liner Services	CAPE INTREPID, CAPE ISLAND
23. Crowley Liner Services	CAPE INSCRIPTION, CAPE ISABEL
24. Mormac Marine Enterprises	COMET, METEOR
25. Patriot Contract Services	CAPE BOVER, CAPE BRETON
26. Patriot Contract Services	CAPE BLANCO, CAPE BORDA
27. Patriot Contract Services	CAPE GIBSON, CAPE GIRARDEAU
28. Pacific Gulf Marine, Inc.	KEYSTONE STATE, GEM STATE, GRAND CANYON STATE
29. Interocean Ugland Management Corp.	CAPE FEAR, CAPE MOHICAN
30. American Overseas Marine Corp.	BEAVER STATE, GREEN MOUNTAIN STATE
31. Ocean Duchess, Inc.	ALATNA, CHATTAHOOCHEE, NODAWAY
32. American Overseas Marine Corp.	CAPE NOME, CURTISS, WRIGHT
33. Interocean Ugland Management Corp.	CHESAPEAKE, MOUNT WASHINGTON

dry docking intervals, and phased maintenance procedures, has resulted in RRF vessels being delivered to Military Sealift Command's (MSC's) operational control an average of one day ahead of their activation charters, regardless of whether they are 4-, 5-, 10-, or 20-day ships. Early delivery provides more time for the vessels' critical-mission cargo loadouts.

MARAD mandates a set schedule for trials of ROS RRF vessels. ROS-4 vessels receive sea trials annually and ROS-5 vessels alternate between dock trials and sea trials, receiving one or the other annually. RRF-10 and RRF-20 status vessels do not have crewmembers permanently assigned to them until they are activated and placed in operation. RRF-10 vessels have sea trials every other year and RRF-20 vessels have alternate dock and sea trials at 2 _-year intervals. During the final weeks of FY 2001, MARAD conducted 40 emergency dock trials in preparation for potential participation of the RRF in Operation Enduring Freedom.

Sea trials also provide a training opportunity for the merchant mariner crews and a chance for the ship management company to exercise its management contract functions and observe crew performance. MARAD continued its policy to include customer representatives from MSC whenever possible. The attending MSC Surge Representatives (Surge Reps) were able to witness many sea trials and how the RRF ships performed. In addition, the MSC Surge Reps were able to observe the performance of newly-installed automated engine room equipment as well as any other demonstrated shipboard deck or engine room equipment performance. The sea trials provide the added advantage of early warning of potential equipment failure through observation of performance and sea trial tests such as thermography and vibration analyses. These "heads-up" warnings enable MARAD to carry on an effective maintenance and repair program and minimize the possibility of an RRF mission failure.

At the conclusion of a sea trial, both MARAD and the ship manager record the deficiencies they have observed. Their report forms the nucleus of repair specifications. In addition, crew performance is noted for purposes of improving or developing training regimens. When a RRF ship is activated, over two-thirds of the crew complement for the vessel comes directly from maritime union hiring halls. Many of these seafarers may be unfamiliar with the RRF vessel to which they are assigned, or with the differences that exist between a commercial and RRF military ship routine. The 9- and 10-person ROS crews in attendance aboard RRF vessels in ROS-4- and 5-day activation status are very familiar with the vessels, and can help familiarize the additional crew members.

Combined with sea and dock trials, MARAD conducts regulatory drydockings in accordance with a 1998 Memorandum of Understanding between MARAD and the U.S. Coast Guard. RRF ships fall into one of three drydocking intervals: 1) the normal twice-in-five years interval, typical of active commercial vessels; 2) a five-year interval with drydocking exams scheduled every five years and no intermediate examination; or 3) a ten-year interval with intermediate exam(s).

From the perspective of a sound, systematic maintenance program, a drydocking allows the vessel to remove marine growth and fouling from the hull, which, if not addressed periodically, impedes the vessel's speed and increases fuel consumption. The increased speed capability and fuel consumption efficiency are especially important to the aging RRF vessels and their continued ability to carry out their national defense and contingency missions.

Drydocking also provides an opportunity to pull the propeller, make repairs to the blades, check bearings, lube oil leaks, and packing condition.

If the hull coatings on the vessels are denigrated during the scamping process (growth and fouling removal) or if the coating has deteriorated through normal wear and tear, the coating is restored during the drydocking. The drydocking period also provides opportunity to restore coatings to weather decks, housing, cargo gear, winches, and other topside appurtenances.

MARAD regions and Ship Managers usually coordinate the scheduling and conduct of most drydockings during favorable weather that prevails in spring and summer. This enhances shipyard productivity and the quality of the drydocking. As previously cited, topside and related engine room repairs can be included in a drydock bid package. Depending on the breadth of a drydock bid package, the RRF drydockings ranged in cost from $800,000 to $3.5 million during FY 2001. Drydocking details are maintained and tracked through the RRF Maintenance, and Repair Tracking System (RRF-MARTS).

Collectively, the RRF program's dock trials, sea trials, drydockings, and maintenance procedures provide ready, dependable, cost-efficient surge sealift.

Turbo Activations Show Readiness

In FY 2001, there were 13 Turbo Activations, which are activations initiated by DOD, without prior notice or planning, in order to test readiness. All of these activations were completed within their assigned readiness time period. This performance validates the maintenance program developed to ensure the material condition of the RRF fleet, its readiness to perform and the activation procedures of the ship managers.

Turbo Activations normally are short-interval exercises that include a sea trial when required, practical, and possible. These sorties are generally of 24 hours duration and serve to verify vessel material condition and readiness. Turbo Activations normally do not include cargo operations. However, in FY 2001, three vessels, the CAPE MOHICAN, FLICKERTAIL STATE and CHESAPEAKE, started out as Turbo Activations and were extended to cargo loadouts in support of an international Joint Logistics Over the Shore (J-LOTS) exercise.

The other RRF component tested is the human factor. All RRF crews are union seafarers: U.S. Coast Guard-licensed plus certified unlicensed personnel meeting U.S. citizen and security requirements. Crew members must respond to a no-notice acti-

vation, execute vessel activation procedures, and perform the shipboard functions of their respective ranks and ratings during vessel operation.

During FY 2001, four Turbo Activations were conducted with each using two or more RRF vessels. The largest, involving all three coasts and regions, was initiated on the Friday preceding the Memorial Day holiday observance. Eight RRF vessels involving six ship managers were called out during the no-notice test. Included were the EQUALITY STATE, CAPE BLANCO, CAPE GIBSON, CHATTAHOOCHEE, ALATNA, CAPE TRINITY, CAPE VICTORY, and CAPE MAY. The Turbo Activation is the culmination and validation of the readiness reporting that the regions and ship managers submit during the year.

Readiness reports are provided to USTRANSCOM and other DOD customers on a monthly and interim basis to advise them of the readiness availability of RRF vessels. This includes identification of vessels unavailable due to repair and regulatory work in progress.

Special Missions for RRF Vessels

Within the RRF, a number of vessels have been equipped with Sealift Enhancement Features (SEF), undergone conversions to perform specific missions, or were originally designed with special capabilities. These vessel classes include: general cargo ships with Modular Cargo Delivery Systems (MCDS), tankers with Offshore Petroleum Discharge Systems (OPDS), Aviation Logistics Support Ships (TAVB), Lighter Aboard Ship (LASH), Auxiliary Crane Ships (T-ACS) and Sea Barge Clippers (SEABEE) barge carriers. A synopsis of their FY 2001 activities follows.

Offshore Petroleum Discharge System

On June 26, 2001, MARAD celebrated the return to the United States of the POTOMAC after more than 10 years of continuous duty overseas under DOD operational control. This event was marked with the presentation of the Professional Ship Award to the officers and crew of the POTOMAC. POTOMAC, the first of five offshore petroleum discharge system (OPDS) vessels converted by MARAD, was first activated on March 31, 1991, for Operation Desert Shield /Desert Storm. Upon completing its service in the Gulf War, POTOMAC remained operational and was assigned to the Navy's MPS squadron in Diego Garcia. Throughout this period, POTOMAC was fully loaded with cargo and ready to get underway within a few hours to support national security needs. POTOMAC was called upon on several occasions including supporting Operation Restore Hope in Somalia, delivering aid to Rwandan refugees on the African coast, the Bosnian relief efforts, and numerous other convoy operations and exercises. POTOMAC's exceptional service was highly recognized and its merits included the USN "E" for excellence and accolades by the Secretary of the Navy and Commanding Officer of the Military Sealift Command during visits to the ship. Upon completing deactivation, POTOMAC will be sited in the Beaumont Ready Reserve Fleet in RRF-10 status.

Replacing the POTOMAC in Diego Garcia is the SS CHESAPEAKE. CHESAPEAKE completed a Joint Logistics Over the Shore (JLOTS) exercise in Korea with outstanding results prior to loading cargo and steaming for Diego Garcia. The CHESAPEAKE is outfitted with OPDS utility boats that provide operational self-sufficiency, and it carries 50 percent more cargo than the POTOMAC, enhancing the OPDS capability in the theater.

In June, the flooding in Houston, TX, from Tropical Storm Alison caused the MOUNT WASHINGTON to incur serious damage to its rudder and steering gear, and to break free from its pier when struck by two free-floating barges. MOUNT WASHINGTON then went on to collide with the RRF vessels EQUALITY STATE and DIAMOND STATE. The hull damage to all vessels was minimal.

Modular Cargo Delivery System (MCDS)

The MCDS Program achieved two major milestones in FY 2001. They were the first underway replenishment (UNREP) operation between an MCDS vessel and a NATO ship, and the first UNREP operation between a MARAD ship and an aircraft carrier. In October 2000, the CAPE JOHN participated in Exercise JTFX 01-01 as an underway MCDS and Maritime Interdiction Operation (MIO) platform. The vessel was activated in Violet, LA, and sailed to Wilmington, NC, to embark United States Naval Reserve (USNR) personnel. During the exercise, conducted off the coast of the Carolinas, UNREP operations were conducted with a NATO ship. CAPE JOHN returned to its outport berth in Violet after the highly successful exercise.

The CAPE GIRARDEAU was activated in January 2001, to participate in a west coast MCDS exercise. Upon successful activation, the CAPE GIRARDEAU departed for Pearl Harbor, HI. The vessel participated in the first UNREP exercise ever conducted between any class of MARAD vessel and an aircraft carrier, the USS ABRAHAM LINCOLN. The exercise was an unqualified success, and the CAPE GIRARDEAU received a BRAVO ZULU congratulatory message from the carrier's commanding officer, the first recognition of this kind received by a MCDS vessel in 2001. CAPE GIRARDEAU returned to her Alameda, CA, outport berth in February 2001 after completing a number of other successful exercises off the Hawaiian Islands.

Aviation Logistic Support Ship (T-AVB)

In April 2001, the T-AVB CURTISS was activated in Port Hueneme, CA, to participate in Exercise PACIFIC PROVIDER 21 off the coast of California. The ship loaded cargo at Port Hueneme, and then departed on the exercise. CURTISS made a port call at San Diego, CA, during the exercise and completed several successful exercise evolutions before returning to Port Hueneme to discharge cargo.

Lighter Aboard Ship (LASH)

MARAD's four LASH vessels are each outfitted with a 455-light-ton gantry crane to load and discharge barges. The CAPE FEAR is also outfitted with a self-sustaining 30-ton container crane. In 2001, the CAPE FAREWELL was modified to carry 20-foot equivalent container units (TEU) without the use of barges. Modifications to the vessel included installation of deck lashing points and lashing gear. The vessel is now capable of carrying 1,624 containers, with 1,489 of these containers having ammunition-carrying capability. The CAPE FLATTERY's modification is currently in progress and is expected to be completed in early FY 2002, with the CAPE FLORIDA modification to follow. In addition, all LASH vessels will be able to support the DOD Joint Logistics Over the Shore exercise initiatives. The CAPE FAREWELL is to be outfitted with a cantilever-lifting frame that will enable the vessel to lift and carry oversized DOD cargo.

State Maritime Academy Schoolship Maintenance and Repair (M&R) Program

Public nautical schoolships are furnished by MARAD to state maritime academies and colleges in accordance with the provisions of the Maritime Education and Training Act of 1980. These ships are the primary assets for training young men and women to become licensed merchant marine officers (see Chapter 7). There are six academies and colleges located in California, Maine, Massachusetts, Michigan, New York, and Texas.

Through FY 2001, schoolships were assigned to all the academies except Michigan. In September 2001, MARAD requested the transfer of a vessel from the United States Coast Guard (ex-USNS PERSISTENT, T-AGOS 6) for future assignment to the Great Lakes (Michigan) Maritime Academy. If the transfer is approved, the vessel will likely become available to MARAD in early FY 2002.

There were four schoolships in service during FY 2001: EMPIRE STATE (NY), GOLDEN BEAR (CA), STATE OF MAINE (ME), and TEXAS CLIPPER II (TX). The EMPIRE STATE was also temporarily furnished to Massachusetts in 2001. The contract to convert the former RRF general cargo ship CAPE BON into a schoolship was awarded in December 2000 to Bender Shipbuilding and Repair Co. of Mobile, AL. The converted vessel, to be renamed ENTERPRISE, will be assigned to the Massachusetts Maritime Academy to replace the retired schoolship PATRIOT STATE.

MARAD is responsible for maintaining schoolships in full regulatory compliance, and in a state of good repair. Academy crew and cadets carry out routine and preventive maintenance. Two of the schoolships, the EMPIRE STATE and GOLDEN BEAR, are designated as troopships in the RRF. Upon completion, the ENTERPRISE is slated to replace the GOLDEN BEAR as an RRF troopship in FY 2002.

A $500,000 earmark for renovation of the EMPIRE STATE was included in MARAD's FY 2001 appropriation. A renovation contract was awarded in September 2001 to accomplish necessary upgrades to living spaces and infrastructure.

RRF Operations

DOD continued to deploy the RRF crane ship GOPHER STATE in Guam during FY 2001 to support the U.S. Army's Prepositioning Stock Program (APS). GOPHER STATE departed Guam for Marchwood Military Port, Hythe, United Kingdom, in January via the Panama Canal for a cargo maintenance download. Upon completion of the download in late February, GOPHER STATE left APS service for a maintenance shipyard period in Charleston, SC, departing the shipyard in May, and returning to Guam via cargo upload in Hythe in early July to resume APS duties.

The OPDS tankers PETERSBURG and CHESAPEAKE (which replaced the POTOMAC after completing a J-LOTS exercise in May, see above) continue to support the Afloat Prepositioning Force (APF), operating from Guam and Diego Garcia respectively. The CAPE JACOB, a breakbulk vessel outfitted with a Modular Cargo Discharge System (MCDS) for underway cargo transfers, is also on station at Diego Garcia participating in the APF program.

In March 2001, the CAPE ISABEL was activated at her Long Beach, CA, outport berth to participate in EXERCISE TANDEM THRUST 2001. The vessel participated in cargo operations in Japan, Korea, and Australia before MSC redelivered the ISABEL to MARAD in May at Long Beach. The vessel was under MSC operational control for 62 days. The CAPE HUDSON was also activated in March at her San Francisco, CA, outport berth in support of EXERCISE COBRA GOLD 2001. The vessel participated in cargo operations in Japan, Korea, and Thailand before redelivery to MARAD in May at San Francisco. The vessel was under MSC OPCON for 121 days.

Three RRF vessels participated in a J-LOTS exercise during May-June 2001 off Chilpo Beach, Korea. Three different classes of RRF vessels were activated for this unique exercise, which also involved the construction of an offshore pier capable of accommodating the cargo discharge of a RO/RO vessel. In addition, the exercise included construction of an Offshore Petroleum Discharge System (OPDS) conduit to expedite pumping from the RRF OPDS tanker CHESAPEAKE (OPDS-3) to a shoreside storage facility. The other participating RRF vessels were the CAPE MOHICAN (SEABEE) and the crane ship FLICKERTAIL STATE (T-ACS-5). On May 22, 2001, the CAPE MOHICAN dragged anchor and went aground off the Chilpo Beach anchorage in severe weather conditions. The vessel sustained extensive hull damage, and repairs will be completed in FY 2002 in Singapore.

A single Sea Deployment Readiness Exercise (SEDRE), DRAGON TEAM 01-08, was held in FY 2001. The CAPE

DOUGLAS was activated at its Charleston, SC, outport berth and OPCON passed to MSC when the vessel was Ready For Sea (RFS). After departing Charleston, SC, the DOUGLAS loaded 126,000 square feet of cargo at Savannah, GA, sailed to Port Hueneme, CA, via the Panama Canal, discharged its cargo at Port Hueneme, and was redelivered to MARAD at Charleston, SC, in early June. The vessel was under MSC OPCON for 33 days.

Breakout 2001

MARAD conducted the CPX Exercise BREAKOUT 01, April 16-27, 2001. The exercise tested the procedural and coordination requirements necessary during a widespread RRF activation. All RRF vessels, except those exempted because they were already operational or undergoing maintenance and repair, to meet national defense strategic sealift requirements were included in the exercise.

Primary focus of BREAKOUT 01 was on testing the Ship Manager's ability to crew those vessels participating in the exercise. The exercise also served as a procedure review for new Ship Managers and a refresher for holdover Ship Managers.

Another benefit of the exercise was that it provided an opportunity for on-the-job training of MARAD personnel at both the regions and headquarters with RRF responsibilities to test MARAD's plans, procedures, and communications in a significant RRF activation within a prescribed time frame.

The exercise embodied hands-on participation on the part of Region marine surveyors in that they were required to draft vessel SITREPS for their assigned vessels in coordination with the ship managers' port engineers, and to verify crew lists. The regions also consolidated the crew lists and forwarded them to headquarters.

Crewing of 63 RRF vessels was simulated in the exercise. (Eight RRF vessels were operational and five RRF vessels were undergoing maintenance, repair, or conversion upgrades.)

Unions and ship managers provided crew lists for all ships. The total surge crewing requirement was 1,570 mariners to complement the existing ROS crew members (450 seafarers) for a total manpower requirement of 2,010 mariners.

Merchant marine naval reservists along with Region marine surveyors participated in the exercise by calling over 25 percent of the union-identified crew members to verify their availability, readiness, and willingness to go to sea.

Logistics Support

MARAD continued to improve the logistics readiness of RRF vessels during FY 2001. Supply support overhauls or upgrades were completed on eight ships; five additional major logistics overhauls were in process at the end of the year. MARAD also completed five major ship spare-part stow evolutions.

The Personal Computer Shipboard Allowance List (PC-SAL) modernization project continued. Fleet testing and training was completed aboard six pilot ships. The final programming was completed to support RRF-wide implementation of PC-SAL version 4.0 in FY 2001.

Also, MARAD operationally deployed the web-enabled Excess Material Management System (EMS). EMS allows regional logistics warehouses to identify and nominate excess parts and equipment for transfer or disposal. Through EMS, MARAD HQ coordinates and approves nominations. Disposal decisions are electronically integrated with GSA, making MARAD only the second government agency to implement a totally paperless property disposal system.

RRF Claims Settlement

MARAD continued to act as the claim agent for Government-owned RRF vessels in FY 2001. From the inception of Operation Desert Shield/Desert Storm in August 1990, through the end of September 2001, some 829 formal, written administrative claims for personal injury have been presented to MARAD. Through September 30, 2001, 530 had resulted in monetary award. Monetary settlements from August 1990 through September 2001 totaled nearly $30.4 million. As of September 30, 2001, two MARAD Ship Managers reported claims pending; they were expected to be settled at amounts within the independent settlement authority granted the Ship Managers. As of the end of September 2001, MARAD was also assisting the U.S. Department of Justice in seeking the resolution of 27 claims where litigation against the United States was brought by or on behalf of the claimant. Among claims pending resolution at the end of FY 2001 were those for seafarers who crewed RRF vessels used in the Army Prepositioning Stock Program and the Afloat Preposition Force Program.

Ship Disposal Program for Disposition of Obsolete Vessels

Section 8136 of Public Law 106-259 appropriated $10 million to accelerate the scrapping and disposal of ships in the NDRF in FY 2001. Some of the NDRF vessels are in a state of advanced deterioration, posing significant environmental risk. To meet its vessel disposal challenges, MARAD used existing staff to provide oversight of the FY 2001 contracts and plan out-year vessel disposal activities. MARAD staff also completed a comprehensive Ship Disposal Report transmitted to Congress in June 2001, and began investigating many disposal alternatives to expedite the disposal of its obsolete vessels at the least cost to the Government.

In February 2001, MARAD contracted with a general agent to award and manage the disposal of the highest-risk ships. The highest-risk ships were determined through an evaluation and prioritization process that considered the ships material condi-

tion and potential for damage to the environment from spills of hazardous materials or vessel sinkings. In FY 2001, four contracts were awarded to ship scrapping contractors by MARAD's general agent using the $10 million FY 2001 funding. Another vessel was dismantled as a result of a contract awarded under an urgent and compelling solicitation.

In addition to the five vessels to be disposed of with FY 2001 funds through service contracts, the disposal of two other vessels was completed in FY 2001, which was a result of sales contracts executed by MARAD with domestic ship-disposal contractors prior to FY 2001. Also, one ship was transferred in FY 2001 to the State of Florida to be sunk as an artificial fish reef. The transfer of the ship for use as an artificial fish reef was accomplished at no cost to the Federal Government.

WAR RISK INSURANCE

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

As of September 30, 2001, the War Risk Revolving Fund (fund) asset total was approximately $35,200,000. There were no new assureds receiving binders during FY 2001. The fund earned $2,000,000 in investment income. Program expenses for FY 2001 totaled $46,500.

As of September 30, 2001, there were 269 binders on vessels and barges providing eligibility for hull protection and indemnity, and second seamen war risk insurance. No binders related to MARAD's standby war risk cargo insurance and builder's risk insurance programs have been issued. All binders are effective for 30 days following an automatic termination of commercial insurance.

Statutory authority covering the Title XII War Risk Insurance program was extended five years, to June 30, 2005 by Public Law 106-65.

In addition to the standby war risk program, MARAD has activated the war risk program on several occasions at the request of the Secretary of Defense with the approval of the President. MARAD wrote war risk insurance on 388 vessels during Operation Desert Shield/Desert Storm, 34 vessels for Operation Restore Hope in Somalia, and 15 vessels for Operation Restore Democracy in Haiti. As a result of the terrorism of September 11, 2001, MARAD has also written war risk insurance on five vessels in conjunction with Operation Enduring Freedom.

Figure 7: Marine and War Risk Insurance Approved in FY 2001

Kind of Insurance	*Total Amount*	*American*	*Foreign*
Marine Hull and Machinery	$2,018,209,985	43%	57%
Protection and Indemnity*	–	–	–
War Risk Hull and Machinery	$1,849,620,434	46%	54%
War Risk Protection and Indemnity	$1,427,372,406	39%	61%

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

TITLE XI AND OTHER INSURANCE COMPLIANCE

MARAD monitors the contractual requirements for marine insurance coverage placed in the commercial market on all existing Title XI vessels on which MARAD holds the mortgage, together with vessels subsidized by the Government and Government-owned vessels on charter to private operators. One aspect of this compliance is to assure that the American marine insurance market has the opportunity to compete for placement of marine insurance on these vessels. As indicated in Figure 7, MARAD approved marine hull and machinery during FY 2001, with 43 percent being placed in the American market and 57 percent being placed in the foreign insurance markets. This compares with 46 percent American market placement for hull and machinery insurance in FY 2000.

EMERGENCY OPERATIONS

MARAD Advisories rapidly disseminate information on government policy, danger and safety issues pertaining to vessel operations, and other timely maritime matters. MARAD routinely issues them to ship operators and other U.S. maritime interests via Internet e-mail. MARAD Advisories are published in the National Imagery and Mapping Agency's (NIMA) Weekly Notice to Mariners. Depending on the importance of the MARAD Advisory, NIMA will on occasion re-broadcast the Advisory directly to ships as a Broadcast Warning. MARAD also posts MARAD Advisories on its World Wide Web pages, making them more accessible to the shipping industry and the public.

During the year 2001, MARAD issued the following seven MARAD Advisories:

01-1 Mine Danger Area Advisory for Merchant Shipping in the Northern Persian (Arabian) Gulf

01-2 Radio Navigational Aids, Pub. 117

01-3 Naval Coordination and Protection of Shipping Exercise in the Arabian Gulf

01-4 Naval Coordination and Protection of Shipping Exercise in the Arabian Gulf; Naval Coordination and Protection of Shipping (NCAPS) Exercise in Waters Off the Republic of Korea (ROK)

01-5 The Reporting of Hostile Incidents Directed at Merchant Ships as Discussed in Pub. 117, "Radio Navigational Aids"

01-6 Maritime Alert and Increased Required AMVER Position Reporting for U.S.-Flag Vessels

01-7 Maritime Industry Reporting of Suspected/Actual Terrorist Incidents

Special Warnings to Mariners are coordinated by the State Department with MARAD and the Defense Department announcing official government proclamations affecting shipping. During 2001, seven Special Warnings were issued for Iran, Persian Gulf, Pakistan, Algeria, Lebanon, Sierra Leone, and U.S. Forces. Special Warnings to Mariners are also published in the Weekly Notice to Mariners.

Through NIMA's Pub. 117, Radio Navigational Aids, MARAD provides instructions to U.S. merchant ships on emergency call-up of the U.S. Navy if under attack or faced with a hostile situation, and Ship Hostile Action Report (SHAR) procedures.

The Chemical, Biological, and Radiological Defense (CBRD) Tracking System was operationally deployed to facilitate shipboard accountability of CBRD items, including shelf life, lot numbers, expiration dates, quantities, and financial data. The CBRD Tracking System accounts for equipment at the MARAD staging facility, region SBS warehouses, on board RRF ships, and while in transit. The tracking system allows authorized individuals to query CBRD status via the Internet.

MARAD procured 3,388 line items of repair parts and ship support material valued at $3.8 million from Federal and commercial supply sources. MARAD screened 2,564 line items of excess material transferred from RRF vessels, valued at $768,585, through the MARAD Reutilization Material (MRM) program and inducted the material into the MARAD shore-based spares (SBS) inventory. More than 1,500 items valued at $945,178 from shore-based spares were issued to RRF ships.

CHAPTER 2
Shipbuilding and Ship Conversion

TITLE XI GUARANTEES

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

On November 30, 1993, the National Shipbuilding and Shipyard Conversion Act of 1993 (Shipbuilding Act) expanded the Title XI program by authorizing the Secretary of Transportation to guarantee obligations issued to finance the construction, reconstruction, or reconditioning of eligible export vessels. It also authorized guarantees for shipyard modernization and improvement.

The Shipbuilding Act established a National Shipbuilding Initiative (NSI) program to support the industrial base for national security objectives. The goal of NSI was to help re-establish the American shipbuilding industry as a self-sufficient internationally competitive industry. Title XI financing was one of the key elements of the NSI.

Under the Title XI program, the U.S. Government insures or guarantees full payment to the lender of the unpaid principal and interest of the obligation in the event of default by the vessel owners or general shipyard facility.

As of September 30, 2001, Title XI guarantees in force aggregate approximately $4.9 billion, covering 871 vessels and 89 individual shipowners.

During FY 2001, Congressional authority for the Title XI program had a cap of $12 billion, with $11.15 billion allocated to the Maritime Administration (MARAD) and $850 million authorized to guarantee the financing of fishing vessels and fisheries facilities by the National Oceanic and Atmospheric Administration. Title XI guarantees for eligible export vessels are limited to $3 billion.

In FY 2001, Title XI applications totaling approximately $730 million in loan guarantees were approved. The approved projects covered construction of 295 vessels. Vessels approved included one 2600-TEU (Twenty-foot Equivalent Unit) container carrier vessel, one enhanced Gorilla Class self-elevating mobile offshore drilling vessel, and one Orca Class roll on/roll off vessel. Projects also involved river barges, tank barges, and articulated tug/barge units.

On March 21, 2001, MARAD satisfied a demand for payment on the Government-guaranteed financing of four liftboats to be owned by Searex, Inc. The amount of the payoff was $78.1 million, including both principal and interest. MARAD recovered $15.7 million from Title XI-guaranteed obligations that were held in escrow and not disbursed. Additional recoveries will come from the sale of the financed assets.

MARITECH

The NSI also contained funds for industry-initiated research and development (R&D) projects under the MARITECH program.

MARITECH was a 5-year $220-million Federally funded program that provided matching Government funds to encourage the shipbuilding industry to direct and lead in the development and application of advanced technology to improve its competitiveness and to preserve its industrial base. The program was industry-led and jointly funded by Government and industry. Program administration was provided through the Defense Advanced Research Projects Agency (DARPA) of the Department of Defense in collaboration with MARAD.

MARITECH had both near-term and long-term objectives. In the near term, it assisted industry in penetrating the international marketplace with competitive ship designs, market strategies, and modern shipbuilding processes and procedures. In the long term, the program encouraged advanced ship and shipbuilding technology projects in promoting continuous product and process improvement in order to maintain and enlarge the U.S. share of the commercial and international market; this, in turn, was designed to ensure the availability of an experienced industrial base, which is vital to national security in times of crisis.

MARITECH projects awarded during FYs 1994-1998 covered a wide range of themes from the design of various types of small vessels to large oceangoing ships, shipyard technology, and advanced material technology. These projects were awarded to 24 companies and involved some 200 subcontractors located in 40 states, the District of Columbia, Puerto Rico, and nine foreign countries.

MARAD MARITECH Projects

Since 1994, DARPA and MARAD jointly selected a total of 65 projects valued at $357 million, of which 40 projects valued at $172 million were assigned to MARAD to administer. There has been no new or additional funding provided for new projects

since the end of FY 1998. However, several existing projects have been extended with follow-on work phases.

At the end of FY 2001, eight MARITECH projects were ongoing and were being administered by MARAD. Currently five projects ($20.7 million) should be phased out or concluded by the end of FY 02. These projects range from innovative design and marketing strategies of high-technology vessels to research in advanced manufacturing technology processes and procedures. Information on MARAD-administered projects is available on MARAD's web site (http://www.marad.dot.gov/nmrec/). From an index on that site, MARITECH project information files are available for review, including such information as project title, project consortium members, project objectives/overview, project status, and Government and private sector contacts.

National Shipbuilding Research Program-Advanced Shipbuilding Enterprise (NSRP-ASE)

Funding for MARITECH ended in fiscal year 1998. Recognizing the need to build on MARITECH's success, the industry worked with the Navy, DARPA, Coast Guard, and MARAD to develop a successor program called NSRP-ASE. This program, which has received congressional funding since FY 1999, is designed to manage and focus national shipbuilding research and development funding on technologies that will reduce the cost of warships to the U.S. Navy and will establish U.S. international competitiveness.

NATIONAL MARITIME RESOURCE AND EDUCATION CENTER (NMREC)

NMREC's principal missions are to promote elimination of unnecessary regulation, encourage development and use of consensus technical standards for the maritime industry, and support U.S. participation in both national and international standards-writing organizations. MARAD, through NMREC, works closely with national and international standards-developing organizations. These include the International Maritime Organization (IMO), the U.S. Coast Guard (USCG), the International Organization of Standardization (ISO), the American National Standards Institute (ANSI), and the American Society for Testing and Materials (ASTM). The goal is to assist in the adoption of consensus ship construction and quality standards.

In fulfilling its mission, MARAD serves as a member of the following organizations:

- U.S. Technical Advisory Group (USTAG) to the ISO
- Executive Control Board of the National Shipbuilding Research Program (NSRP)
- Government/Industry Advisory Board of the Gulf Coast Region Maritime

Technology Center

The Agency also has established the Marine Industry Standards Library under NMREC. Its purpose is to provide technical assistance to U.S. shipbuilders, ship repair facilities, and marine equipment suppliers in obtaining and using copies of domestic and international industry standards. A technical staff receives and investigates questions and assists the industry in the areas of standards and their applications to shipbuilding and the marine industry.

Another Agency role is to engage in outreach to the shipbuilding industry by providing information and market leads to assist in increasing international sales. In this latter connection, NMREC also sponsors conferences on these subjects:

- International standards
- International marketing
- Title XI loan guarantees
- Competitiveness bench marking of foreign versus U.S. shipyards
- Cruise ship construction in the U.S.
- Marine environmental protection
- Safety reform in the shipbuilding industry
- Challenges facing the ship repair industry
- Alternative fuels for ferries and other vessels

Since introduction of the shipyard revitalization plan in 1995, MARAD has acted as a facilitator for the shipbuilding, ship repair, and marine supply industry with the USCG to define areas for deregulation. In this connection, MARAD holds periodic meetings with USCG to maintain close cooperation in reducing regulations and supporting adoption of both national and international consensus standards.

NMREC offers support services and information in these areas:

- Marine Industry Standards Library
- Conferences and seminars
- MARAD's Guideline Specifications for Merchant Ship Construction
- MARITECH project information
- Title XI approved and pending lists, among other maritime-related activities

CAPITAL CONSTRUCTION FUND

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

The CCF Program enables operators to build vessels for the U.S. foreign trade, Great Lakes, noncontiguous domestic trade

(e.g., between the West Coast and Hawaii), and the fisheries of the United States. It aids in the construction, reconstruction, or acquisition of a wide variety of vessels, including containerships, tankers, bulk carriers, tugs, barges, supply vessels, ferries, and passenger vessels. During calendar year 2000, $336.4 million was deposited into these accounts. Since the program was initiated in 1971, fundholders have deposited $7.4 billion in CCF accounts, and withdrawn $5.6 billion for the modernization and expansion of the U.S. merchant marine. As of September 30, 2001, a total of 150 companies were parties to CCF agreements. (See Figure 11.)

CONSTRUCTION RESERVE FUND

Like the CCF, the Construction Reserve Fund (CRF) encourages upgrading of the American-flag fleet. The 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 predominantly by owners of vessels operated in coastwise trades, the inland waterways, and other trades not eligible for the CCF program. Its benefits are not so broad as those of the CCF.

The number of companies with CRF balances increased from 21 to 22 during FY 2001 (See Figure 12.) The total monies on deposit increased to $44.3 million.

SHIPYARD ACTIVITY

During FY 2001, the major U.S. shipyards had a diverse orderbook, including both Navy and commercial construction. Navy shipbuilding included surface combatants, submarines, aircraft carriers, and auxiliary T-ships. The "T" designates Government-owned, civilian-manned ships which, in most instances, are assigned to the Navy's Military Sealift Command (MSC).

As of September 30, 2001, four T-ships were on order or under construction in three privately owned U.S. shipyards. (see Figure 8)

Figure 8: T-Ships on Order or Under Construction as of September 30, 2001

Shipyard	*Ship Class and Hull Number*	*Vesssel Name*	*Estimated Delivery Date*	*Approximate Contract (in $ millions)*
Halter Marine	T-AGS 65	MARY	12/23/2001	$53.6
Avondale	T-AKR 305	SEARS	01/06/2002	$210.0
Avondale	T-AKR 306	BRITTIN	08/12/2002	$227.0
National Steel	T-AKR 317	BENAVIDEZ	09/17/2002	$230.0
Totals	**4 Ships**			**$720.6**

Figure 9: FEDERAL SHIP FINANCING GUARANTEE (Title XI) Program Summary Principal Liability (Statutory Limit $11.15 Billion) September 30, 2001

	Contracts in Force	
	Vessels Covered	*Outstanding Amount (Millions)*
Liner	0	$0.00
Bulk	38	$768,070,014.80
Passenger	16	$1,266,553,120.00
Offshore Drilling Industries	32	$1,925,597,000.00
Inland	619	$183,638,000.00
Ocean Tugs and Barges	147	$421,846,440.00
Other	*3	$45,674,000.00
Shipyard	(No Ship Count)	$56,252,139.68
Power Generating Vessels	7	$226,995,000.00
Dredging Equipment	8	$26,059,418.85
Totals	**871**	**$4,920,685,133.33**

* Includes crane barges, pipelaying barges, floating drydock, swath dive support vessel, platform supply vessel.

As of September 30, 2001, there were 17 commercial oceangoing vessels larger than 1,000 gross tons on order from commercial shipyards in the United States. Orders for five of these vessels were facilitated by MARAD's Title XI program.

Shipbuilding orders included: two 6,299-deadweight ton/dwt (72,000 gross tons/gt) passenger cruise ships at Litton Ingalls; four 131,623-dwt (88,187 gt) crude carriers at Litton Avondale; two 27,397-dwt (60,884 gt) roll-on/roll-off (RO/RO)'s and four 185,000-dwt (106,988 gt) product tankers at National Steel; one 30,000-dwt (32,000 gt) containership at Kvaerner Philadelphia; two 11,120-dwt (8,500 gt) containerships at Bender Shipbuilding; 1,695-dwt. (1,592 gt) cruise ship at Atlantic Marine, Jacksonville; and two 13,000-dwt (37,237 gt) car/truck carriers at Halter Marine, Pascagoula.

Figure 13 shows the locations of the shipyards constructing oceangoing commercial vessels greater than 1,000 gross tons (gt) at the end of FY 2001.

In FY 2001, there were no deliveries of commercial oceangoing vessels 1,000 gt or greater. Figure 14 shows the commercial shipbuilding orderbook at the end of each calendar year since 1975, and as of September 30, 2001.

Shipyard Improvements

The U.S. shipbuilding and ship repair industry invested more than $338 million in FY 2001 to upgrade and expand facilities. During the last 10 years, the industry has invested more than $2.8 billion in capital improvement projects.

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 sub-assemblies, and pre-outfitting of ship components.

Information received by MARAD indicates that U.S. shipyards plan to spend approximately $279 million for improvements in FY 2002. The industry's capital investments since 1970 have totaled approximately $7.7 billion. Figure 15 shows capital investments in the shipbuilding and repair industry since 1985.

PUBLIC, PRIVATE, AND INTERGOVERNMENTAL PARTNERSHIPS FOR MARINE-RELATED ACTIVITIES

MARAD, in cooperation with the private sector and other Government agencies within and outside the Department of Transportation, continued to work on a series of shipbuilding-related projects:

- **Maritime Energy and Clean Emissions Program**—MARAD initiated a Maritime Energy and Clean Emissions program that seeks to investigate and demonstrate the potential for new technologies and fuels to improve marine power plant efficiency and reduce air emissions. The program actively seeks partnership with industry, other Federal agencies, and academia. Results of all investigations and demonstrations will be displayed on a related web site. The following headings give an update of recent project activities:
- **Comparative Testing of Natural Gas and Diesel Ferries**—Emission testing occurred on two sister ferries owned by the Hampton Roads Transit Authority in Norfolk, VA. One ferry operates with spark-ignited natural gas engines and the other a two-stroke diesel engine. Emissions, including nitrogen oxides (NOx), CO, CO2, HC, and Particulate Matter, were recorded over a series of operating conditions using a full test bench provided by West Virginia University and the Department of Energy. The Environmental Protection Agency provided a separate mobile source monitoring system, a self-contained, portable NOx measurement instrument capable of operating unattended for up to a week. The testing occurred in October, and MARAD is presently awaiting report documentation from the recording organizations.
- **Development of Marine Emission Measurement Protocols**—The wide variety of emission monitoring equipment used in the above comparative testing highlights the need, for scrutiny of which equipment and procedures are required for marine applications. Is a full bench test needed or can basic readings be measured at the stack with other parameters estimated? Which procedures will suit State, Federal, and international regulatory bodies? MARAD is working with the University of Delaware to sort through and publish recommendations for Maritime Emission Measurement Protocols.
- **Emission Reduction Technology Selection Framework**—There is also a wide variety of technology solutions for marine vessel operators to consider. Determining which technology should work the most cost-effectively for specific applications will be challenging. MARAD is again working with the University of Delaware to set up a framework that will assist the vessel operators in their technology selection endeavors.
- **San Francisco Ferry Bio-Diesel Project**—Bio-diesel is a fuel with diesel oil qualities, synthesized from vegetable oil or animal fat constituents. The fuel reduces most types of air emissions with the exception of Nitrogen Oxides (NOx). MARAD co-funded a demonstration project with the Water Transit Authority and Blue and Gold Fleet on the San Francisco Bay, to accomplish comparative performance and emission testing aboard an existing ferry. The testing has begun, and will include the addition of NOx-reduction technology (water injection in the inlet air) with bio-diesel and, separately, a low-sulfur diesel fuel.
- **Marine Engine Laboratory Tests**—MARAD is partnering with the Philadelphia Naval Warfare Center, Carderock, NAVSEA, in Philadelphia to test multiple emission-reduction technologies aboard a laboratory-based, two-stroke Detroit Diesel. The technologies will primarily be aimed at reducing NOx; however, other emission reductions will also be recorded. Additionally, the Department of Energy is providing funding to perform some expanded bio-diesel testing at the laboratory. Testing is expected to commence in the winter of 2002.
- **Marine Fuel Cell Load Testing**—Sure Power Corporation of Danbury, CT, is working with MARAD to determine how a 400 kW Fuel Cell Power Plant (Two 200 kW IFC Phosphoric Acid types) will respond to simulated marine load conditions. A dynamic flywheel system has been incorporated within the plant configuration to ensure rapid load following. Results will provide useful information toward future fuel cell power plant integration on ships and barges. Testing was scheduled for December 2001.
- **Sodium Borohydride Fuel Testing**—Hydrogen is perhaps the cleanest known fuel. However, hydrogen storage and safety characteristics present significant drawbacks in effective application. One solution may be sodium borohydride, which has the ability to carry an energy-dense quantity of hydrogen in a non-flammable, environmentally benign, liquid form. The liquid can be pumped over a catalyst to release the entrained hydrogen. MARAD is working with Seaworthy Systems of Essex, CT, to develop a conceptual marine application for this new fuel.

- **Car, Bus, Ferry In Situ Emission Comparison Study**—Phase I of this study has been awarded to Seaworthy Systems in San Francisco. The study will analyze how best to measure car and bus emissions, while in transit conditions, and compare these to ferries, which could replace them.
- **Maritime Energy and Emission Program Web site and Conferences**—All of the above ongoing and planned projects are relatively meaningless, unless MARAD can find methods of transmitting results to the industry. MARAD has scheduled a second related conference for the end of January 2002. A web-site is also under construction that will contain the results of all projects, studies, and known reference articles.

Figure 10: WORLDWIDE SHIP DELIVERIES—CALENDAR YEAR 2001

Tonnage in Thousands

	Total		*Tanker*		*Dry Bulk*		*Containership*		*Roll-on/Roll-off*		*Cruise/Passenger*		*Other**	
Construction	*Ship*	*Dwt*	*Ship*	*Dwt*	*Ship*	*Dwt*	*Ship*	*Dwt*	*Ship*	*Dwt*	*Ship*	*Dwt*	*Ship*	*Dwt*
JAPAN	327	19,058	68	4,846	205	12,914	31	1,104	12	97	—	—	11	97
KOREA (SOUTH)	185	16,265	64	7,921	49	4,469	67	3,765	4	86	—	—	1	24
CHINA	69	2,220	13	406	25	1,440	4	110	2	21	—	—	25	243
GERMANY	37	728	2	65	2	56	23	541	2	20	5	26	3	20
TAIWAN	12	695	—	—	3	347	9	348	—	—	—	—	—	—
POLAND	24	679	1	57	—	—	15	486	1	15	—	—	7	121
DENMARK	6	421	—	—	—	—	6	421	—	—	—	—	—	—
CROATIA	10	357	5	235	2	87	—	—	2	25	—	—	1	10
PHILIPPINES	6	294	—	—	6	294	—	—	—	—	—	—	—	—
NETHERLANDS	35	179	5	43	—	—	2	7	—	—	—	—	28	129
ROMANIA	17	162	4	51	3	44	—	—	—	—	—	—	10	67
UNITED STATES	2	143	1	142	—	—	—	—	—	—	1	1	—	—
SPAIN	5	131	2	119	—	—	—	—	1	3	—	—	2	9
TURKEY	17	121	11	63	—	—	2	21	—	—	—	—	4	37
ITALY	9	104	4	52	—	—	—	—	—	—	2	11	3	41
Top 15 Total	**761**	**41,557**	**180**	**14,000**	**295**	**19,651**	**159**	**6,803**	**24**	**267**	**8**	**38**	**95**	**798**
All Other	**39**	**354**	**4**	**66**	**—**	**—**	**6**	**89**	**3**	**41**	**7**	**55**	**19**	**103**
Grand Total	**800**	**41,911**	**184**	**14,066**	**295**	**19,651**	**165**	**6,892**	**27**	**308**	**15**	**93**	**114**	**901**

[1] Oceangoing self-propelled vessels of 1,000 gross tons and over.

* Breakbulk ships, partial containerships, refrigerated cargo ships, and specialized cargo ships.

Source: Lloyd's Maritime Information Services

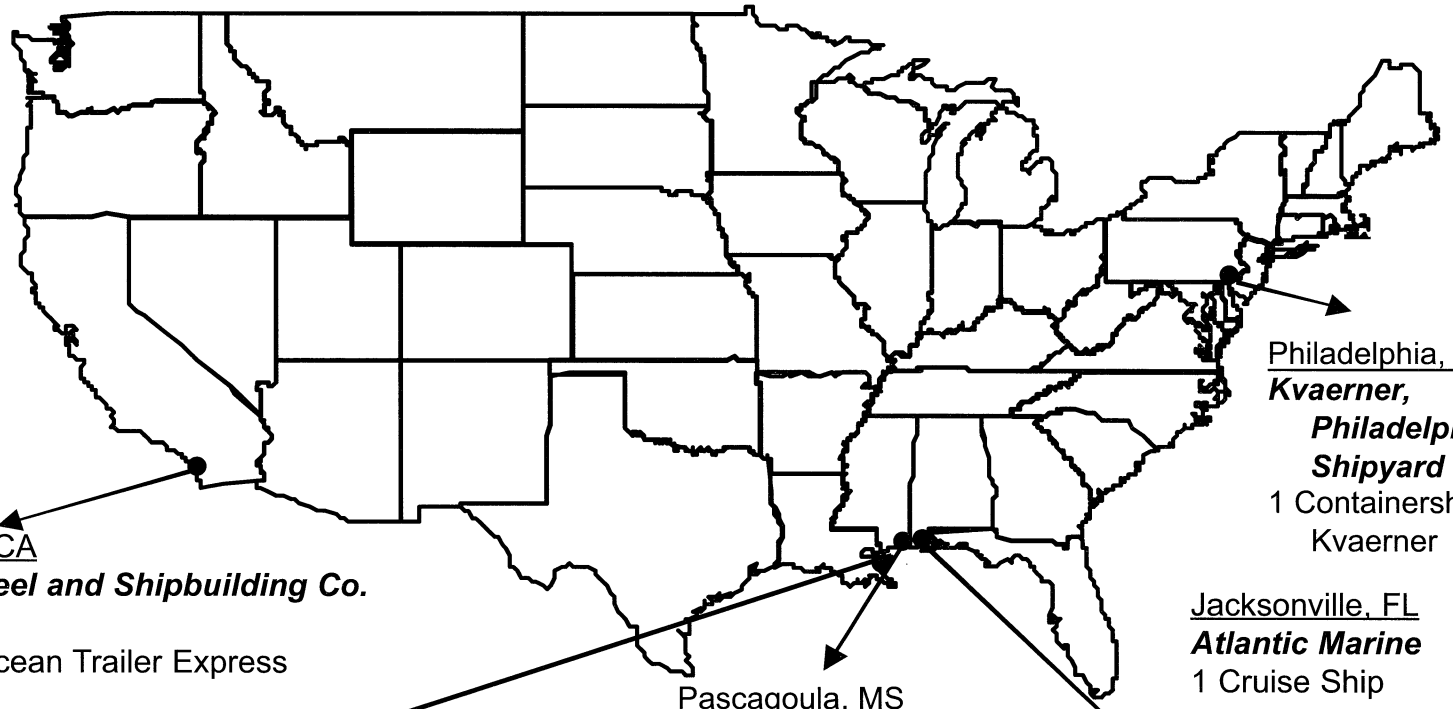
Figure 11: CAPITAL CONSTRUCTION FUND HOLDERS—September 30, 2001

Abdon Callais Boat Rentals, Inc.
ABCR Offshore, LLC
AFFCO, Incorporated
Afram Lines (USA) Co.
Al A. Gonsoulin
Alaska Riverways, Inc.
Alpha Marine Services, Inc.
A.M.C. Boats, Inc.
AMT Marine, Inc.
Amalgamated Henway, Inc.
American President Lines, Ltd.
Anderson Tug & Barge Co.
Andover Company, L.P.
Apex Marine Corporation
Aquarius Marine Company
Aries Marine Corporation
Atlas Marine Company
BP Oil Shipping Co., USA/AMI Leasing
Bigane Vessel Fueling Co.
Bisso Marine Company, Inc.
Botruc Enterprises, Inc.
Bludworth, Richard W.
Blue Lines, Inc.
Brice Incorporated
C & C Boat Rentals
C & E Boat Rentals, Inc.
Callais Enterprises, Inc.
Captain Elliott's Party Boats, Inc.
Cardinal Services, Inc.
Champion Auto Ferry, Inc.
Citicorp Industrial Credit, Inc.
Clipper Navigation, Inc.
Coast-Craft, Inc.
Cook Inlet Tug & Barge Co., Inc.
Coon Brothers, Inc.
Cowan Towing & Salvage Co.
Crewboats, Inc.
Crosby Enterprises, LLC
Cross Marine, Inc.
Crowley Maritime Corp.
Cvitanovic Boat Service, Inc.
Danos & Inc.
Danos & Curole Marine Contractors, Inc.
Danos Marine, Inc.
Durocher Dock and Dredge, Inc.
Edison Chouset Offshore, Inc.
Edward E. Gillen Co.
Elevating Boats, LLC
Ensco International
Eserman Offshore Service, Inc.
Exxon Corporation
Falcon Alpha Shipping, Inc.
Falcon Capital, Inc.
Falgout Bros., Inc.
Falgout Marine, Inc.
First Island Company
Fred Devine Diving & Salvage, Inc.
G & B Marine Transportation, Inc.
GATX Corporation
General Dynamics Corp. (NASSCO)
General Electric Credit & Leasing Corporation
General Electric Credit Corp. of Delaware
General Electric Credit Corp. of Georgia
Gilco Supply Boats, Inc.
Global Industries, Ltd.
Great Lakes Towing Co.
Hone Heke Corporation
Household Commercial Financial Svcs, Inc.
Hvide Shipping, Incorp.
Iberia Crewboats & Marine Svc., Inc.
Inter-Cities Navigation
International Shipholding Corp.
Interstate Towing Co.
Island Express Boat Lines, Ltd.
Jade Marine, Inc.
Jore Group, The
Kenai Fjord Tours, Inc.
L&L Marine Service, Inc.
L&M Botruc Rental, Inc.
Laborde Marine, Ltd.
Maalaeakai Enterprises, Inc.
Matson Navigation Company, Inc.
Maybank Navigation Co., LLC
Maybank Shipping Co., Inc.
Middle Rock, Incorporated
Miller Boat Line, Inc.
Milwaukee Bulk Terminals, Inc.
Montco Offshore, Inc.
Mr. E. Phillips
New Transport Lines, Inc.
Newman Boat Line, Inc.
Nicor, Inc.
Northland Services, Inc.
Ocean Shipholdings, Inc.
Oceanic Fleet, Inc.
Oglebay Norton Company
O.L. Schmidt Barge Lines, Inc.
OMI Corp.
Otter Candies, Inc.
Otter Creek Company
Overseas Shipholding Group, Inc.
P. J. Brix, LLC.
Pacific Hawaiian Line, Inc.
Pacific Marine & Supply Co., Ltd.
Paradise Cruise, Ltd.
Phillips Petroleum Company
Proteus Company
Puget Sound Freight Lines
Rainbow Tours
Ritchie Transportation Company
Saltchuk Resources, Inc. (Totem Resources/Foss Maritime)
Sause Bros., Inc.
Sause Bros. Ocean & Towing Co., Inc.
Seabulk Tankers, Ltd.
Sea-Glo, LLC
SL Servicem Inc. (Sea-Land)
Sea-Mar, Inc.
Sea Mar Equipment, Inc.
Sea Otter, Inc.
Sea Ox, Inc.
Sea Supply, Inc.
Sheplers, Inc.
Silver Bay Loggings, Inc.
Skansi Marine, LLC
Southern States Offshore, Inc.
St. Bartholomey Corporation, The
St. Bernard Boat Rental, Inc.
Stan Stephens Charters, Inc.
State Boat Corp.
Steel Style Marine, Inc.
Steel Style Marine of Florida
TMT Corporation
Titus, Inc.
Tobias, Inc.
Total Transportation, Inc.
United Marine Holdings, LLC
United Tugs, Inc.
Van Ommeren Shipping (USA) LLC
Verizon Capital Corp./Trident Marine Trust
Washington Island Ferry Line, Inc.
WFC, Inc.
Wilmington Trust Co./Bell Atlantic
TriCon Leasing Co.
Windjammer Cruises, Inc.
Wolf, Inc.
Y & S Marine, Inc.
Zidell Corp.
Zita Corporation

Figure 12: CONSTRUCTION RESERVE FUND HOLDERS—September 30, 2001

Anna Offshore, Inc.	Graham Boats, Inc.	Seacor Ocean Support Services, Inc.
Arthur Levy Enterprises, Inc.	Graham Offshore, Inc.	Seacor Offshore, Inc.
P.J. Brix, LLC	McCall Marine Services, Inc.	Seacor Supply Ships Assoc., Inc.
Cenac Towing Co., Inc.	Pacific Hawaiian Line, Inc.	Seacor Worldwide, Inc.
Central Gulf Steamship Corp.	Sause Bros. Ocean Towing Co., Inc.	Serodino, Inc.
Crowley Launch and Tugboat Co.	Seacor Marine, Inc.	Shadow Draft Elevating Boats, Inc.
Foss Maritime Company	Seacor Marine International, Inc.	

Figure 13: COMMERCIAL SHIPBUILDING ORDERBOOK
(1,000 GT AND OVER)
SEPTEMBER 30, 2001



San Diego, CA
National Steel and Shipbuilding Co.
2 RO/RO's-
Totem Ocean Trailer Express
4 Tankers-
British Petroleum

New Orleans, LA
Litton, Avondale
4 Crude Carriers -
Polar Tankers

Pascagoula, MS
Litton, Ingalls
2 Passenger Cruise Ships -
American Classic Cruises
Halter Marine, Pascagoula
2 Car/Truck Carriers -
Pasha Hawaii Transport

Mobile, AL
Bender Shipbuilding
2 Containerships
Santa Maria Shipping

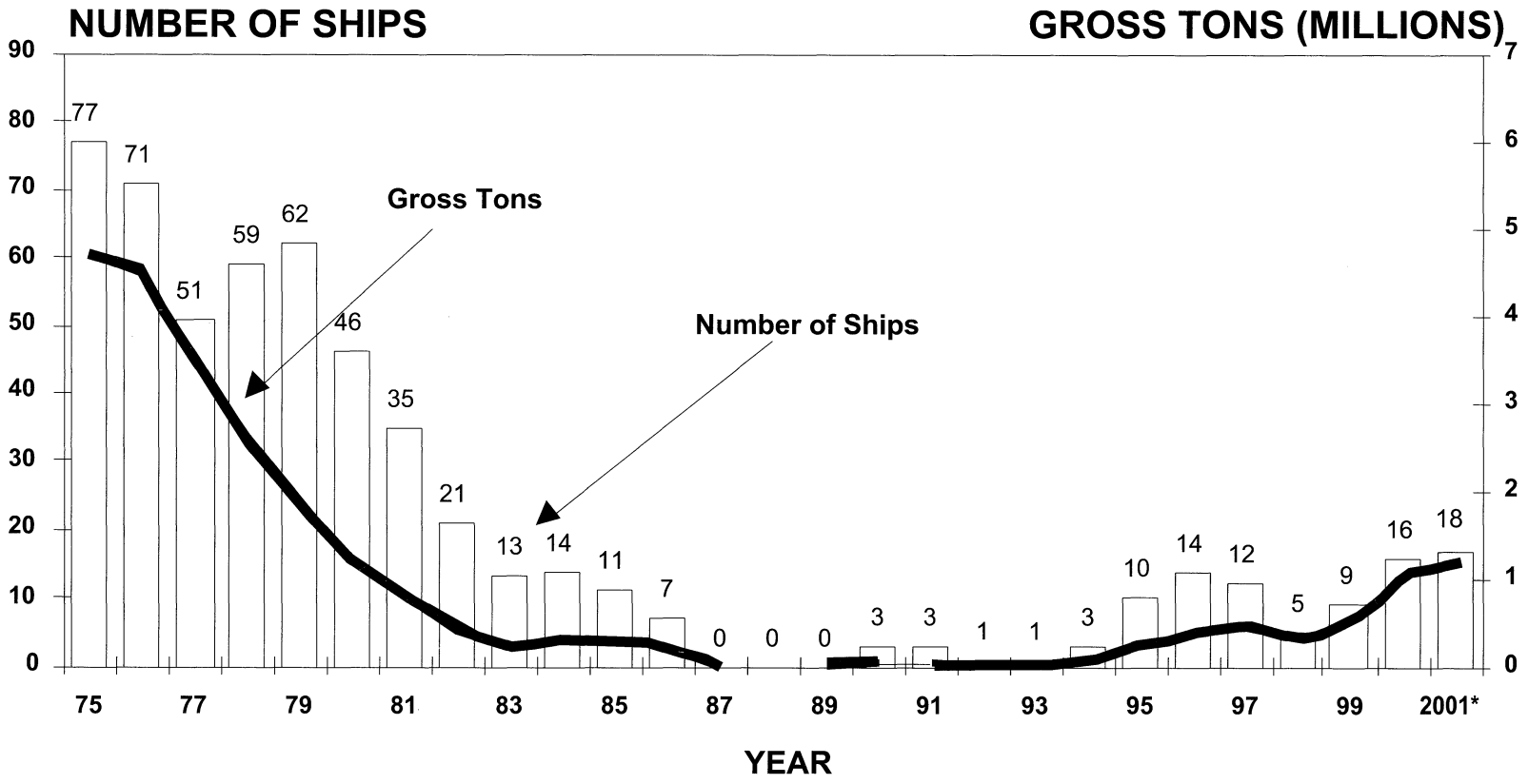
Jacksonville, FL
Atlantic Marine
1 Cruise Ship

Philadelphia, PA
Kvaerner, Philadelphia Shipyard
1 Containership -
Kvaerner

Figure 14: COMMERCIAL SHIPBUILDING ORDERBOOK HISTORY

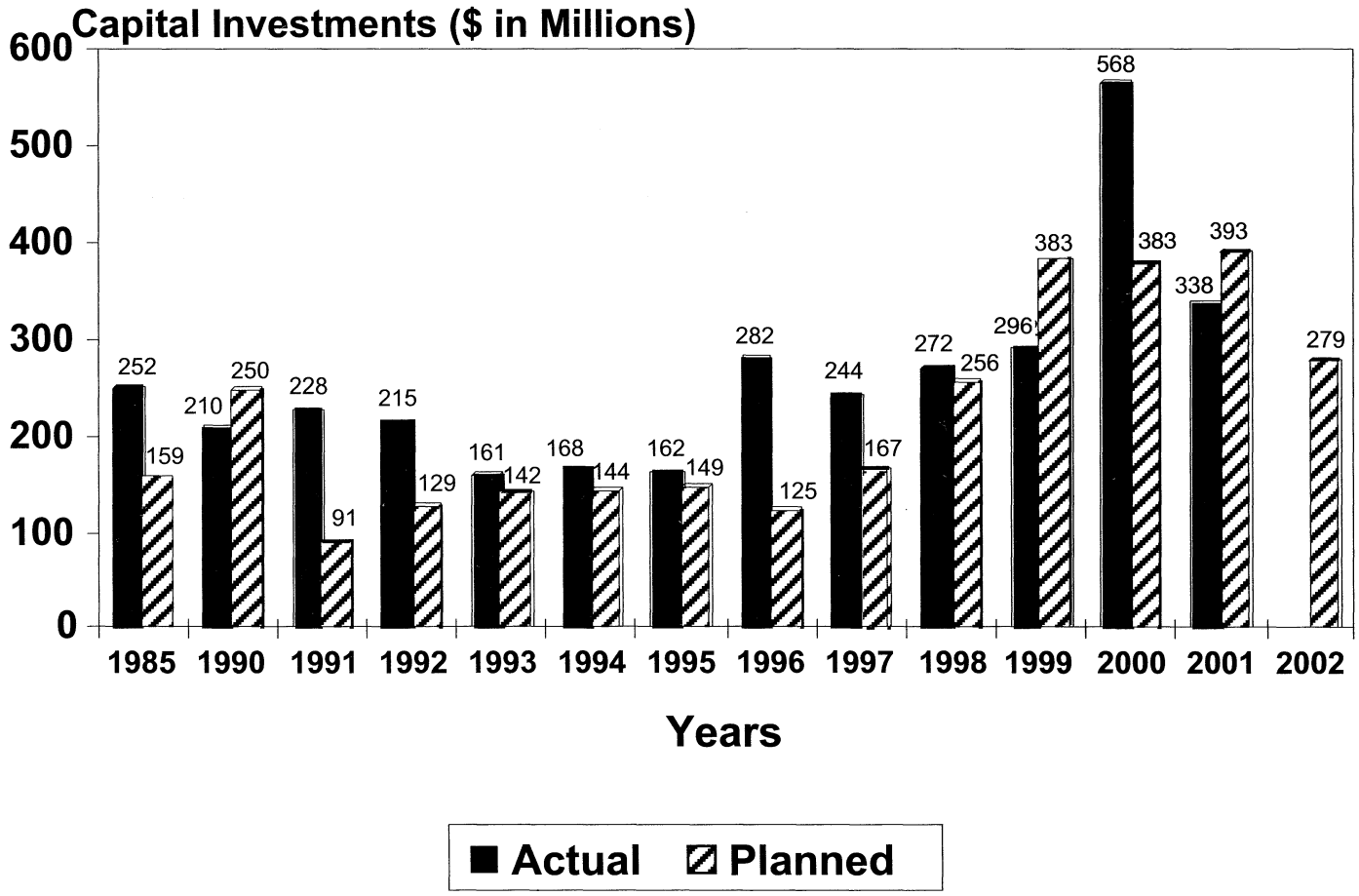
(AS OF DECEMBER 31)

SHIPS OF 1,000 GROSS TONS AND OVER



* Data as of September 30, 2001

Figure 15: CAPITAL INVESTMENTS
U.S. SHIPBUILDING AND REPAIR INDUSTRY



CHAPTER 3
Port, Intermodal, and Environmental Activitives

The Port, Intermodal, and Environmental programs of the Maritime Administration (MARAD) are an integral part of the new vision of transportation at the U.S. Department of Transportation. The Marine Transportation System (MTS) initiative that MARAD co-leads continues to be the focus of efforts to accomplish the goals of the Agency and the Department.

The Agency's major activities and programs are designed to assist the marine industry, both public and private, to meet the challenges of moving people and goods. A primary role for MARAD is to assist and promote port, intermodal, and environmental planning and operations.

In fiscal year 2001, the Agency continued to assist in the development of intermodal networks and technology that improve the efficient flow of cargo and reduce transport cost. MARAD's environmental protection program seeks to enhance environmental protection and sustainable development in the U.S. maritime industry. In times of national emergency or contingency, MARAD plans for the use of ports and port facilities and for the priority use and procurement of containers and other intermodal equipment to minimize disruption of inventory distribution.

The principal FY 2001 activities related to the Agency's port, intermodal, and environmental programs are summarized below.

PORTS

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, revitalize communities negatively impacted by base closures or other Federal action, and increase port capacity.

One port facility conveyance was finalized in FY 2001 for the City of Long Beach, CA. Conveyances have been completed in Richland, WA, and North Kingston, RI. An application filed by the Tri-City Port District, Granite City, IL, is near completion and final deeds are being prepared.

CCDoTT

MARAD entered into cooperative agreements with the U.S. Transportation Command (TRANSCOM) and California State University at Long Beach (CSULB) to assist in managing the Center for the Commercial Deployment of Transportation Technologies (CCDoTT). The CCDoTT program demonstrates existing, emerging, and developing technologies in cargo handling, tagging, tracking, information management systems, and high-speed sealift. These technologies will help the military deploy more quickly, expand the ability of commercial transportation to accommodate surges of military cargo, and minimize commercial transportation disruption.

In FY 2001, CCDoTT demonstrated or advanced a number of concepts or technologies including these: continued evaluation of the trimaran and pentamaran hull forms, evaluation of high-speed waterjet propulsors, evaluation of port inspection technology, continued development and outreach of an agile port system, development of computational fluid dynamics optimization tools, cargo equipment tracking and identification demonstration, continuation of the Pacific rim high-speed ocean freight marketing study, continuation of the high-speed ferry and coastwise vessel study, and evaluation of transportation Internet portals for military deployment application.

Public Port Financing

MARAD continues to maintain an extensive database of U.S. port financial data (covering 1978-2000) that permits in-depth analyses of the port industry. The survey is published in cooperation with the Finance Committee of the American Association of Port Authorities (AAPA) and is updated annually.

Two interesting projects relating to port finance and port profitability have begun. The first, a report titled "*Public Port Financing in the U.S.,*" will examine methods and trends in port financing and include case studies. A public-private partnership among MARAD, AAPA, and the finance community is developing the report, which is scheduled for completion in 2003.

The second project involves statistically analyzing the characteristics of profitable ports in the U.S. Financial data will be examined, as well as various port characteristics, such as type of operation, type of governmental agency, extent of planning, and size of port. Ten years' worth of data will be used, from fiscal years 1991-2000. MARAD will partner with the Bureau of Transportation Statistics (BTS) and AAPA.

Port Capital Expenditures

Deep-Draft

The *United States Port Development Expenditure Report* analyzes the public port industry's capital expenditures for 1999 and

Figure 16: U.S. Port Capital Expenditures for 2000

(Thousands of Dollars)

Region	*Expenditures*	*Percent*
North Atlantic	$223,186	22.0%
South Atlantic	192,567	18.2%
Gulf	233,160	22.0%
South Pacific	263,030	24.9%
North Pacific	130,461	12.3%
Great Lakes	5,046	0.6%
Guam, Saipan	203	less than 0.01%
Total	**$1,057,653**	**100.0%**

Figure 17: U.S. Port Capital Expenditures Projected for 2001–2005

(Thousands of Dollars)

Region	*Expenditures*	*Percent*
North Atlantic	$1,563,764	16.6%
South Atlantic	1,772,685	18.8%
Gulf	1,619,322	17.1%
South Pacific	3,190,488	33.8%
North Pacific	1,203,669	12.8%
Great Lakes	38,575	0.4%
AK, HI, PR, & VI	45,032	0.5%
Total	**$9,433,535**	**100.0%**

projected expenditures for 2000-2004. (see Figures 16 and 17.) Report analysis includes the financing methods used to fund these expenditures. Figures 16 and 17 show the public port industry's capital expenditures for 1999 and projected expenditures for 2000-2004.

Risk Management

In 2001, MARAD updated its *Port Risk Management & Insurance Guidebook*, the result of a partnership between the Agency and the AAPA Finance Committee. It documents how risk management and insurance programs can be effective tools in improving port operations.

Port Readiness

Port readiness supports Department of Defense (DOD) deployment for national security. MARAD continues to monitor the readiness of strategic commercial ports through semi-annual port readiness assessment visits, port readiness exercises, and monthly survey reports that are provided by the commercial ports. Annual port planning orders are issued and necessary revisions are made according to existing port conditions. MARAD continues to work closely with Federal Port Controllers, obtain required security clearances, and maintain secure communication equipment at the commercial ports. MARAD also continued the evaluation of the Incident Command System, and participated in port vulnerability assessments.

Regular meetings of the National Port Readiness Network (NPRN) steering and working groups are held and chaired by MARAD. Nine Federal agencies are members of the NPRN that have responsibilities for supporting the movement of military forces through U.S. ports. On September 10-11, the NPRN held a Strategic Commercial Port Workshop. Efforts have been made to improve deployment coordination, port security, and NPRN initiatives, both at the national and local level.

Port and Cargo Security

MARAD's port and cargo security program aims to provide information that assists ports and other governmental agencies in their efforts to reduce criminal exploitation and ensure secure movement of commercial maritime cargo. Cooperative international seaport security partnerships among Government and private sectors are used to facilitate collaboration with multinational entities such as the Organization of American States (OAS), AAPA, Maritime Security Council, and the International Association of Airport and Seaport Police.

MARAD's program supports improved seaport security measures as a means of constricting access to commercial cargoes by terrorists, drug smugglers, and organized crime groups.

Features of the program include:

- International training (e.g., Inter-American Port Security Training Program in cooperation with the OAS)
- Government/industry partnerships (e.g., an Inter-American seaport security strategy currently under development in collaboration with the OAS)
- Support to strategic planning requirements of the Office of Homeland Security
- Collaboration with the National Drug Intelligence Center regarding the drug smuggling threat to commercial maritime cargo arriving at U.S. seaports
- Participation in the security committees of the MTS National Advisory Council and Interagency Committee
- Research and reports (e.g., *Maritime Security Report*)

Technical Assistance to Foreign Ports

MARAD continues to provide technical assistance to foreign governments for improving harbor and terminal operations, training of employees, and improvement of cargo security.

Training

The Inter-American Port Security Training Program provides port security training courses for commercial port authority police and security personnel, and was developed through the OAS Inter-American Committee on Ports. The 2001 training program consisted of one regional course for Spanish-speaking countries and was conducted in Mexico.

MARAD led a team of experts from the Federal Government and the U.S. port industry in 2000 to assess transportation infrastructure damages in Honduras and Nicaragua caused by Hurricane Mitch. As a result, in 2001, MARAD led the effort to implement a Technology Transfer and Training Program in Honduras and Nicaragua. This program provides an emergency response tool for disasters impacting the transportation infrastructure linked to international ports in Honduras and Nicaragua.

National Port Security Strategy Development

MARAD participated in interagency projects to provide bilateral assistance to governments of the Western Hemisphere. This included assistance to the Government of Jamaica in its development of a national port security strategy, and was established through a memorandum of cooperation signed by the Secretary of Transportation and Jamaica's Minister of Transport. MARAD similarly participated in the Federal interagency Caribbean Third Border Initiative, which was a feature of the 2001 Summit of the Americas.

Inter-American Committee on Ports (CIP)

MARAD serves as the U.S. delegate to the OAS Inter-American Committee on Ports (CIP). The CIP is a permanent inter-American forum of national governmental authorities in port matters for strengthening port cooperation; members of the private sector actively participate in this forum. Meetings of the CIP were held in Costa Rica in September 2001. MARAD is a member of the 15-member Executive Board and serves as a vice chair. Meetings of the Executive Board were held in the Dominican Republic in December 2001.

The CIP Port Training Subcommittee is chaired by MARAD. In 2001, training included port management and port engineering courses (held in Spain) and a port safety and Security course (held in Jamaica).

MARAD also is chair and secretariat of the Technical Advisory Group (TAG) on Port Security. TAG membership consists of port officials from the hemisphere and the private sector, and addresses port security problems in the Western Hemisphere. American companies have been invited to become associate members. The second meeting of the port security TAG was held in the Dominican Republic in December 2001.

Marine Intermodal Freight Transportation/ Intermodal Systems

MARAD has primary Federal responsibility to promote the availability of efficient water transportation service to shippers and consumers, as well as effective intermodal water and land transportation connections.

A pivotal strategic goal in the MARAD strategic plan is Intermodalism: "Improve intermodal transportation system performance by applying advanced technology and innovation." MARAD's success in achieving this goal will be measured by a number of factors, a critical one being the increase of containerized cargo that affects throughput capability.

During FY 2001, MARAD undertook the initiative to annually assess the intermodal access to U.S. ports and marine terminals. For the first time, MARAD sought approval by the Office of Management and Budget (OMB) to survey directly the private deep-draft marine port and terminal industry. Two surveys were approved by the OMB entitled *Intermodal Access to U.S. Ports Survey* and *Intermodal Access to U.S. Marine Terminals Survey*. MARAD's intermodal access surveys are designed to determine critical infrastructure issues that impact the Nation's ports and marine terminals, and assess critical direction based on the annual data analyses from ports and marine terminals. The objective in carrying out the survey is to assess the land and waterside access in DOT as we enter upon the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21), P.L. 105-178. This initiative will enable MARAD to provide substantial input to any consideration of DOT policy, funding, and development of maritime intermodal issues.

MARAD used the annual surveying of the marine port industry, in FY 2001, to address the magnitude of issues that impact the flow of commerce. The response rate from the deep-draft marine port industry was 60 percent. Preliminary analysis shows that a significant percentage of marine ports indicated that, in FY 2001, conditions were below acceptable in traffic flow conditions. Traffic flow at at-grade crossings was also below acceptable. Further impediments were indicated in lack of web-based traffic information, as well as port-specific signage. A full report will be published in the spring of 2002.

MARAD contracted an initial phase of the economic assessment of the U.S. Marine Transportation System (MTS). The full study, as originally designed, would (1) address the relative importance of the MTS and key sectors to the U.S. economy and to each State; (2) provide forecasts of future economic importance and impact for selected years: 2005, 2010, 2015, and 2020; and (3) establish a recurring capability at MARAD to estimate the future economic role of the MTS under baseline and alternative scenario assumptions.

In FY 2001, MARAD received a draft of Part One of Phase 1 of this initiative. The overall objectives for this phase were to provide policy analysts and decision-makers with detailed information on the economic importance of the MTS and parallel concepts and elements of the Transportation Satellite Accounts

(TSA) developed jointly by the Bureau of Economic Analysis (BEA) and the Bureau of Transportation Statistics (BTS) that provide documentation and findings based on a consistent data set.

The primary conclusion of this study is that the MTS is extraordinarily efficient. All of the MTS enabling functions and more were carried out in 1997 for $83.7 billion, or 1% of U.S. GDP (Gross Domestic Product).

During FY 2001, the Cargo Handling Cooperative Program (CHCP) received funding from and completed the Chassis Tag Location Project under CCDoTT. The project provided the intermodal industry with the first scientific research into placing radio frequency identification tags on chassis.

The CHCP also received funding for the Chassis of the Future Project to address chassis identification, operation, and maintenance. When the current CHCP program has been completed, the results will be to (1) review and report on the state of the art for technology for chassis tags; (2) design and develop chassis for more efficient operations and maintenance; and (3) improve asset movement location through a global positioning/global location system. In addition to the current program, the CHCP is reviewing security applications for container and cargo transportation.

MARAD, in cooperation with CCDoTT and TRANSCOM, continued the development of the Agile Port Concept through a simulation demonstration for ports on the West Coast. The ports involved in the development of the simulation were Seattle, Tacoma, Portland, Oakland, Los Angeles, and Long Beach. FY 2001 saw the continued development of an initiated framework for a cooperative agreement with the Port of Tacoma to demonstrate the Efficient Marine Terminal under the Agile Port Concept. The intermodal terminal demonstration will include an intermodal team consisting of the port authority, labor, a Class One railroad, and either Hanjin or Evergreen.

Work also continued on the framework to complete a regional assessment to demonstrate the Intermodal Interface Center of the Agile Port Concept. The cooperative assessment will include participation by personnel from the ports of Seattle, Tacoma, Portland, CCDoTT, and MARAD.

MARAD continues to participate in the Intermodal Freight Technology Working Group. The Group consists of a public-private partnership to perform business process mapping, technology demonstration, and technology scanning.

MARAD participated in development of the Marine Transportation System Research and Technology Conference, developing and moderating several panels for the conference that highlighted system requirements, training, and labor cost.

In the summer of 2001, MARAD began working with industry leaders to establish an Inland Waterways Intermodal Cooperative Program (IWICP). The primary goal of the project, which is still in its formative stage, is to foster regional development by increasing, through research and development, the productivity of domestic freight transportation companies that use America's inland waterways. It is the aim of the IWICP to actively pursue innovative developments that will increase both productivity and cost effectiveness when using the intermodal advantages of inland water transport. To date, discussions that describe the initiative have been held with key transport industry members and other interested parties.

Basically, the Cooperative hopes to improve the productivity of intermodal cargo movements through a combination of (1) new technology and new methods of cargo handling; (2) innovations in terminal design; (3) new freight identification technology; and (4) a better response capability and flexibility by the inland transport system during times of national emergency.

Departmental Intermodal Initiatives

MARAD continued to participate in the I-95 Corridor Coalition Intermodal Program Track Committee initiatives. The Committee continues to develop strategies and fund projects to improve freight mobility from Maine to Virginia without building additional highways. The Committee has developed a number of action steps including (1) increasing the involvement of leadership within the American Association of State Highway Traffic Officials (AASHTO) and its members; (2) educating a cross-section of mid-level intermodal leaders; and (3) building a working intermodal coalition for the I-95 Corridor.

In FY 2001, MARAD continued its investigation of innovative freight finance mechanisms that could be used to improve and advance marine port and terminal infrastructure. This included coordination and cooperation with DOT's modal administrations to address freight finance in a systems approach. In particular, MARAD was one of the primary coordinators of the departmental conference entitled "Financing Freight Transportation Improvements." MARAD was also instrumental in developing a key industry-driven marine breakout session that developed comprehensive proposals that will be considered for the next surface transportation reauthorization.

MARAD was an active participant in the National Corridor Planning and Development Program (NCPD) and the Coordinated Border Infrastructure Program (CBI) panel selection process. These programs provide funding for planning, project development, construction, and operation of projects that serve border regions near Mexico and Canada and high-priority corridors throughout the United States.

MARAD assisted the Federal Highway Administration (FHWA) by participating in the Freight Analysis Framework initiative that supports the development of strategic network and analytical framework to improve freight productivity and mobility. MARAD advises on intermodal freight issues, such as port capacity and maritime data. The scope of the initiative is to provide the framework for the reauthorization of the Department's Surface Transportation program.

MARAD also participated in an Intelligent Transportation Systems' (ITS) panel for the 2001 ITS America "Best of ITS" Awards.

Internationally, the agency continued to assist the Nigerian Government in its efforts to make container terminals in Nigerian ports more efficient. MARAD arranged for 20 managerial staff members from the Ministry of Transport and the Nigerian Ports Authority to be trained for six weeks in port management at the U.S. Merchant Marine Academy. MARAD also participated in several initiatives with the World Bank to assist in coordinating their efforts to determine how the Nigerian Government can privatize some or all of the operating systems in their seaports.

ENVIRONMENTAL ACTIVITIES

MARAD works collaboratively with other federal agencies, the U.S. maritime industry, and international organizations to develop and implement domestic and international standards, laws, regulations, and procedures to protect the environment and enhance environmental quality and occupational safety and health.

During FY 2001, the Office of Environmental Activities expanded its role in a number of key areas, particularly in the areas of industry support and environmental standards. The three most notable areas were ship disposal, marine energy and clean air emissions, and ballast water management technology.

Industry Support

A significant component of MARAD's environmental program centers on activities supporting the U.S. maritime industry in its efforts to meet environment laws, reduce costs, and become more efficient. Through 2001, the Office of Environmental Activities continued to assist the U.S. shipbuilding and ship repair industry with its efforts to comply with environmental laws and regulations. This activity included establishing and maintaining working relationships with Federal and state regulatory agencies to foster the development of economically and environmentally sound regulatory policies and practices.

In 1999, MARAD, the Environmental Protection Agency (EPA), and the U.S. shipyards worked together to assist the U.S. shipyards in meeting environmental compliance challenges and to assist the EPA in better understanding the shipyard industry. Since the March 1999 MARAD/ EPA/ Shipyard Environmental Forum, EPA and MARAD conducted a workshop for the shipyards on storm water management and assisted in organizing regional forums among shipyards, EPA regional offices, and state environmental agencies to facilitate a multi-level dialog on shipyard environmental challenges and to develop shipyard environmental compliance assistance tools. In addition, EPA adopted the shipyard industry into its Sustainable Industries Program. MARAD remains active in that program through the South Atlantic Regional (SAR) Office.

MARAD participates actively in preparing U.S. positions for the International Maritime Organization (IMO), and its Marine Environment Protection Committee (MEPC). During 2000, MARAD, the U.S. Navy, and Occupational Safety and Health Administration (OSHA) assisted EPA in the development of EPA's report, *A Guide for Ship Scrappers: Tips for Regulatory Compliance*. This regulatory compliance guide provides, among other things, an overview of the ship recycling industry, the ship recycling process, and the U.S. Government ship recycling program. The guide also offers important information on key environmental and worker health and safety requirements for the ship recycling process. During 2001, that guide has served as a significant resource document for both the IMO/MEPC correspondence group on ship recycling and the Conference of the Parties to the Basel Convention in addressing international recycling issues.

As noted above, MARAD is active in interagency working groups and other bodies concerned with national and international measures for controlling (1) air pollution from ships; (2) adverse effects of anti-fouling paints used for ships; and (3) aquatic nuisance species in ships' ballast water. These activities are intended to ensure that the U.S. maritime industry interests are represented and considered.

In 2001, MARAD expanded its efforts to marine energy and air emissions. MARAD launched an initiative to work with Federal, state, and local governments, marine industry, and academic organizations to address marine-related air quality and energy issues. This initiative is a joint effort between the Office of Environmental Activities and the Office of Shipbuilding and Marine Technology. During 2001, MARAD established several public/private partnerships to develop and deploy clean engine, clean fuel, and fuel-cell technologies for shipboard and land-side port operations. The kickoff project, involving the measurement of exhaust emissions and operating perimeters from sister ferries using compressed natural gas and diesel fuel, began in the spring of 2001. Additional projects are now underway.

Further, MARAD actively supports, along with other DOT modal agencies and the Office of the Secretary, the DOT Center for Climate Change and Environmental Forecasting. The Center's goals include (1) supporting the capacity of DOT to address environmental and climate change concerns through an intermodal, transportation systems approach that promotes energy-efficient and sustainable transportation services; (2) enabling the transportation sector to responsibly contribute to national goals and commitments for greenhouse gas reductions; and (3) ensuring that the Nation's transportation systems are prepared to address the potential long-range effects of global climate change. The Center is supported solely by funds and staff contributed by each modal participant. Among its intermodal research and policy analysis projects during 2000/2001, the Center provided funds for a study on highway/ferry integration from the perspective of reducing overall transportation-related emissions to the atmosphere.

MARAD also expanded its involvement in ballast water issues, becoming active in national efforts to speed the introduction of cost-effective ballast water treatment (BWT) technologies and establish rational ballast water management standards. MARAD is a member of the Ballast Water and Shipping Committee of the Aquatic Nuisance Species Task Force and the

working group for the development of ballast water treatment standards. Furthermore, MARAD is working with other Federal agencies and industry to foster a BWT technology test program. During 2001, a BWT system was tested aboard the MARAD Ready Reserve Force (RRF) vessel CAPE MAY in Baltimore, MD. As noted previously, the Agency is also active in discussions at the national and international levels regarding an international instrument to control the introduction of invasive species.

The Agency continues working to advance port-related programs, such as dredging and dredged material management, Federal facility conveyance, economic development, environmental management, and brownfields redevelopment. U.S. ports, because of their unique roles as vital economic engines for U.S. commerce and employment and because of their unique locations in industrial and commercial areas, which are often environmentally sensitive, provide opportunities for important sustainable development. For example, brownfields are frequently located in port areas. Some of these areas may provide opportunities for port redevelopment, expansion, and modernization at considerable economic and environmental advantage to ports and other sectors of the maritime industry, as well as to the local community. Furthermore, dredged material from harbors and channels may be suitable for reclamation of brownfields sites, as well as for numerous other beneficial uses.

Also, MARAD continues to publish its quarterly *Report on Port and Shipping Safety and Environmental Protection* (reports 58-61 during FY 2001). These reports summarize activities at the international and national levels concerning safety and environmental protection matters related to ports and shipping. Of particular importance are the summaries of activities of the IMO. Report copies can be found at the following addresses: www.marad.dot.gov, www.marad.dot.gov/nmrec, and www.socp.org.

The MTS initiative continues to be an active area for addressing environmental issues. MARAD is actively engaged in both the ICMTS and MTS National Advisory Council (MTSNAC) Safety and Environment Subcommittees. The ICMTS Safety and Environment Subcommittee has focused on identifying resource needs and environmental permitting and approval processes that could be streamlined. In addition, the Subcommittee has prepared a draft MTS Safety and Environment Brochure.

MARAD's SAR continues to play an active role in industry environmental support. SAR 2001 activities included (1) co-sponsoring and organizing the 2001 EPA Chemical Emergency Preparedness and Prevention Conference; (2) working with EPA on the Sustainable Industries Initiative for the Shipbuilding and Ship Repair Industry; and (3) participating in activities related to maritime and emerging air and water quality issues.

The Agency is cooperating with the Chamber of Shipping of America to develop, under an EPA grant, an environmental air and water quality management handbook.

Environmental Standards

MARAD continued to expand its support for the development of national and international environmental standards. Because of the international nature of maritime affairs, much of the focus on standards is in the international arena. Facing some of the most stringent requirements in the world, the domestic industry welcomes and actively fosters this approach. Such an approach will help to "level the playing field," thereby improving U.S. industry's international competitiveness.

Internationally, 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. The Subcommittee has completed work on a number of oil spill response standards over the past three years, and has begun to expand its focus to other maritime environmental issues, such as waste segregation and oily water separation.

Environmental Compliance and Compliance Management

MARAD protects the environment by ensuring that its facilities are operated and its programs are conducted in compliance with environmental laws, regulations, orders, and treaties. Since the inception of the internal environmental compliance review program in 1992, MARAD has conducted several rounds of compliance reviews at key Agency facilities. As a result of these reviews, MARAD has taken significant steps toward improving facility environmental compliance and enhancing environmental stewardship. The Agency has continued to (1) reduce the amount of regulated hazardous substances and materials that are used or found at its facilities and aboard its vessels; (2) reduce the quantities of hazardous wastes that are generated by MARAD facilities and vessels; and (3) implement Presidential executive orders dealing with pollution prevention, recycling, and environmental justice.

The Agency also has maintained its efforts to assure that Title XI loan guarantee projects and ship disposal sales are in compliance with applicable environmental requirements.

Of particular note, the Agency's Office of Environmental Activities, as well as regional and field personnel, pursue a multi-disciplined approach to the resolution of environmental issues related to management of obsolete vessels and ship scrapping. Actions include (1) continuing development and implementation of environmental, business, operational, and health and safety requirements for the Technical Compliance Plans (TCPs) submitted by bidders for scrapping of MARAD obsolete ships, and continued review of TCPs submitted by prospective scrappers; (2) monitoring domestic vessel scrapping operations through periodic site visits and regular status reports to assure compliance with the terms of the TCPs; (3) pursuing with other Federal agencies additional measures to improve the ship scrap-

ping process, such as the development and publication by EPA of an environmental and worker health and safety regulatory compliance guidebook for the ship scrapping industry; and (4) providing guidance for minimizing hazardous waste on vessels before the vessels enter the National Defense Reserve Fleet (NDRF).

MARAD is the principal Federal agency charged with the responsibility for the disposal, scrapping, and recycling of obsolete commercial noncombatant ships in the United States. In March 2000, and April 2001, MARAD was represented on the U.S. delegations to the 44th and 46th sessions of the IMO/MEPC in London, which addressed development of international standards for environmentally sound ship scrapping and recycling. In April and October 2000, MARAD was part of the U.S. delegation to the Basel Convention technical working group meetings in Geneva regarding the development of environmental guidelines for ship recycling yards. MARAD has the lead for ship scrapping and recycling on U.S. delegations to meetings of both the IMO/MEPC and the Basel Convention technical
working group.

Currently, the IMO/MEPC has an active correspondence group developing a report on various ship recycling issues for the MEPC. The MEPC will likely focus its attention on actions that could be taken by vessel owners/operators prior to sending a ship for recycling and on building ships with fewer hazardous components. In addition, a Basel technical working group has prepared draft environmental guidelines for ship recycling facilities.

With regard to other NDRF and RRF vessels, the Office of Environmental Activities (1) continues to provide guidance for proper disposal of oily waste and hazardous materials from Reduced Operating Status (ROS) vessels of the RRF; (2) is developing a biological assessment concerning MARAD vessel operations in the Atlantic Ocean and the Gulf of Mexico as part of the consultation process with National Oceanic nad Atmospheric Administration (NOAA) under the authority of Section 7 of the Endangered Species Act; (3) is developing a long-range plan to address reducing ship strikes of the Northern Right Whale, thereby increasing the chance of survival of this endangered species; and (4) is revising and updating Agency National Environmental Policy Act (NEPA) documentation. During 2001, MARAD completed the environmental review of the Beaumont Reserve Fleet.

MARAD also continues to fulfill its legal, financial, and technical responsibilities for evaluating and implementing plans and actions involving contaminated sites in California, Massachusetts, and Maryland. Among these sites are former World War II shipyards that performed work on U.S. Government vessels.

Among many MARAD regional environmental activities in 2001, the South Atlantic Region (SAR) received a DOT environmental achievement award for improvements at the SAR and the James River Reserve Fleet. The SAR has developed an Environmental Recognition and Awareness Program to reward employees for outstanding pollution prevention successes and to maintain a constant awareness of environmental issues.

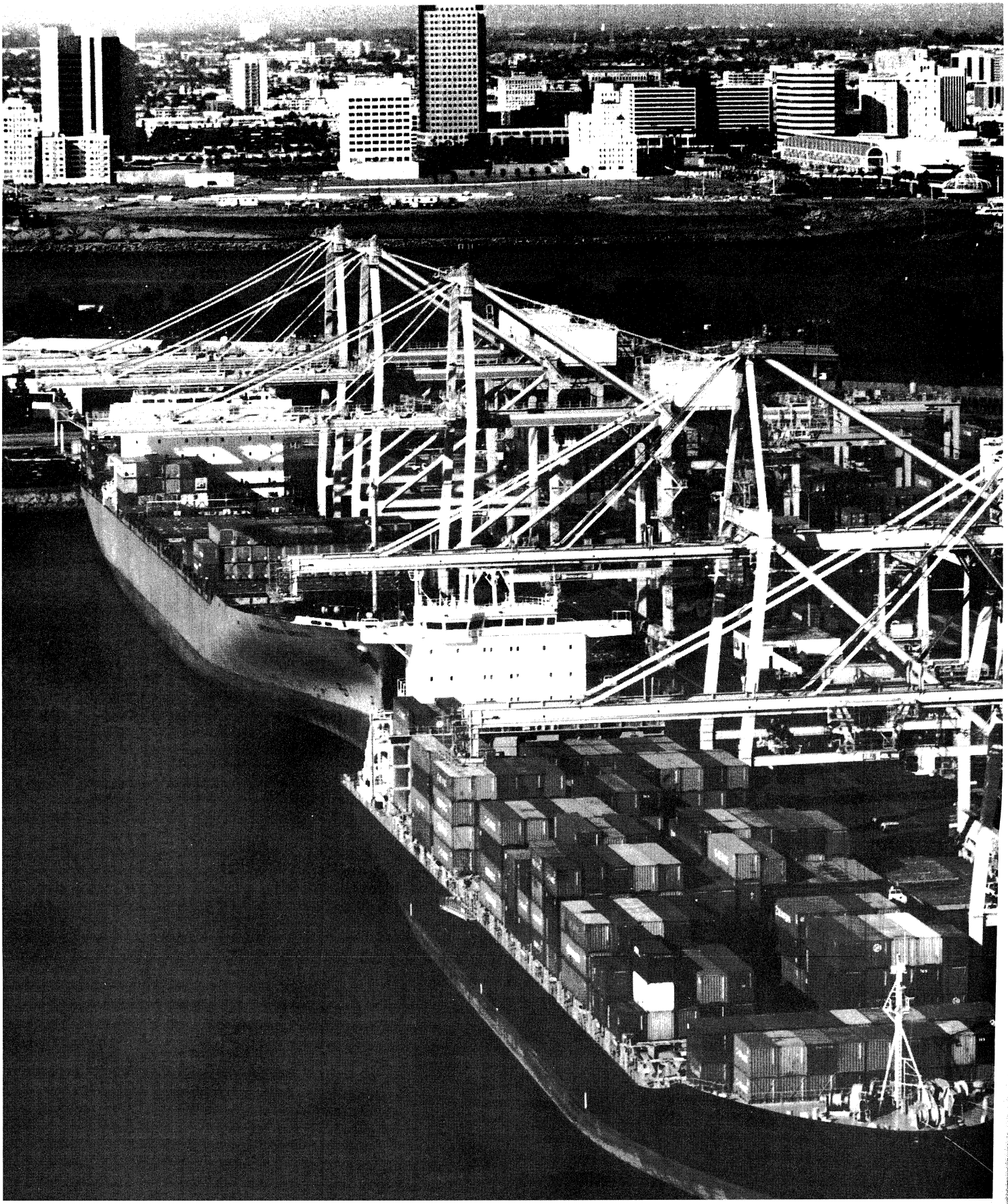
Dredging and Dredged Material Management

MARAD continues to pursue resolution of dredging and dredged material management issues that face many of the Nation's ports and harbors. MARAD is 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 seek to resolve regional dredging issues. The NDT is co-chaired by the U.S. Army Corps of Engineers (CORPS) and EPA. In addition to MARAD, other participating agencies are NOAA and the U.S. Fish and Wildlife Service (FWS).

In January 2001, MARAD co-sponsored, with the Corps and EPA, an NDT workshop: "Dredged Material Management: Action Agenda for the Next Decade." Based on the results of this workshop, the NDT has updated its Action Agenda to reflect current trends and needs. The new Action Agenda builds upon past accomplishments and provides a heightened focus on beneficial use of dredged material and a holistic approach to dredged material management. These are some key focus areas:

- Promoting beneficial use of dredged material as a national and local priority, with full support from all levels of government and with increased levels of funding for beneficial uses and research
- Ensuring that sediment management is done in the context of watershed management and that watershed management plans incorporate both private and Federal dredging
- Promoting development of dredged material management plans that address sediment management in the context of overall watershed management, as well as project level sediment management techniques
- Improving the dredging and dredged material management decision process with respect to emerging issues such as essential fish habitat consultations, environmental window considerations, application of total maximum daily load designations, and consistency determinations under the Coastal Zone Management Act
- Strengthening the nine RDTs and encouraging establishment of additional RDTs in order to improve dredged material management by fostering communication and planning, providing a forum for conflict resolution, and increasing public education and community involvement

The NDT has established liaison on dredging issues with the MTSNAC and the Federal Interagency Committee for the Interagency Committee for the MTS (ICMTS) and participates in the activities of these bodies, including regional dialogue meetings. Today, many agencies are cooperatively addressing the issues of sediment management and beneficial use of dredged material within the watershed context.



CHAPTER 4
Domestic Operations

MARAD actively promotes and develops the domestic merchant marine in support of the Department of Transportation's (DOT) strategic goal of "advancing America's economic growth and domestic and international competitiveness through efficient and flexible transportation."

The domestic shipping operations of the American merchant marine provide essential services to 41 States reaching 90 percent of the national population. During calendar year 2000, this environmentally friendly form of surface transportation handled a total of over 1.1 billion[1] short tons of cargo, which is about 23 percent[2] of the ton-miles of all domestic surface transportation traffic. Domestic waterborne transportation contributes $7.7 billion[3] to the gross domestic product annually in the form of freight revenue.

In FY 2001, MARAD supported the national strategic goals by actively participating in the Marine Transportation System (MTS) initiative, as well as other specific actions as outlined below.

MARINE TRANSPORTATION SYSTEM INITIATIVE

MARAD and 17 other Federal agencies are cooperating with industry to improve the marine portion of the national transportation system. The MTS initiative is a program to ensure a safe, secure, and environmentally sound world-class marine transportation system that improves the global competitiveness and national security of the United States.

An Assessment of the U.S. Marine Transportation System

As the world's leading maritime and trading nation, the United States relies on an efficient and effective MTS to maintain its role as a global power. The MTS provides American businesses with competitive access to suppliers and markets in an increasingly global economy. The MTS transports people to work; provides them with recreation and vacation opportunities; puts food on their tables; and delivers many of the items they need in their professional and personal lives. Within the United States, the MTS provides a cost-effective means for moving major bulk commodities, such as grain, coal, and petroleum. It is a key element of State and local government economic development and job-creation efforts and the source of profits for private companies. With its vast resources and access, the MTS is an essential element in maintaining economic competitiveness and national security.

The MTS provides economic value by affording efficient, effective, and dependable all-weather transportation for the movement of people and goods. Waterborne cargo alone contributes more than $742 billion to U.S. gross domestic product and creates employment for more than 13 million citizens.

The terrorist events of September 11, 2001, demonstrated the need for the highest level of attention to safety and security in our Nation's transportation system. DOT is committed to safeguarding the Nation's waterways, ports, vessels, related individuals, and property. The MTS must preserve and enhance the ability of waterfront facilities and other public or commercial structures located within or adjacent to the marine environment to support national security programs. It must keep cargo and passenger traffic moving safely and efficiently, ensuring that America's marine transportation system is ready for the increased demands of the 21st century.

The MTS provides national security value by supporting the swift mobilization and sustainment of America's military. As an example, 90 percent of all equipment and supplies for Desert Storm were shipped from U.S. strategic ports using our inland and coastal waterways.

Implementation of MTS Recommendation

The report *An Assessment of the U.S. Marine Transportation System* was the culmination of two years of unprecedented dialogue between the public and private sector to address issues in the MTS. Three key recommendations of the report have been implemented.

In FY 2000, the Marine Transportation System National Advisory Council (MTSNAC) was established by the Secretary of Transportation with MARAD as the designated sponsor. The MTSNAC consists of 30 representatives from non-Federal organizations. The primary purpose of the MTSNAC is to provide a coordinated approach for the non-Federal stakeholders to contribute to national issues and to advise the Secretary of Transportation on the needs of the MTS. During Calendar Year 2001, MARAD managed the sponsor's responsibility to the MTSNAC, including three National Council meetings, Council requests such as the development and enhancement of the MTSNAC web site, and the preparation and submission of industry views on MTS issues, as discussed below. The

[1] U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center, 2000

[2] Transportation in America, Eno Transportation Foundation, 1998, pp. 11

[3] Transportation in America, Eno Transportation Foundation, 1998, pp. 40

MTSNAC has six active Council teams: Awareness; Infrastructure; Safety and Environment; Information Technology and Research and Development; Human Resources; and Security.

The Secretary of Transportation, Norman Y. Mineta, addressed the MTSNAC at two meetings in 2001. At Kings Point, NY, he challenged the group to develop an outline of a SEA-21 Program for marine transportation, similar to TEA-21 for the highways. Later in the year in Baltimore, MD, the Secretary asked the Council to advise him on the security needs of the MTS following the terrorist attacks of September 11, 2001.

The MTSNAC chair, vice-chair, and the six subcommittee chairs met to develop a draft list of elements that are required to address nationally significant marine transportation system needs. This draft will be presented to the MTSNAC members for their review and recommendation to the Secretary in early 2002.

The MTSNAC Security Subcommittee drafted a report on marine security that was presented to the full Council for approval. The report was accepted by the Council and is being forwarded to the Secretary for his review.

The MTSNAC also presented a White Paper on the marine transportation system, *Challenges and Opportunities for the U.S. Marine Transportation System,* to the Secretary of Transportation. This white paper focused on the components of the MTS and the issues that must be addressed to ensure that it can meet the demands of the 21st century.

An Interagency Committee for the MTS (ICMTS) has been established. This Committee serves as the national coordinating body for all Federal agencies responsible for one or more aspects of the MTS to discuss strategies and ideas to improve our transportation system. To date, 18 Federal agencies have signed a Memorandum of Understanding with the ICMTS. The ICMTS established six subcommittees to address the various MTS issues. They are security, safety and environmental protection, strategic planning, resources, research and development and technology application, and ferryboats.

DOMESTIC SHIPPING

Significant Activities

- Winter Fuel Meeting. MARAD organized a Winter Fuel Meeting during FY 2001 to review the outlook for supply and demand for winter heating oil and spring gasoline. Approximately 60 tanker owners and brokers, and representatives of maritime labor, the American Petroleum Institute, Department of Energy (DOE), U.S. Coast Guard, and Customs attended. Attendees were briefed on available capacity in the U.S.-flag tanker market. U.S.-flag tanker interests heard first hand DOE's assessment and policy position.
- Winter Energy Symposium. During FY 2001, MARAD participated in a public Winter Energy Symposium sponsored by the Rhode Island congressional delegation in Cranston, RI. The Acting Maritime Administrator briefed the public on the role of MARAD in providing assistance to energy shippers during times of national and regional emergency.
- Container on Barge Study. In FY 2000, MARAD initiated a cooperative agreement with the Port of Pittsburgh Commission to study the marketability of a container on barge service between the Port of Pittsburgh, PA, and Monterrey, Mexico, via Brownsville, TX. It is envisioned that this study will be completed in October 2003 and will identify a potential base of shippers in the Pittsburgh and Monterrey areas, as well as shippers on the waterway corridor between these two cities. Cargo will be off-loaded at Brownsville, TX, and trucked to Monterrey, Mexico.
- Prototype Mooring Buoy II. MARAD, the River Industry Action Committee, and the Army Corps of Engineers (CORPS) completed a full year of tests on the Prototype Mooring Buoy located below Lock and Dam 25. The prototype-mooring buoy was jointly funded by MARAD and the Corps of Engineers, and is designed to provide a safe and environmentally friendly holding area for inland tows above and below locks. This is the second prototype mooring buoy and the revised design has proved to be stable and safe for towboat crews to access from both loaded and empty barges. The prototype mooring buoy will be relocated in spring of 2002 to an area selected by towboat captains. This will allow tows to moor close to a lock approach and away from environmentally sensitive areas.

Technical Assistance

In addition to the MTS initiative, MARAD provided other technical and promotional assistance to the domestic shipping industry throughout FY 2001.

One far-reaching effort is market research to examine the development of a coastwise shipping system for the advancement of waterborne trade along our coasts to relieve congested highways. The second phase of the multi-phase study, *High Speed Ferries and Coastwise Vessels: Evaluation of Parameters and Markets for Application*, was completed in June of 2000. It provided a framework for future research to improve coastwise trade.

During FY 2001, the results of Phase II were presented in a public forum attended by more than 45 public and private stakeholders. Work on Phase III is underway, with active participation by domestic carriers, ports, shipbuilders, and a number of federal agencies, including the DOT's Federal Highway Administration and Bureau of Transportation Statistics. The goal is to demonstrate the feasibility and benefits of a robust coastal liner shipping system along the Nation's East, West, and Gulf coasts for inter-city general cargo.

Rural Transportation Initiative

MARAD continues to participate as an active team member with other DOT agencies in the Rural Transportation Initiative. The primary objective is to continue helping to ensure rural areas and small communities share in the mobility as well as the economic and social benefits that DOT programs provide. MARAD is offering the results of its Container On Barge Study and is initiating a new project to study landside access to inland ports and to assess the availability of intermodal access at inland waterways ports and terminals.

Jones Act

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 United States, and owned by American citizens.

MARAD provides assistance to shippers in need of qualified U.S.-flag vessels. Throughout the year, shippers call the Agency when there is a question concerning the applicability of the Jones Act, or if they need assistance locating a qualified vessel to meet their transportation needs. The Agency responds to questions and provides possible shipping sources to help resolve their domestic transportation problems. MARAD is required to respond within 48 hours to formal Jones Act waiver requests.

MARAD's staff, along with the U.S. Coast Guard's (USCG) Office of Response, developed procedures for cooperative efforts to locate suitable U.S.-flag tonnage in emergency situations. MARAD provided language to the USCG regarding the use of U.S.-flag vessels for inclusion in field staff emergency response checklists and a list of 24-hour MARAD domestic shipping contacts.

Assistance for Shippers

MARAD provides a direct shipper assistance program for the mutual benefit of the shippers and carriers of the oceangoing coastwise trade. Specifically, MARAD maintains a listing of coastwise-qualified vessels and provides advice to industry on how to best ship commodities in compliance with the Jones Act and other coastal shipping laws. MARAD receives approximately 250 requests for assistance per year, resulting in millions of dollars of cargo for the U.S.-flag fleet.

Small Passenger Vessel Waiver Authority

Public Law 105-383 gave the MARAD authority to establish a process to waive administratively the U.S.-build requirements of the Jones Act for certain small passenger vessels. Specifically, Title V authorizes the Secretary of Transportation to waive the domestic build requirements for foreign-built or rebuilt small passenger vessels authorized to carry no more than 12 passengers.

In order to grant such waivers, the Secretary must determine that employment of the vessel in the coastwise trade will not adversely affect U.S. vessel builders or the coastwise trade business of any person who employs vessels built in the United States. During FY 2001, MARAD received 85 applications and granted 65 waivers. In addition, one request was denied and three were returned to applicants who did not qualify for the program.

INDUSTRY TRENDS AND PROFILE

The three major sectors of U.S. domestic shipping are the inland waterways, the domestic deep-sea trades, and the Great Lakes. The major products moving in the domestic trade are crude petroleum, raw materials, coal, chemicals, and farm products. Traditional liner cargoes and manufactured products move between the contiguous 48 states and Alaska, Hawaii, and Puerto Rico.

Inland Waterways

Inland waterways are a vital part of the Nation's transportation infrastructure. They enhance international and domestic trade by minimizing shipping costs for bulk commodities and general cargo.

Comprised of approximately 12,000 miles of commercially navigable channels, our inland waterways handle 60 percent of our Nation's grain exports, 25 percent of our chemical and petroleum exports, and over 20 percent of our domestic coal shipments. Approximately 82 percent of the corn, 77 percent of the soybeans, and 32 percent of the wheat grown in the United States are produced in the 10 Midwestern states that rely greatly on inland waterway barge transportation.

One-third of the plants that manufacture chemicals and related products are located in areas with easy access to barge transportation. Coal-fired power plants that are served by barges generate approximately 75 percent of the Nation's total electric power.

In 2000, the most recent year for which statistics are available, approximately 691 million metric tons of cargo consisting of imports, exports, and intraport shipments were moved on the inland waterways. The principal commodities were coal (26 percent), petroleum (24 percent), crude materials (20 percent), food and farm products (14 percent), chemicals (8 percent), and manufactured goods (5 percent).

As of January 2001, the inland waterway cargo-carrying fleet included 3,112 tank barges with a total capacity of 7.3 million metric tons. Of the current fleet, 75 percent are double-hulled, up from 70 percent in July. The Oil Pollution Act of 1990 prohibits the single-hull segment of the fleet from operating in U.S. navigable waters after 2015. There were also 22,425 dry bulk barges (34 million metric tons capacity) and 2,827 other dry cargo barges (3.7 million metric tons capacity). The dry bulk barge total was in increase of almost three percent in number and capacity over the January-July 2000 fleet. A fleet of 5,392 towboats and tugboats supported the barge fleet during this six-month period. (See Figures 18 and 19.)

Upper Mississippi River/ Illinois Waterway Navigation Study

The CORPS restarted the Upper Mississippi River/Illinois Waterway Navigation Study in 2001 following an investigation and review of the Corps' study methods by the National Research Council of the National Academy of Sciences. The purpose of the study is to investigate congestion at locks on the Upper Mississippi and Illinois Waterway. The CORPS has adopted a collaborative approach to the completion of the Study and has asked the Department of Agriculture, Environmental Protection Agency, and MARAD to assist them. MARAD participates on three of the Corps' study committees: The Principals Committee, The Regional Interagency Work Team, and the Study Team Review Committee. The Corps plans to publish an interim report in July 2002.

Ferry Services

Section 1207(c) of the Transportation Equity Act for the 21st Century mandated DOT to conduct a study on existing ferry services in the United States. The study includes such items as regulatory, financial, and market-related issues facing existing and potential ferry services. The data collection has been completed and distributed on CD-ROM throughout the ferry industry.

MARAD continues to lead a DOT-wide working group, which consists of representatives from MARAD, USCG, Federal Highway Administration (FHWA), and Federal Transit Authority (FTA) that addresses ferry-related issues. This group is also teaming with the Passenger Vessel Association to host a conference in Biloxi, MS, in February 2002. This conference will be unique in that for the first time Metropolitan Planning Organizations (MPOs) will be invited to attend a conference. This will give ferryboat operators a chance to interact with the MPOs, which create and set policy in local communities.

On September 11, 2001, ferryboats again proved their value in times of natural disasters and national emergencies. Following the devastating attack on the World Trade Center Towers, the ferryboat operators in New York teamed together to evacuate over 100,000 people from lower Manhattan when all other forms of public transportation were incapacitated by the devastation.

Missouri River Master Control Revision

The CORPS has continued its efforts in 2001 to revise the Missouri River Master Water Control Manual. This is the Manual that the Corps utilizes to manage the release of water from the seven main stem reservoirs on the headwaters of the Missouri River for navigation, flood control, and water supply. The Corps' initial effort to revise the Manual was rejected by all those with an interest in the Missouri River in 1995. The Corps released the revised Draft Environmental Assessment in 2000, and held 14 public meetings in 2001 to solicit public opinion concerning the six alternatives contained in this document. MARAD participated in the public meetings, and has acted as an advocate for the inland navigation industry.

Deep-Sea Trades

The major segments of the domestic deep-sea trade are the *contiguous* and *noncontiguous* trades. The major *noncontiguous* trades are between the mainland and Alaska, Hawaii, Puerto Rico, Guam, and the islands of Wake and Midway. The *contiguous* routes consist of the coastwise trade traffic along the Atlantic, Gulf, and Pacific Coasts.

Of the more than 226 million short tons moved in domestic deep-sea trade in 2000, petroleum products accounted for 50 percent, crude petroleum for 21 percent, chemicals for 6 percent, and coal for 6 percent. Manufactured products that move primarily in noncontiguous trades and food products accounted for the remainder.

As of July 1, 2000, the fleets serving U.S. domestic ocean trades included 90 dry cargo vessels (0.75 million capacity tons), 102 tankers (6 million cap. tons), and over 2,300 barges (6.9 million cap. tons). Self-propelled vessels are generally preferred in long-haul, time-sensitive trades because they are faster than tug/barge units (15-20 knots versus 8-12 knots) and are not as likely as barges to get weatherbound.

Offshore Oil Support

The trend of oil exploration and production moving further from shore into deeper waters continues, requiring larger support vessels. The growth in deepwater activity remains based on Royalty Relief Act benefits and continued high oil prices. The Royalty Relief Act offers a suspension of royalty for a volume, or period of production, for exploration and drilling in water depths exceeding 200 meters or more.

During the past year, plans were being formed for Floating Production Storage and Offload (FPSO) ships to be stationed in the U.S. Gulf. The Minerals Management Service of the Department of Interior was producing an Environmental Impact Statement, which is expected to rank shuttle tankers as equivalent environmentally to pipelines. Several shipowners are discussing options for shuttle tankers, including articulated tug-barge combinations.

The count of offshore supply vessels in the U.S. Gulf as of September 30, 2001, was 354.

Great Lakes

Domestic Carriers

The U.S.-flag cargo carriers registered a total of more than 13 million net tons in 2000, a decrease of 2.1% from the previous sailing season. The Lake Carriers' Association, representing most of the domestic Great Lakes carriers, cites the declining water levels, soaring steel imports, and a mild winter reducing the need for coal for electricity generation. The total cargo moved in domestic Great Lakes trade during calendar year 2000 was 126 million metric tons.

Vessels of 1,000 gross tons and larger in the U.S.-flag Great Lakes fleet as of January 1, 2001, totaled 100. (See Figure 18.)

The fleet was made up of 52 self-propelled vessels, totaling 1.8 million capacity tons, and 48 non-self-propelled vessels, including 10 integrated barge units, totaling 0.4 million capacity tons.

Iron ore, coal, and limestone continue as the principal bulk materials hauled by the U.S. Great Lakes fleet during the ten-month season. Filling out the majority of the remainder of Lakes' traffic is cement, salt, sand, grain, and liquid-bulk commodities. Most of this movement is labeled Jones Act trade, since it moves primarily from one U.S. port to another.

Since near record high water levels in 1997, the Great Lakes have experienced a drop in levels of approximately 3 feet. The CORPS is maintaining most navigation channels at authorized elevation levels. These levels still cause ship operators to adjust their cargo loadings, resulting in a 1,000-foot laker vessel losing 267 tons of cargo per every inch of lower channel draft. This equates to a several thousand ton drop in cargo-carrying ability per vessel transit from the recent past.

Of concern to a primary industry of the Great Lakes region is the heavy importation of steel. Twenty-seven U.S. steel companies have applied for bankruptcy protection since 1998, contending that illegal subsidies have allowed inexpensive steel from overseas to flood our markets. Iron ore, coal, and limestone are principal components of steel, and also the prime cargoes of the U.S. domestic carriers in the Lakes. There is an escalating call in the region for Government action to curtail the imports.

Current Developments

In order to support the reliable delivery of cargo during periods of ice formation on the Lakes, a $82 million contract was let to replace the 1944-vintage USCG Cutter MACKINAW. The Wisconsin shipyard Marinette Marine will build the new ship to the dimensions of 240 feet long and 60 feet wide. The multi-purpose vessel will replace the MACKINAW in 2006, upon the decommissioning of the veteran icebreaking ship.

Construction of a new Soo Lock is coming closer to actuality with three of the eight Great Lakes states committing to their share of the non-Federal funding. The future lock would replace two aging smaller locks, and reduce dependence on the only lock capable of handling the largest 1000-foot vessels.

Other developments include increased security measures for the Seaway and Great Lakes system conducted on all foreign vessels. Measures consist of an increase to 96 hours of notice of arrival prior to westbound entry of the Seaway, risk assessments prior to vessels entering the Seaway, and inspection by boarding teams.

Ballast Water Issue and Legislation

The Michigan State Senate introduced legislation calling for the sterilization of vessel ballast water as a way of eliminating the introduction of Aquatic Nuisance Species (ANS) in regional waters. All Great Lakes' states (Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin) and two Canadian provinces (Ontario and Quebec) are working together toward a regional solution.

Canadian and U.S. study committees contend that sterilization is not the only treatment method or process being scrutinized for a solution in managing ANS within the Great Lakes/St. Lawrence System. The final version of the bill, passed into law in August of 2001, does not include the provision to sterilize ballast and supports the on-going regional efforts to find a workable solution to treat ballast water. In addition, the House of Representatives in the State of Wisconsin also introduced Assembly Bill 437 to address the problem of ANS. This bill is patterned on the Michigan legislation.

This issue is also being addressed through Federal legislation. Two bills (H.R. 1680 and S. 1034) attempt to assure that "to the maximum extent practicable," vessels entering the Great Lakes do not spread aquatic nuisance species through the discharge of ballast water. The two bills would also require that ballast water and sediments in ballast compartments be treated with the "most effective and efficient techniques available" to remove or destroy ANS.

The proposed legislation on all levels is complicated by the lack of scientific research and data on the type of ANS, as well as ballast water sediment found in both ocean and domestic vessels. These two different types of vessels vary widely in volume of ballast to be treated and access to the tanks for sampling. At this time, there is no reasonable treatment mechanism for the degree of proposed sterilization.

Maritime Promotion and Outreach

Along with partnership in many forums on maritime commerce and safety, MARAD also participates in the Great Lakes Dredging Team (GLDT). In a partnership of Federal and State agencies, the GLDT continues to meet to ensure dredging of U.S. harbors and channels throughout the Great Lakes, and uphold navigational needs of the commercial waterway users. Contributions and assistance from the Team led to two publications: *Beneficial Uses of Great Lakes Dredged Material: A Report of the Great Lakes Beneficial Use Task Force* and *Waste to Resource: Beneficial Use of Great Lakes Dredged Material.*

MARAD is a member of the Great Lakes Regional Waterways Forum, which was created in 1999, and is composed of 26 Government and private-sector agencies and organizations from both the U.S. and Canada. Working subcommittees consist of Outreach, Advanced Technology for Navigation, Communications, and Ballast Water. Of projects to note, a previous publication of the Team is being converted to a video format, a Great Lakes/Seaway System Directory was released, and efforts took place to harmonize U.S. and Canadian regulations on ballast water exchange.

MARAD updated a *"U.S. Great Lakes Merchant Seaman Employment Fact Sheet"* to serve both U.S. vessel fleets and potential mariners. It now provides a listing of companies conducting direct hiring and unions representing mariners, with direct links to the web sites maintained by those companies and unions. This can be accessed on the MARAD web site, www.marad.dot.gov.

MARAD Fire School instructors took their training knowledge into the region on several occasions. The Upper Great Lakes Captains Association was addressed on small passenger vessel fire fighting procedures. Also, a training specialist conducted lectures and demonstrations for ferryboat companies in the Upper Peninsula of Michigan. Moreover, under the heading of port security and response, a special three-day session with an emphasis on tanker fire fighting strategy was held in Chicago.

CHAPTER 5
Ship Operations

U.S.-FLAG FLEET PROFILE

The Maritime Administration (MARAD) format for presentation of U.S.-flag fleet statistics reflects the true size and diversity of the fleet. (See Figures 18 and 19.) The cargo-carrying U.S.-flag fleet totaled 467 vessels with an aggregate carrying capacity of about 16 million capacity tons.

The U.S.-flag commercial fleet of 1,000 gross tons and over, operating in either foreign or domestic commercial trades, comprised 242 (11 million capacity tons) self-propelled vessels and 16 (.6 million capacity tons) integrated tug/barge units. The self-propelled fleet was made up of 92 (6.2 million capacity tons) tankers, 12 (.6 million capacity tons) tankers, 13 (.6 million capacity tons) dry bulk carriers, 86 (3.1 million capacity tons) containerships and 51 (1.1 million capacity tons) other freighters.

The non-self-propelled commercial fleet totaled 3,368 (16 million capacity tons) vessels, with 197 (1 million capacity tons) operating in foreign trade and 3,171 (15 million capacity tons) operating in domestic trade.

The U.S.-flag fleet as of January 1, 2001, also included 1,035 passenger vessels, 5,392 tugs/towboats and 1,559 other workboats. (See Figure 19.)

The total U.S.-flag oceangoing merchant fleet ranked 12th in the world on a deadweight ton basis and 21th in the total number of ships. (See Figure 20.) Total U.S. waterborne commerce amounted to 2.2 billion metric tons in 2000, split about evenly between domestic and international cargo. The international portion, valued at $737 billion, increased 10 percent from CY 1999.

Total U.S. waterborne commerce amounted to 2.1 billion metric tons in 2000. Foreign trade, valued at $737 billion, accounted for 55 percent of the total. In CY 2000, there was a 15 percent decline in the amount of cargo carried by U.S.-flag ships engaged in foreign trade. The decline occurs in the tanker and non-liner segments. (See Figure 21.)

In CY 2000, the waterborne movement of domestic cargoes amounted to 966 million tons, virtually unchanged from CY 1999. U.S.-Flag ships carried 1 billion tons of cargo in 2000, or 46.9 percent of the nation's total waterborne commerce.

Operating-Differential Subsidy

Designed to offset certain lower ship operating costs of foreign-flag competitors, operating-differential subsidy (ODS) was paid to U.S.-flag vessels which operate under an ODS contract in an essential foreign trade. The Maritime Security Program (MSP) has replaced ODS as the primary support for the U.S.-flag merchant marine. The last ODS contract ended September 18, 2001. Net subsidy outlays during FY 2001 amounted to $7.9 million. There were no subsidized voyages terminated in the Great Lakes trade during FY 2001.

ODS accruals and expenditures from January 1, 1937, through September 30, 2001, are summarized in Figure 22. Accruals and outlays by shipping lines for the same period are shown in Figure 23.

Subsidy Rates

The Subsidy Index System, established by the Merchant Marine Act of 1970, provides for payment of seafaring wage subsidies under ODS contracts 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 approved rates. Final rates are calculated following completion of each rate year (RY) after collection of the contractors' actual cost and voyage data. MARAD has substantially completed RY 2000/2001 final ODS rates applicable to ODS 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) allow 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 do the following:

- 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
- 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.

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 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.

There were no Section 804 waivers requested or granted during FY 2001.

Foreign Transfers

Under Section 9 of the Shipping Act of 1916, as amended, MARAD approved the transfer of 17 ships of 1,000 gross tons and over to foreign ownership and/or registry. Eleven privately owned vessels were sold for scrapping abroad.

MARAD's approval of the transfer of vessels 3,000 gross tons and over to foreign ownership and/or registry is subject to the terms and conditions of 46 CFR Part 221. As such, the vessels require MARAD approval for any subsequent transfer of ownership and/or registry and are required to remain available for U.S. Government requisitioning, if needed. At year's end, there were 162 vessels subject to these terms, 18 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 $11,705 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 Figure 24.

Ship Operations Cooperative Program

The Ship Operations Cooperative Program (SOCP) is a cost-shared government/industry/labor partnership whose objective is to improve competitiveness, ship safety, productivity, profitability, training, environmental responsiveness, and quality of ship operations. Currently, there are 43 members that include commercial ship owners/operators, government organizations, educational institutions, labor organizations, researchers, classification societies, and others.

Projects undertaken by the SOCP exemplify partnership at its best. Initiatives have included projects in the primary focus areas of industry improvements, facilitation of dialogue, product and technology testing and evaluation, and product development.

With the implementation of the 1995 Amendments to the International Convention on the Standards of Training, Certification, and Watchkeeping (STCW), SOCP has focused sharply on helping members to understand and meet STCW requirements. It is engaged in a number of projects that assist member organizations in complying with the 1995 revisions.

Projects have included the production of training videos, use of non-traditional training methods, evaluation of PC-based training simulators, and the development of a training resources database. Moreover, SOCP's desire to work collaboratively on major STCW initiatives brought about its offer to assist the USCG and the Merchant Vessel Personnel Advisory Committee (MERPAC) on solutions to other STCW implementation issues.

SOCP has been involved in testing Alternate Watch Schedule (AWS), and the potential for diminished performance based on the traditional three-watch schedule. An SOCP member company volunteered its ship, and the Master and three deck officers, to test AWS. At the conclusion of the test period, AWS benefits were identified and the participating company expressed a desir to continue using the system. Additionally, SOCP members have actively participated in a number of DOT conferences as they relate to safety, i.e. "Partnering for Transportation Safety: Operator Fatigue Management" and the "National Transportation Safety Conference."

Currently, SOCP is looking at mariner recruitment and retention issues, and has developed material to inform people about maritime industry career paths. It has compiled training booklets to accompany previously released training videos, and has completed a bunker fuels analysis report that involved testing bunker fuels in various ports around the United States for quality. A total of 105 fuel samples from 32 suppliers in 23 ports were tested, and a final report compiled on each of the samples. The report was developed to assist SOCP ship operators with decisions on bunker fuel purchases.

During the course of the next year, SOCP will evaluate the use of smart cards in the maritime industry. Smart cards are electronic repository devices capable of storing data and information on a credit-card-sized medium. The SOCP has initiated a three-phased project that focuses on the primary issue of security. The first phase targets mariner access and identification. This initial application will also serve as the foundation for at least two additional applications. The second phase involves th prevention of fraudulent documents by storing information on training records to validate training and sea service. Furthermore, as a result of the tragic events of September 11, 2001, SOCP members and others are investigating the potential of smart cards for addressing security concerns. The SOCP alsc envisions that this application will support various proposed computer-based training and distance learning to ensure positive identification of trainees and record-keeping of onboard training and certification for license advancement and certificate renewals. The third phase concentrates on reducing the time and effort required to transfer the necessary information to engage a seaman in the employ of a vessel while simultaneously increasing the accuracy of the information.

SOCP has also facilitated dialogue in the maritime community, addressing industry concerns such as ballast water management, mariner recruitment, and drug testing issues.

The SOCP produces a bi-monthly newsletter disseminated to the maritime industry and hosts a web site at **www.socp.org** tha contains details about SOCP projects and initiatives.

Figure 18: CARGO-CARRYING U.S.-FLAG FLEET BY AREA OF OPERATION
JULY—DECEMBER 2000
(Carrying Capacity Expressed in Thousands of Metric Tons)

	Liquid Carriers		*Dry Bulk Carriers*		*Containerships*		*Other Freighters•*		*Total Fleet*	
Area of Operations	*No.*	*Tons*	*No.*	*Tns*	*No.*	*Tons*	*No.*	*Tons*	*No.*	*Tons*
Foreign Trade	**77**	**1,627**	**252**	**1,204**	**61**	**2,373**	**44**	**998**	**434**	**6202**
Self-propelled	**22**	**1,313**	**10**	**477**	**61**	**2,373**	**43**	**978**	**136**	**5,141**
>=1,000 Gross Tons	22	1,313	10	477	61	2,373	43	978	136	5,141
< 1,000 Gross Tons	0	0	0	0	0	0	0	0	0	0
Non-self-propelled	**55**	**314**	**242**	**727**	**0**	**0**	**1**	**20**	**298**	**1,061**
>=1,000 Gross Tons**	49	310	147	680	0	0	1	20	197	1,010
< 1,000 Gross Tons	6	4	95	47	0	0	0	0	101	51
Domestic Trade	**3,616**	**17,066**	**22,080**	**38,377**	**51**	**747**	**4,357**	**5,271**	**30,104**	**61,461**
Coastal (including non-contiguous)	**622**	**10,052**	**589**	**1,936**	**51**	**747**	**1,539**	**1,887**	**2,800**	**14,622**
Self-propelled	**102**	**6,187**	**1**	**33**	**24**	**591**	**69**	**196**	**196**	**7,007**
>=1,000 Gross Tons	85	6,177	1	33	24	591	11	175	121	6,976
< 1,000 Gross Tons	17	10	0	0	0	0	58	21	75	31
Non-self-propelled	**519**	**3,865**	**588**	**1,903**	**27**	**156**	**1,470**	**1,691**	**2,605**	**7,615**
>=1,000 Gross Tons**	426	3,758	208	1,354	27	156	171	946	832	6,214
< 1,000 Gross Tons	93	107	380	549	0	0	1,299	745	1,772	1,401
Internal Waterways	**2,986**	**6,975**	**21,417**	**34,400**	**0**	**0**	**2,724**	**3,223**	**27,127**	**44,598**
Self-propelled	**1**	**3**	**0**	**0**	**0**	**0**	**26**	**18**	**27**	**21**
>=1,000 Gross Tons	0	0	0	0	0	0	0	0	0	0
< 1,000 Gross Tons	1	3	0	0	0	0	26	18	27	21
Non-self-propelled	**2,985**	**6,972**	**21,417**	**34,400**	**0**	**0**	**2,698**	**3,205**	**27,100**	**44,577**
>=1,000 Gross Tons**	1,339	4,410	206	572	0	0	89	315	1,634	5,297
< 1,000 Gross Tons	1,646	2,562	21,211	33,828	0	0	2,609	2,890	25,466	39,280
Great Lakes	**9**	**39**	**74**	**2,041**	**0**	**0**	**94**	**161**	**177**	**2,241**
Self-propelled	**4**	**20**	**52**	**1,855**	**0**	**0**	**5**	**21**	**61**	**1,896**
>=1,000 Gross Tons	2	19	49	1,853	0	0	1	21	52	1,893
< 1,000 Gross Tons	2	1	3	2	0	0	4	0	9	3
Non-self-propelled	**5**	**19**	**22**	**186**	**0**	**0**	**89**	**140**	**116**	**345**
>=1,000 Gross Tons**	3	17	6	163	0	0	5	14	14	194
< 1,000 Gross Tons	2	2	16	23	0	0	84	126	102	151
TOTAL Commercial Fleet***	**3,693**	**18,693**	**22,332**	**39,581**	**112**	**3,120**	**4,401**	**6,269**	**30,538**	**67,663**
National Defense Reserve Fleet^	**28**	**884**	**0**	**0**	**5**	**86**	**141**	**2,408**	**174**	**3,378**
Ready Reserve Force(RRF)	9	268	0	0	3	50	64	1,373	76	1,691
Other Reserve	19	616	0	0	2	36	77	1,035	98	1,687
Other Government	**0**	**0**	**0**	**0**	**0**	**0**	**6**	**179**	**6**	**179**
Sealift Vessels	0	0	0	0	0	0	6	179	6	179
GRAND TOTAL	**3,721**	**19,577**	**22,332**	**39,581**	**117**	**3,206**	**4,548**	**8,856**	**30,718**	**71,220**

* Includes General Cargo, Ro-Ro, Multi-purpose, LASH vessels, and Deck Barges; excludes Offshore Supply Vessels.

** Integrated Tug Barges of 1,000 grt & greater are contained in non-self-propelled categories as follows: Foreign Trade – 2 liquid (78,300 tons), 1 dry bulk (24,372 tons), 1 other freighter (20,000 tons); Domestic Coastal – 9 liquid (371,155 tons), 3 dry bulk (70,651 tons); Great lakes – 1 liquid (10,150 tons), 5 dry bulk (151,839 tons); 1 other freighter (17,100); U.S./Canada Translakes – 1 liquid (8,805), 2 dry bulk (16,200 tons).

*** Excludes one passenger vessel of 7,250 Dwt operated in non-contiguous domestic trade.

^ Self-propelled vessels => 1,000 Gross Tons; excludes ten passenger vessels of 91,701 Dwt.

Source: U.S. Maritime Administration, Office of Statistical & Economic Analysis; adapted from U.S. Army Corps of Engineers, U.S. Coast Guard and U.S. Customs Service data

SOURCE: U.S. Maritime Administration, Office of Statistical and Economic Analysis; adapted from U.S. Army Corps of Engineers, U.S. Coast Guard and U.S. Customs Service data.

Figure 19: U.S. -FLAG FLEET OF PASSENGER VESSELS, TUGS/TOWBOATS, AND OTHER WORK BOATS*
AS OF JANUARY 1, 2001

Type of Vessel	*No.*	*Capacity Unit*
Passenger Vessels		**Passengers**
< 150 Passenger Capacity	650	45,401
>= 150 Passenger Capacity	385	237,944
Total	**1,035**	**283,345**
Tugs/Towboats		**Horsepower**
< 1,500 Horsepower	3,350	2,492,735
>= 1,500 Horsepower	2,042	7,367,314
Total	**5,392**	**9,860,049**
Other Work Boats**		**Tons**
< 1,000 Tons Capacity	1,444	281,584
>= 1,000 Tons Capacity	115	251,758
Total	**1,559**	**533,342**

* Inventory Data

** Includes Crewboats, Supply, and Utility Vessels.

SOURCE: Adapted from U.S. Army Corps of Engineers data.

Figure 20: MAJOR MERCHANT FLEETS OF THE WORLD–OCTOBER 1, 2001[1]

(Tonnage in Thousands)

Country	*Deadweight Tons*	*Rank by Deadweight*	*No. of Ships*[2]	*Rank by No. of Ships*
Panama	205,052	1	5,120	1
Liberia	93,865	2	1,735	2
Greece	57,127	3	823	9
Bahamas	49,003	4	1,073	7
Malta	48,919	5	1,406	5
Cyprus	39,996	6	1,322	6
Singapore	35,167	7	918	8
Norway (NIS)	30,897	8	691	11
Hong Kong	25,242	9	453	20
Marshall Islands	24,775	10	310	29
China	23,849	11	1,479	4
United States*	15,054	12	444	21
Japan	14,537	13	621	13
Italy	11,422	14	487	19
Germany	11,339	15	500	17
Top 15 Total	**686,244**		**17,382**	
All Other	**210,318**		**12,905**	
Grand Total	**896,435**		**30,293**	

[1]Oceangoing self-propelled vessels of 1,000 gross tons and over.

*Includes 184 United States Government-owned ships of 3.4 million dwt.

SOURCE: Lloyd's Maritime Information Services

Figure 21: 2000 DATA—U.S. WATERBORNE COMMERCE
(Million Metric Tons)

Calendar Year	*1980*	*1990*	*1996*	*1997*	*1998*	*1999*	*2000*
Total U.S. Foreign Oceanborneb	**784.5**	**867.6**	**988.1**	**1,066.7**	**1,088.9**	**1,110.6**	**1,123.0**
U.S.-Flag Tons	**28.6**	**35.2**	**27.6**	**29.1**	**27.9**	**34.5**	**29.3**
Total Liner Service	60.1	97.9	124.7	120.8	120.4	142.7	148.7
U.S.-Flag Tons	16.4	17.1	11.0	10.9	12.8	12.6	12.5
Total Non-Liner Service	362.4	384.5	389.8	413.9	404.9	377.8	374.4
U.S.-Flag Tons	4.2	7.1	6.4	10.0	7.1	8.8	7.1
Total Tanker Service	362.0	385.2	473.6	532.0	563.6	590.1	599.9
U.S.-Flag Tons	8.0	11.0	10.2	8.2	8.0	13.2	9.7
Total Trans-Great Lakes	**31.6**	**26.8**	**31.7**	**36.1**	**39.0**	**37.6**	**34.8**
U.S.-Flag Tons	**3.1**	**0.8**	**2.4**	**3.3**	**3.4**	**1.7**	**1.0**
Total U.S. Foreign Waterborneb	**816.1**	**894.4**	**1,020.0**	**1,102.8**	**1,127.9**	**1,148.2**	**1,157.8**
U.S.-Flag Tons	**31.8**	**36.0**	**30.0**	**32.4**	**31.3**	**36.2**	**30.3**
Total U.S. Domestic Waterbornec	**977.7**	**1,018.4**	**998.8**	**1,009.5**	**992.8**	**963.5**	**966.2**
Great Lakes	104.4	100.0	104.3	111.4	110.8	103.4	103.8
Inland Waterways	571.0	643.3	645.3	653.6	648.9	647.1	654.4
Coastal & Non-Contiguous	302.3	275.1	249.3	244.5	233.0	213.0	208.1
Total U.S. Waterborne Commerce	**1,793.9**	**1,912.8**	**2,018.8**	**2,112.3**	**2,120.7**	**2,111.7**	**2,124.0**
U.S.-Flag % of Waterborne Commerce	**56.3**	**55.1**	**51.0**	**49.3**	**48.3**	**47.3**	**46.9**

* Includes intransit cargo

** 100 percent U.S. Flag

SOURCE: U.S. Maritime Administration; Waterborne Databank

Figure 22: ODS ACCRUALS AND OUTLAYS—JANUARY 1, 1937, TO SEPTEMBER 30, 2001

	Accruals			Outlays		
Calendar Year of Operation	*Subsidies*	*Recapture*	*Subsidy Accrual*	*Paid in FY 1998*	*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	-0-	178,559,375	-0-
1997	111,846,920	-0-	111,846920	-0-	111,846,920	-0-
1998	27,183,866	-0-	27,183,866	-0-	27,183,866	-0-
1999	15,150,073	-0-	15,150,073	-0-	15,150,073	-0-
2000	29,852,221	-0-	29,852,221	4,412,978	4,412,978	30,590,052
2001	10,210,000	-0-	10,210,000	3,459,883	3,459,883	6,750,117
Total Regular ODS	$10,418,106,340	$238,186,435	$10,179,919,905	7,872,861	$10,142,579,136	$37,340,769
Soviet Grain Program[1]	$147,132,626	$-0-	$147,132,626	$-0-	$147,132,626	-0-
Total ODS	**$10,565,238,966**	**$238,186,435**	**$10,327,052,531**	**$7,872,861**	**$10,289,711,762**	**$37,340,769**

[1]No longer operative.

Figure 23: ODS ACCRUALS AND OUTLAYS BY SHIPPING LINES—JANUARY 1, 1937, TO SEPTEMBER 30, 2001

Net Accrued Liability	Accruals			Outlays	
	LINES	ODS	Recapture	Net Accrual	ODS Paid
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 Lines3	1,786,443,341	17,676,493	1,768,766,848	1,765.329,763	3,437,085
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.	55,288,862	0	54,288,862	54,288,862	0
Aries Marine Shipping	25,291,415	0	25,291,415	25,291,415	0
Asco-Falcon II	587,268	0	587,268	587,268	0
Atlantic & Caribbean S/N 1	63,209	45,496	17,713	17,713	0
Atlas Marine Co.	62,479,364	0	62,479,364	62,479,364	0
Baltimore Steamship 1	416,269	0	416,269	416,269	0
Bloomfield Steamship 1	15,588,085	2,613,688	12,974,397	12,974,397	0
Brookville Shipping, Inc.	10,777,099	0	10,777.099	6,143,827	4,633,272
Chestnut Shipping Co.	100,155,310	0	100,155,310	97,348,830	2,806,480
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	775,439,460	1,855,375	773,584,085	771,778,089	1,805,996
First American Bulk Carriers Corp.	58,257,325	0	58,257,325	55,030,812	3,226,513
Gulf & South American Steamship	34,471,780	5,226,214	29,245,566	29,245,566	0
Lachmar	17,997,623	0	17,997,623	16,148,899	1,848,724
Lykes Bros. Steamship Co., Inc.	2,192,182,207	52,050,598	2,140,131,609	2,136,714,228	3,417,381
Margate Shipping Co.	144,603.929	0	144,603,929	144,603,929	0
Moore-McCormack Bulk Transport	137,384,014	0	137,384,014	137,384,014	0
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	6,882,777	0
Ocean Carriers	45,994,825	0	45,994,825	45,994,825	0
Ocean Chemical Carriers, Inc.	35,050,463	0	35,050,463	28,424,942	6,625,521
Ocean Chemical Transport, Inc.	37,791,506	0	37,791,506	30,717,910	7,073,596
Oceanic Steamship5	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 Lines4	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 Steamship1	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 Lines7	750,518,013	54,958,689	695,559,324	695,559,324	0
Vulcan Carriers	29,847,656	0	29,847,656	29,847,915	0
Waterman Steamship Corp.	462,755,673	0	462,755,673	460,289,472	2,466,201
Worth Oil Transport	17,428,314	0	17,428,314	17,428,314	0
Total Regular ODS	$10,418,106,340	$238,186,435	$10,179,919,905	$10,142,579,136	$37,340,769
Soviet Grain Programs 9	$147,132,626	$0	$147,132,626	$147,132,626	$0
Total ODS	**$10,565,238,966**	**$238,186,435**	**$10,327,052,531**	**$10,289,711,762**	**$37,340,769**

[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 subsidized carrier in January 1981.
[8] Purchased by United States Lines, Inc. October 1983.
[9] No longer operative.
[10] Farrell Lines merged its operations with Argonaut, December 20, 1994.

Figure 24: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS—FY 2001[1]

A. Program Summary

U.S. PRIVATELY-OWNED VESSELS	*Number*	*Gross Tons*
Transfer to Foreign Ownership and/or Registry		
Vessels of 1,000 Gross Tons and Over	28	687,118
Vessels of Under 1,000 Gross Tons	0	—
Total	28	687,118
Modifications	1	39,132
Violations		
Reported	0	
Mitigated or Settled	0	
Recissions (Sales to Aliens)	0	
Mortgages to Aliens	0	
Denials	0	
U.S. GOVERNMENT-OWNED VESSELS	**0**	

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

Figure 24: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS—FY 2001—*Continued*

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

	Pursuant to Section 9 (U.S.-Owned and U.S. Documented)	
	No. of Vessels	*Gross Tons*
Barges	2	4,612
Bulk Carrier	1	9,706
Cargo	1	5,152
Deck Barge	2	4,092
Drydock	2	138,428
Fishing	3	4,611
Freight Barge	1	30,760
Mobile Offshore Drilling Unit	3	20,677
Tanker	2	121,930
Total	**17**	**339,968**
Recapitulation by Nationality		
Bahamas	1	137,293
Canada	1	9,706
Croatia	1	1,135
Marshall Islands	2	128,854
New Zealand	2	3,608
Panama	5	19,102
Portugal	1	30,760
Russia	1	1,003
Singapore	1	4,415
Vanuatu	2	4,092
Total	**17**	**339,968**
Sale to Foreign Nationals for Scrapping	11	347,150
GRAND TOTAL	**28**	**687,118**

CHAPTER 6
Cargo Preference

The Maritime Administration (MARAD) oversees the administration of and compliance with U.S. cargo preference laws and regulations by Federal agencies as they relate to individual programs which generate oceanborne cargoes.

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

Major programs 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 (FMS), 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. As is required by Congress, this annual report contains information on compliance with the following major cargo preference laws:

- The **Cargo Preference Act of 1954** (P.L. 83-664), as amended, requires that at least 50 percent of the gross tonnage of all Government-generated cargo be transported on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates. In 1985, the Merchant Marine Act of 1936 was amended to require that the percentage of certain agricultural cargoes required to be carried on U.S.-flag vessels increase from 50 to 75 percent.
- The **Cargo Preference Act of 1904** requires all items procured for or owned by U.S. military departments and defense agencies be carried exclusively (100 percent) on U.S.-flag vessels available at reasonable rates.
- The **Maritime Security Act of 1996**. Section 17 of the 1996 Act permits Great Lakes ports to participate in the handling of P.L. 480 Title II humanitarian food aid packaged commodities awarded on a lowest landed cost basis without reference to vessel flag. The law allows these ports to act as bridge-ports, providing loading and unloading services, even though the cargo may actually be shipped from another port, and thus provides stevedoring jobs during the winter months when the Great Lakes are closed to vessel traffic.
- **Public Resolution (P.R.) 17 of the 73rd Congress** requires that all cargoes generated by the Eximbank be shipped on U.S.-flag vessels, unless a waiver is granted. Waiver procedure policy is set forth on MARAD's website located at www.marad.dot.gov/offices/cargo_pref. Included at this site is a list of U.S.-flag carriers and U.S.-flag vessels. This information allows quick and easy access to information regarding U.S.-flag vessel service. This page also includes active links to the U.S. Coast Guard's listing of vessels, owners, and operators prohibited from carrying Government-impelled cargo and a wealth of other information.
- **P.L. 105-383** established that substandard vessels and vessels operated by operators of substandard vessels are prohibited from the carriage of Government-impelled cargo for up to 1 year after such determination has been published electronically. The easy availability of this information has resulted in increased industry use.

MARAD monitors the shipping activities of Federal agencies, independent entities, and Government corporations (See Figure 25). Statistics are maintained on a calendar year (CY) or fiscal year (FY) basis or on a 12-month program maintained over the life of a loan or guarantee.

CIVILIAN AGENCIES

Israeli Cash Transfer (GOI)

The Israeli Cash Transfer program between the Government of Israel and the AID had generated approximately 1.24 million tons of bulk grain annually. A "side letter" agreement requires that U.S. carriers transport 50 percent of the Israeli grain.

During FY 2001, over 622,222 tons were carried on U.S.-flag vessels and earned revenue of approximately $23 million. A new "side letter" has been issued for FY 2002. In view of budget constraints the FY 2001/2002 tonnage volume has been maintained at 622,222 tons for U.S.-flag vessels for the second consecutive year.

Export-Import Bank (Eximbank)

Eximbank shipments are governed by P.R. 17, which requires that 100 percent of all cargoes covered by this resolution move on U.S.-flag vessels. A general waiver permits the recipients' national flag vessels to carry up to 50 percent of the credit if that country does not discriminate against the United States.

On April 25, 2001, MARAD published a revised policy procedures for granting waivers in the *Federal Register*. The

procedures stipulate the criteria required for each type of waiver. Waiver criteria can be viewed at www.marad.dot.gov/offices/cargo-pref. MARAD is continuing its close collaboration with Eximbank, exporters, importers, and carriers to make the system more efficient and effective for all parties and to facilitate communication among the parties.

Strategic Petroleum Reserve

In 1977, the U.S. Government announced its intention to store 700 million barrels of crude oil in salt domes along the U.S. Gulf Coast as a Strategic Petroleum Reserve (SPR). At the end of CY 2001, 546 million barrels were stored at five SPR sites.

For national security reasons, the President has ordered the filling of the SPR to its intended goal of 700 million barrels. This will be accomplished by using crude oil as payment, or Royalty in Kind, by the offshore oil companies who lease the federal sites. Under the terms of the Cargo Preference Act of 1954, the Department of Energy (DOE) is required to transport at least 50 percent on U.S.-flag tankers. In 1977, MARAD and DOE agreed that long ton/miles (LTM) more accurately reflect the broad geographical distances in transporting oil than tonnage alone for compliance. A Memorandum of Understanding allows monitoring on a cumulative basis. Since the inception of the SPR program, 48.61 percent of the crude oil has been transported on U.S.-flag tankers.

MILITARY CARGOES

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

Cargo shipped for DOD is subject to the Cargo Preference Act of 1904. The preponderance of DOD dry cargo is booked on U.S.-flag vessels by the Military Traffic Management Command (MTMC) for the various DOD shipper services as part of the Defense Transportation System (DTS). The rates and services provided by the ocean carriers constitute their transportation contracts with MTMC.

MARAD has been receiving quarterly reports from MTMC on the movement of DOD-sponsored shipments of personal effects. This exchange of information is the result of a Memorandum of Agreement between MARAD and MTMC signed on March 2, 1996.

MARAD has also begun receiving data from MTMC for the movement of privately owned vehicles (POVs) being transported between points in the continental United States and points overseas. Data is derived from MTMC's contract, new in 1998, with a single service provider responsible for managing the shipment of all POVs for military personnel.

A significant amount of DOD cargo moves in the commercial sector outside the DTS. Unfortunately, the cargo that is shipped by DOD contractors utilizing commercial corporate traffic departments or second- or third-party providers, such as freight forwarders and logistics managers, frequently moves without data being reported to either DOD or MARAD. Consequently, the tonnage and revenue data from commercial sources is typically less than complete and unable to be accurately reflected in Figure 25, footnote 16. Under DOD acquisition regulations, cargo preference does not apply to subcontractors providing commercial off-the-shelf items, unless the contractor does not add value to the shipment or it is shipped in direct support of U.S. military forces deployed for contingency, humanitarian, or peacekeeping operations. Therefore, there may be no requirement for tonnage or revenue to be reported for some commercial shipments.

MARAD continues to work closely with DOD representatives and contractors to improve reporting and monitoring of cargo preference shipments by fostering improved communication and meeting the mutual needs of our DOD customers and the U.S. maritime industry.

DEFENSE SECURITY COOPERATION AGENCY

The Defense Security Cooperation Agency (DSCA) is the sponsoring DOD agency for items purchased through Foreign Military Financing (FMF) grant transfers such as those under the Foreign Assistance Act of 1961, as amended, (FAA) Section 516, related programs authorized under the scope of the FAA, and defense article leases. The movement of excess defense articles within the FMF program is consistent with the continued drawdown of U.S. forces.

The statistics reflected in Figure 25 from FMF and related FAA programs represent combined tonnage and revenue data for those ocean shipments arranged by the foreign recipients' freight forwarder or their defense ministry office.

Continuing its support of the U.S. merchant marine, DSCA extends its 100 percent U.S.-flag shipping policy to FMF programs and other U.S.-financed cargo being transferred to other countries via programs under its purview.

DSCA policy does incorporate the possibility for countries to annually request a general waiver, thereby allowing the recipient's national flag vessels to participate in the ocean carriage of applicable cargoes up to a maximum of 50 percent of total annual ocean freight tonnage and ocean freight revenue. Favorable consideration of a general waiver is permissible under the Cargo Preference Act of 1954.

DSCA bases each general waiver decision on a MARAD determination that the country concerned has maintained a "favorable" record of cargo preference compliance during the past year. A general waiver is subject to reconsideration at any time if the country does not continue to maintain its favorable cargo preference compliance record.

AGRICULTURAL CARGOES

The statutory sources of agricultural cargo preference programs are Titles I, II, and III of P.L. 83-480; Section 416(b) 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. Section 17 of the Maritime Security Act of 1996 permits Great Lakes ports to participate in handling Title II packaged commodities awarded on a lowest landed cost basis without reference to flag of vessel.

Significant events occurred during the past Cargo Preference Year (CPY) that had a major impact on agricultural cargo subject to preference. Shipments of 1.8 million metric tons under the 3 million metric ton Section 416(b) wheat initiative were completed. A new trial program, the Global Food for Education Initiative, was inaugurated to provide up to 630,000 metric tons of food aid under the Section 416(b) program. In addition, the United States also donated over 200,000 metric tons of food aid to Afghanistan, 730,000 metric tons to Ethiopia and 105,000 metric tons to Eritrea.

Even though a portion of these programs was shipped in the subsequent CPY, shipments during the 2000/2001 CPY decreased by over 3.1 million metric tons from the previous CPY. This 52 percent decrease was largely due to the completion of the 3.3 million metric ton food aid program to the Russian Federation, and completion of the $2.5 million wheat initiative during the 1999/2000 CPY. However, shipments in CPY 2000/2001 were about 214 percent greater than those experienced during CPY 1997/1998, but 213,000 metric tons (3.4 percent) less than shipments in CPY 1993/1994.

Collectively, 77.8 percent of the 6 million metric tons of humanitarian food aid commodities were transported on U.S.-flag vessels during the 2000/2001 CPY. Since wheat was the primary commodity shipped during the year, 54 percent of the bulk cargoes transported by U.S.-flag vessels were transported on tankers.

- **Title I** provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. Approximately 858 thousand metric tons of food aid was shipped during CPY 2000/2001. This was about 1.2 million metric tons (59 percent) less than the prior year, and 715,000 metric tons (45 percent) less than shipments during CPY 1994/1995. CPY 1994/1995 is considered the base year under this program's legislation.
- **Title II** is a donation program administered by AID that generated approximately 2.2 million metric tons of packaged, processed, and bulk commodities for least developed countries. Shipments decreased by 54,000 metric tons (2 percent) from the previous CPY; however, this is 660,000 metric tons (23 percent) less than shipped during CPY 1994/1995.
- **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. Congress did not appropriate any funding for this program during CPY 2000/2001. As a result, no cargo was shipped. This represented a decrease of 116,000 metric tons from the previous year, and compares with about 1.1 million metric tons of Title III shipments made during CPY 1994/1995.
- **Section 416(b)** is a donation program established primarily to distribute surplus commodities, to the extent that such surpluses exist. There were over 2.6 million metric tons shipped for the current year under the new wheat initiative and the Global Food for Education Initiative. Shipments were 1.7 million metric tons (40 percent) less than the prior year and 2.4 million metric tons (14 times) greater than shipped during CPY 1994/1995.
- **Food for Progress** provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the current CPY, 392,000 metric tons of commodity were donated. This was 6,000 metric tons (2 percent) less than the previous CPY, and 202,000 metric tons (34 percent) less than CPY 1994/1995 shipments.

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(b) programs).

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

MARAD reimbursed the Commodity Credit Corp. (CCC) $28 million for OFD invoices and documents submitted during FY 2001. A substantial amount of additional OFD obligations covering the 2000/2001 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 2001, the average OFD cost for which MARAD reimbursed USDA was $33.35 per metric ton, a decrease of $12.48 per metric ton, or 27 percent, from the previous year. This decrease was due, in part, to payments made for prior year shipments, and an increase in shipments without foreign-flag offers. OFD obligations that remain outstanding are expected to increase the average OFD rate paid for shipments during the 2000/2001 CPY.

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. During FY 1998, USDA invoiced MARAD $71.1 million for excess freight costs for FY 1993. Our analysis indicated that such shipping costs did not exceed the 20 percent threshold for that fiscal year.

Minimum Tonnage

The minimum tonnage for agricultural products was stipulated by the Food Security Act of 1985 and incorporated into Section 901c(a)(1) of the Merchant Marine Act, 1936, as amended. This includes P.L. 480, Section 416(b), 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 2000, a total of 6,272,240 tons of such agricultural products were exported. The minimum tonnage calculated for FY 2000 is 3,516,884 metric tons. This represents a surplus of 2,755,356 metric tons.

Even though Congressional appropriations for FY 2000 were lower than the previous year, the foreign food aid tonnage exported during the year was above the base period. This was due to lower commodity costs, and shipments of surplus wheat under the Section 416 (b) program and under the Russian food aid program during the base period. Since fiscal year 1994, shipments have been declining; however, this was reversed in fiscal years 1998 and 1999. This prior lack of tonnage resulted in a substantial downsizing in the dry bulk U.S. fleet, and the virtual elimination of the break bulk U.S. fleet.

MARAD continues its dialogue with USDA to discuss reductions in food aid funding and will maintain this exchange because budget reductions for the humanitarian food aid programs are inconsistent with the funding for Government-impelled programs not subject to cargo preference. We are encouraged, however, that this trend was reversed during the past two fiscal years due to continued commodity surpluses and the Global Food for Education Initiative trial program implemented by the Administration.

During FY 2001, USDA again incurred certain difficulty in attracting participating countries in order to obligate all program funds and funds carried over from the previous year. Some of the commodity provided by the funding carryover will be transported in FY 2002.

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 rate is fair and reasonable. Regulations governing the calculation of fair and reasonable guideline rates are codified at 46 CFR Part 382.

In FY 2001, MARAD calculated 196 fair and reasonable guideline rates for 4.0 million metric tons of Government-impelled cargoes. Shipments went to numerous destinations ranging from the Philippines to Pakistan to Africa and to South and Central America.

Fair and reasonable guideline rates serve as a ceiling on market freight rates in periods of high demand for US.-flag vessels. During FY 2001, the offered rate exceeded the fair and reasonable guideline rates on 19 occasions. Many ship operators lowered their offered freight rate to the fair and reasonable guideline rate, thus saving the U.S. Government $3.6 million in FY 2001.

The program contributes to the operation of a variety of U.S.-flag vessels. In FY 2001, ship operators filed vessel costs for 164 vessels with MARAD under this program. The total consisted of 61 ocean going self-propelled vessels, 46 oceangoing barges, and 57 tugboats.

Figure 25: GOVERNMENT-SPONSORED CARGOES—2001

(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	11,778	149,151	120,857	81.0
Bulker	0	0	0	0.0
Tanker	0	0	0	0.0
TOTAL	11,778	149,151	120,857	81.0
P.L. 480 - Title II [2]				
Liner	93,800	988,354	586,826	59.4
Bulker	48,500	748,803	632,588	84.5
Tanker	29,369	428,882	372,477	86.8
TOTAL	171,669	2,166,039	1,591,891	73.5
Department of Agriculture:				
P.L. 480 - Title I [2]				
Liner	5,062	54,061	54,561	100.0
Bulker	38,027	554,195	501,103	90.4
Tanker	16,734	249,478	245,279	98.3
TOTAL	59,823	858,234	800,943	93.3
Food for Progress [2]				
Liner	31,680	237,883	191,116	80.3[4]
Bulker	5,418	137,458	86,264	62.8[5]
Tanker	1,240	21,999	16,000	72.7[6]
TOTAL	38,338	397,340	293,380	73.8[7]
Section 416(b) [2]				
Liner	66,539	776,029	445,232	57.4[8]
Bulker	38,474	767,865	494,831	64.4[9]
Tanker	81,949	1,078,006	1,073,007	99.5[10]
TOTAL	184,962	2,621,900	2,013,070	76.8
U.S. Trade and Development Agency	5	49	49	100.0
National Science Foundation	6,127	51,583	50,695	98.3
General Services Administration	4	17	8	46.0[1]

Figure 25: GOVERNMENT-SPONSORED CARGOES—2001—*Continued*

(Note: These numbers do not include domestic shipments)

Program	*U.S.-Flag Revenue ($1,000)*	*Total Metric Tons*	*U.S.-Flag Metric Tons*	*Percentage U.S.-Flag Tonnage*
Department of Transportation				
Federal Transit Administration	4,687	14,672	7,454	50.8[11]
Department of Energy				
Strategic Petroleum Reserve	0	88,677	0	0.0[12]
Department of State				
Foreign Building Office	1,059	9,060	4,388	48.0[1]
Other Agencies	5,524	8,293	6,768	82.0
Army Corps of Engineers	19	643	200	31.0[13]

PUBLIC RESOLUTION 17 CARGOES:

	Total Metric Tons	*U.S.-Flag Metric Tons*	*Total Freight Revenue*	*U.S.-Flag Freight Revenue*	*Percentage U.S.-Flag*
Eximbank	68,935	50,849	23,478,440	17,955,251	74.0

Israeli Side Letter Agreement

	Total Metric Tons	*U.S.-Flag Metric Tons*	*Foreign-Flag Metric Tons*	*Freight Revenue U.S.-Flag ($)*	*Percentage U.S.-Flag*
Government of Israel (GOI)	1,244,444	622,222	622,222	23,000,000	50.0[14]

Defense Security Cooperation Agency (DSCA):

	U.S.-Flag Revenue ($1,000)	*Total Metric Tons*	*U.S.-Flag Metric Tons*	*Percentage U.S.-Flag Tonnage*
Foreign Military Financing, Grant Transfers and related programs				
Liner:	18,734	74,541	50,528	67.8
Tanker:	20,165	416,371	414,907	99.6
TOTAL	38,899	490,912	465,435	94.8

Figure 25: GOVERNMENT-SPONSORED CARGOES—2001—*Continued*

(Note: These numbers do not include domestic shipments)

Program	*U.S.-Flag Revenue ($1,000)*	*Total Metric Tons*	*U.S.-Flag Metric Tons*	*Percentage U.S.-Flag Tonnage*

CARGO PREFERENCE ACT OF 1904 CARGOES:

FISCAL YEAR 2001[15]

	Measurement Tons Dry Cargo	*Percentage U.S.-Flag Tonnage Dry Cargo*	*Metric Tons Petroleum*	*Percentage of Total Tonnage*
Department of Defense Support Cargoes:				
U.S.-flag privately-owned vessels	1,837,091	64.2	n/a	n/a
Foreign-flag vessels	87,944	n/a	n/a	n/a
U.S. Government-owned vessels	171,233	6.0	n/a	n/a
Time Chartered U.S.-flag vessels	255,945	9.0	3,996,728	74.0
Time Chartered Foreign-flag vessels	n/a	n/a	n/a	n/a
Voyage Chartered U.S.-flag vessels	309,785	10.8	1,255,219	23.0
Voyage Chartered Foreign-Flag vessels	199,000	n/a	154,432	n/a
Total Support Cargo	**2,860,998**	**90.0**	**5,406,379**	**97.0**

FISCAL YEAR 2001[16]

Department of Defense Commercial	*Total Metric Tons*	*U.S.-Flag Metric Tons*	*Percentage U.S.-Flag Tonnage*
Contractor Cargoes and Personal Property Shipments	359,540	347,000	96.5

NOTES

1. Imbalance due to non-availability of U.S.-flag service.
2. The Food Security Act of 1985 (P.L. 99-198) changed the agricultural reporting period from a calendar year to a 12-month period commencing April 1 through March 31. The required U.S.-flag share for the current reporting period, April 1, 2000 to March 31, 2001, is 75 percent.
3. Angola (AO-5012) did not ship any bulk liquid cargo on U.S.-flag vessels.
4. Bosnia-Herzegovina (39 percent), Ghana (23 percent), Georgia (39 percent), and Tajikistan (67percent)) failed to achieve the 75 percent requirement.
5. Two of the eight participating countries failed to meet the 75 percent requirement: Guyana didn't ship any bulk grain on dry bulk vessels while Russia (65 percent) failed to meet the requirement due to lack of U.S.-flag offers.
6. Ecuador and Honduras did not ship any preference cargo on U.S.-flag tankers, Honduras due to lack of U.S.-flag offers.
7. After taking into consideration U.S.-flag offers that were refused and the lack of U.S.-flag offers, the program met the 75 percent requirement.

8. Sixteen of the thirty-three participating countries did not achieve the 75 percent requirement: Angola (60 percent - due to insufficient U.S.-flag offers), Bulgaria (36 percent - due to insufficient U.S.-flag offers), Congo (73 percent), Ethiopia 4 percent), Indonesia 45 percent - due to insufficient U.S.-flag offers), Kenya (56 percent), Lebanon (63 percent - due to insufficient U.S.-flag offers), Moldova (69 percent), and Tajikistan (74 percent). Armenia, Ecuador, Kyrgyzstan, Mongolia, Sudan, Tanzania, and Uganda did not ship any packaged cargo on U.S.-flag vessels.
9. Nine of the eighteen participating countries failed to meet the 75 percent requirement: Indonesia (50 percent), Jordan (51 percent), Morocco (52 percent), and Peru (60 percent). Armenia, Kenya (due to lack of U.S.-flag offers), Moldova, Rwanda (due to lack of U.S.-flag offers), and Sri Lanka (due to insufficient U.S.-flag offers) did not ship any preference cargo on U.S.-flag dry bulk vessels due to lack of U.S.-flag offers.
10. Ecuador did not ship any bulk liquid cargo on U.S.-flag vessels
11. The program tonnage is 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 statute. U.S.-flag vessels received 45 percent of the revenue tons for CY 2000 and 56 percent for CY 2001.
12. For equity purposes, MARAD monitors the SPR program on a long ton/mile basis. This program did not meet its compliance requirement for CY 2000/2001. A Memorandum of Understanding was issued on October 29, 1982, allowing the program to be monitored on a cumulative basis. Since the program inception, U.S.-flag tankers received 50.27 percent of the cargoes
13. The vast majority of these shipments are for a road building project in Micronesia. The cargo originates outside of the United States affording little or no U.S.-flag involvement.
14. Under the "side letter" agreement the GOI, on a fiscal year basis, must provide U.S.-flag vessels with 622,222 tons of bulk grain. Previous agreements required 800,000 to be shipped on U.S.-flag vessels, but due to budget constraints this volume has been reduced. FY 01 finished with a surplus of 19,193 tons which will be applied to the FY 02 agreement.
15. Tonnages reported by Military Sealift Command (MSC) and Military Traffic Management Command (MTMC). Tonnages are from vessel manifests and lift reports of ocean carriers that carry DOD sponsored cargo by liner contract or charter contract during the fiscal year. Voyage charters include short-term time charters. Personal property, POVs, and Foreign Military Sales cargoes are excluded. "U.S.-flag privately-owned vessels" and "foreign-flag vessels" represent cargoes transported by contract with liner carriers.
16. Tonnages for commercial cargoes derived from rated ladings submitted by shippers to MARAD's Office of Cargo Preference. Tonnages for DOD personal property and POV shipments are reported by MTMC from rated ladings submitted for payment by carriers performing under MTMC contract.

CHAPTER 7
Maritime Labor, Training, and Safety

The Maritime Administration (MARAD) supports the training of merchant marine officers and crewmembers with a focus on safety in U.S. waterborne commerce. MARAD also monitors national and international maritime industry labor-management practices and policies; promotes healthy labor-management relations; and fosters a safe and efficient maritime transportation system through the effective use of human resources.

TRAINING

U.S. Merchant Marine Academy

MARAD operates the U.S. Merchant Marine Academy at Kings Point, NY, to educate young men and women for service in the American merchant marine, in the U.S. Armed Forces, and in the Nation's intermodal transportation system.

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.

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

Academy graduates also are committed to a 5-year maritime service obligation. This requires them to obtain a merchant marine officer's license in order to graduate from the Academy, and to maintain the license for at least 6 years. This maritime 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 available, and with the permission of the Maritime Administrator. Active military duty in the U. S. Armed Forces or service with the National Oceanic and Atmospheric Administration also satisfies the obligation.

The Class of 2001, which graduated on June 18, 2001, comprised 94 third mates, 92 third assistant engineers, and 13 who completed the dual deck/engine license programs.

The 25 women graduates in 2001 brought to 422 the total number of female graduates since the first coeducational graduating class in 1978.

White House Chief of Staff Andrew Card delivered the commencement address. During the ceremony, honorary degrees were presented to Andrew Card and Milton G. Nottingham, Jr., a prominent shipchartering broker.

Within 3 months after graduation, about 95 percent of the 199 graduates had obtained employment in the maritime and transportation industry, afloat and ashore, or were serving on active military duty. That percentage increases to nearly 99 percent within 6 months after graduation.

The Academy's newest major program, Logistics and Intermodal Transportation, introduced in 1998, is proving to be the most sought-after major among the Academy's seven curriculum options. The program complements the marine transportation educational program to enable a graduate to manage effectively a complex commercial or defense logistics system.

Average enrollment at the Academy during the year was 926 midshipmen. At the beginning of the 2001-02 academic year, the regiment included 93 women, 14 of whom are scheduled to graduate with the Class of 2002. Members of Congress nominated 1,302 constituents for the Class of 2005, and a total of 283 freshmen, called plebes, were enrolled in July 2001.

The Academy's overall academic program is accredited by the Middle States Association of Colleges and Schools. The Marine Engineering Systems and the Marine Engineering/Shipyard Management curricula are approved by the Accreditation Board of Engineering and Technology (ABET). The academic year is divided into trimesters.

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

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 Maritime Academy, Galveston, TX.

State maritime academy cadets who participate in the Student Incentive Payment (SIP) Program receive a maximum of $3,000 annually to offset school costs. Participating cadets have these obligations:

- To complete the academy's course of instruction

- To pass the USCG examination for a license as an officer in the U.S. Merchant Marine and maintain that license for at least 6 years from the date of graduation
- To apply for and accept, if offered, an appointment as a commissioned officer in an armed force reserve component and serve for at least six years from the date of graduation
- To maintain employment in the maritime industry at least 3 years from the date of graduation.

MARAD provides training vessels to five seacoast academies for use in at-sea training and as shoreside laboratories.

Supplemental Training

MARAD provides supplemental training for seafarers in marine firefighting and defense readiness. In FY 2001, 1,250 maritime personnel were trained in ship and barge firefighting, including U.S. citizen seafarers, USCG personnel, and port city professional firefighters. Basic and advanced firefighting training is offered at MARAD's fire school at Swanton, OH; the U.S. Navy Military Sealift Command (MSC)/MARAD fire training facility in Earle, NJ; and the U.S. Navy fire training installation at San Diego, CA.

Of the students attending the school in Swanton, 89 port city firefighters were trained in specialized marine firefighting skills and 70 personnel received a customized outreach course meeting USCG standards.

MARAD's National Sealift Training Program (NSTP) for Masters and Chief Mates under the Global Maritime Transportation School (GMATS) includes a special two-week session for senior engineers and is labeled NSTP-E. The primary goal of the engineer course is to familiarize senior engineers with engineering requirements concerned with activation of the Ready Reserve Force.

NSTP training is designed to improve U.S.-flag strategic sealift support capability and reduce vulnerability to piracy and hostage threats. 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 2001, 37 senior deck officers and 10 senior engineer officers completed this program.

MARAD also is working cooperatively with the MSC to facilitate the implementation of Chemical, Biological and Radiological Defense (CBRD) one-day training for all U.S. merchant seafarers at industry schools and maritime academies. The objective of this program is to have all U.S. mariners trained and certified by 2004. By the end of FY 2001, over 1,300 mariners had completed this training.

Garrett A. Morgan Technology and Transportation Futures Program

The Department of Transportation's (DOT) Garrett A. Morgan Technology and Transportation Futures Program is aimed at ensuring that the United States has a workforce prepared for the technologically challenging jobs of the 21st century.

MARAD participation in this intermodal program is seen as an opportunity to interest students of all ages across the nation in maritime careers and help inspire and prepare them to be valuable contributors to building a strong merchant marine.

Under MARAD chairmanship, an Internet site has been developed by an intermodal committee as one component of the program. MARAD has also stepped up its efforts in working with young students and participated in various opportunities to provide mentoring and inspiration on a one-to-one basis.

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, the conflict in Korea, the conflict in Vietnam, and Operation Desert Storm. In FY 2001, MARAD responded to more than 1,500 inquiries on awards and related issues.

LABOR

Seafaring Labor

Members of the Seafarers International Union and the National Maritime Union have approved the details of a merger agreement between the two unions. This finalizes the unification and marks an historic occasion in maritime labor history. The two unions represent almost 90 percent of deep sea unlicensed seafarers. The combined union will represent unlicensed seafarers on most of the U.S.-flag vessels, MSC civilian-crewed vessels, and the Ready Reserve Force (RRF).

Annual Crewing Assessment of U.S. Merchant Mariners

In FY 2001, United States sealift ships that depend upon civilian merchant mariners for activation crewing included the 76 RRF ships operated by MARAD and MSC's eight fast sealift ships, eight large medium speed roll-on/roll-off (LMSR) ships in surge status, and two hospital ships. Approximately 1,940 mariners would be needed to activate all the reserve sealift billets not manned, effective at the end of the fiscal year.

The Maritime Security Program (MSP), authorized by the Maritime Security Act of 1996, supports 47 U.S.-flag, -owned and -crewed merchant vessels in international trade that stand ready to provide sustainment sealift support to the Department of Defense in contingencies. This MSP fleet provides employment for over 2,000 mariners a year, contributing to a merchant

mariner pool available for voluntary crewing of the U.S. reserve surge sealift ships if activated. These mariners, combined with mariners from other U.S.-flag vessels, recent graduates, and experienced mariners working ashore, would be required to meet the sealift crewing requirement.

Longshore

The Port of Charleston, SC, the second largest port on the East Coast of the United States, was hit with International Longshoremen's Association (ILA) protest when Nordana, a Danish shipping line, began using non-union dockworkers to load its ships. ILA called for worldwide solidarity and support of ILA Local 1422 in Charleston. In protest, ILA members carried pickets and blocked the port authority terminal entrance. Five ILA workers were indicted on rioting charges and held under house arrest. All charges were later resolved. Nordana agreed to abide by the ILA master contract agreement. There were no further interruptions of service at the Port of Charleston.

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 in human performance and operating procedures 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.

The DOT Human Factors Coordinating Committee has carried the research initiatives identified last year into action through awarding a number of research contracts in the area of managing fatigue. Results from these efforts will provide a more complete and practical approach to the area.

MARAD and the USCG continued to facilitate joint industry development of the voluntary reporting International Maritime Information Safety System (IMISS). The National Aeronautics and Space Administration (NASA) is lending its expertise with the Aviation Safety and Reporting System (ASRS) to help design and get IMISS ready for operations. The Department recognized the value of such systems and has initiated study efforts through the DOT Bureau of Statistics to plan for similar systems in other modes in a movement to improve safety data systems.

MARAD worked with Panel H-10 (Ship Controllability) of the Society of Naval Architects and Marine Engineers to gather basic data on ship maneuvering in shallow and restricted waters. With U.S. Army Corps of Engineers funding, vessels were instrumented with dual frequency Global Positioning System (GPS) receivers during transits of the Houston Ship Channel before and after channel widening and deepening efforts. Vertical measurements of the ship with centimeter accuracy provided basic data to develop and validate improved mathematical models of ship movements. Improved modeling in shallow and restricted waters and in meeting and bank suction situations will assist with training of mariners through improved simulation tools.

CHAPTER 8
International Activities

Secretary Signs New Maritime Pact with Russia

On June 20, 2001, the Secretary of Transportation and his Russian counterpart signed a new bilateral maritime agreement in St. Petersburg. The formal signing of the agreement capped almost a year of negotiating efforts by the Maritime Administration (MARAD) with the Ministry of Transport, including formal talks in Moscow in December 2000. The new agreement re-establishes a formal basis for maritime relations between the United States and Russia that dates back to 1972, when the first such agreement was signed with the former Soviet Union. The most recent previous agreement, which was signed in 1990, was converted in 1993 from an accord between the United States and the Soviet Union into one between the United States and Russia. It includes provisions on crew visas, tonnage duties, and a consultation mechanism for addressing concerns of either side. The term of the new agreement is five years, with automatic one-year extensions thereafter.

United States and Russian maritime and exporting companies will benefit from the new maritime agreement, as will ports in both countries. Several U.S. companies have substantial investments in Russia's transportation infrastructure, including Russia's ports. Russia's ports provide important gateways to a vast transportation network extending across Europe and parts of the Far East.

NATO Planning Board for Ocean Shipping (PBOS) Participation

MARAD continues to serve as the focal point for the U.S. participation in the work and activities of the North Atlantic Treaty Organization (NATO) Planning Board for Ocean Shipping (PBOS), which is responsible for developing and maintaining plans for civil shipping support to NATO in crisis and war. MARAD represents the United States through participation in PBOS meetings and events to enhance readiness planning in support of NATO, including exercises and training events for civilian shipping experts. MARAD representatives hold the PBOS chairmanship, and maintain the PBOS Secretariat, which conducts the everyday work of the Planning Board. It also provides advice to the NATO military authorities on sealift matters relevant to the planning and execution of NATO military deployments.

Opening Ports in Japan Still a Concern

MARAD, working with other U.S. agencies, continued its efforts to get Japan to fully implement the commitments to liberalize its port service policy that Japan had made in a bilateral agreement in 1997. On November 1, 2000, Japan began applying its amended Port Transportation Business Law. By the end of FY 2001, it was clear that the revised law had not removed barriers to market entry by foreign maritime companies that the U.S. Government has sought during four years of bilateral negotiations. The new port law has not deregulated the port sector, but has actually increased the restrictions on foreign companies seeking to enter the Japanese maritime market. As in the past, the port operations of foreign-liner carriers remained subject to the dictates of the Japan Harbor Transport Association, and have remained heavily regulated by the Ministry of Land, Infrastructure and Transport.

Contacts with China

During fiscal year 2001, MARAD continued its efforts to open China's restrictive maritime sector. The Maritime Administrator raised U.S. concerns about Chinese maritime barriers during former Secretary Rodney Slater's meeting with the Chinese Minister of Communications in Washington in October 2000. In December 2000, the two sides pursued informal contacts to ascertain whether there was a basis for resuming formal negotiations on a new maritime agreement that would eliminate the impediments that China imposes on U.S. maritime companies. These contacts were ultimately unproductive, and the change of administrations took place in the United States with the outstanding issues unresolved. Since taking office, Secretary Norman Mineta has stated that the Bush Administration will seek removal of China's maritime restrictions.

Organization for Economic Cooperation and Development (OECD)

MARAD participated in the U.S. delegation to the January 2001 meeting of the OECD's Maritime Transport Committee (MTC), which discussed a number of international shipping policy issues. These included intermodal transport logistics, support measures to shipping, costs of substandard shipping, and regulatory reform in maritime transport. At the conclusion of the meeting, MARAD's Associate Administrator for Policy and International Trade was elected as the Committee's next Chairman.

The MTC meeting was followed by a Workshop on Cargo Liability Regimes, which helped to clarify issues and narrow differences in the views of the Government and industry participants. The Workshop report was provided to a number of other groups that also considered cargo liability issues throughout the year. In September 2001, key shipper and carrier associations in the United States reached agreement on common objectives for international cargo liability reform.

MARAD also participated in the U.S. delegation to a December 2000 meeting of the OECD's Council Working Party on Shipbuilding. Following the meeting, MARAD continued to provide advice and assistance to the Office of the U.S. Trade Representative on shipbuilding policy.

Maritime Services in the World Trade Organization (WTO) and Free Trade Negotiations

The latest maritime transport negotiations in the WTO were suspended on June 30, 1996, and the United States made no commitments. During the fiscal year, a consensus had not emerged on an agenda for a new round of negotiations. A meeting of trade ministers in November 1999 failed to launch a new round; however, it was agreed that a further meeting of trade ministers would be held in November 2001, in Doha, Qatar. In the interim period, work continued on launching the new round, which included coordinating member countries' positions on how to organize services sector negotiations. Several proposals were presented on maritime transport services. MARAD staff has actively participated in these preparations.

Under the terms of the 1996 Decision to Conclude the Negotiations in maritime transport services, the principle of most-favored-nation treatment was suspended until the start of the next comprehensive services negotiating round, but would apply immediately to countries making commitments. A "peace clause," identical to the earlier one that applied to the extended negotiations, was adopted and will apply until the conclusion of the future services negotiation. This means that no country participating in these negotiations will take actions to improve its negotiating position in the maritime sector from now until the end of the next round, which may extend three years or longer.

The U.S. maritime industry's consistently strong opposition to coverage of maritime services by the WTO reflects several salient circumstances. The United States maintains a high level of liberalization (including transparency) in its maritime sector, and over 97 percent of U.S. foreign waterborne trade is carried on foreign-flag vessels. The comparatively low level of support that the United States maintains in the maritime sector--in particular, the Maritime Security Program (MSP) and cargo preference--are necessary to help assure availability of national flag tonnage for the support of U.S. military operations abroad.

MARAD also monitored and gave advice to the U.S. Trade Representative on a number of regional and bilateral trade agreement negotiations. These included the Free Trade Agreement of the Americas and Free Trade Agreements with Chile and Singapore. MARAD's assistance included providing updates on U.S. maritime laws and regulations; our chief objective was to ensure that these statutes are not adversely affected by the agreements.

CHAPTER 9
Administration

Strategic and Performance Planning

The strategic plan of the Maritime Administration (MARAD) identifies four goals, which define our desired long-term accomplishments in the key areas of national security, shipbuilding, intermodalism, and trade. MARAD's strategic and performance goals were also designed to support the achievement of the broader outcomes outlined in the Department of Transportation (DOT) strategic plan.

MARAD developed performance goals and identified performance measures for Fiscal Year (FY) 2001 that were specifically designed to support achievement of the DOT and MARAD strategic goals and outcomes. The MARAD FY 2001 Performance Plan was submitted to Congress on February 7, 2000, as an integral part of MARAD's FY 2001 budget request. MARAD has met or exceeded the desired results for five of the eight FY 2001 goals. Specific results are summarized in the following figure.

The commercial vessel goal is reported on a calendar year basis. Results were not yet available at the time the MARAD annual report were written. The impediments to the port commerce goal was discontinued in FY 2000, when MARAD discovered that performance data for the goal did not have sufficient validity to indicate whether or not the yearly targets were being met. Similarly, two minor goals contained in the MARAD performance plan were discontinued due to a lack of valid data.

Planned accomplishments from activities designed to achieve the DOT and MARAD strategic and performance goals also provided the basis for an annual performance agreement between the Maritime Administrator and the Secretary of Transportation. The 2001 agreement outlined the specific accomplishments that MARAD planned to achieve and served as the basis for periodic progress reports. Elements of this agreement were also placed into the performance appraisals of all MARAD senior executives.

MARAD considers strategic and performance planning to be an ongoing process and continues to refine MARAD's strategic goals, performance goals and measures, and planned accomplishments.

Figure 26: Performance Plan Summary

Goal	*Target*	*Result*
Available Sealift Capacity in Twenty-Foot Equivalent Units (TEUs)	165,000	167,644
Availability of DOD-Strategic Ports	93%	92%
Availability of Mariners	100%	120%
Timely RRF Ship Activations	100%	100%
Reliability of RRF Ships	99%	99.3%
Obsolete Ship Disposals	Three	Five
Commercial Vessels on Order or Under Construction: Gross Tonnage (GT)	530,000	To Be Determined
Impediments to Port Commerce	37%	Discontinued

Maritime Subsidy Board

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

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

The MSB conducted regular meetings during the fiscal year, 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 2001, the Maritime Administrator and the MSB took a number of administrative actions to help strengthen the U.S. Merchant Marine. Significantly, the Maritime Administrator and the MSB approved the acquisition by Crowley Maritime Corporation (Crowley) of Marine Transport Corporation (MTC). MTC, through its subsidiaries, operates the tug/barges SMT CHEMICAL TRADER and SMT CHEMICAL EXPLORER. This action allowed the continued operation of these bulk vessels in the foreign trade with subsidy under their operating-differential subsidy (ODS) program contracts which ended on March 25, 2001, and September 18, 2001, respectively. Those ODS contracts were the last active contracts, for bulk vessels. The ODS program was phased out for liner vessels in 1998.

Customer Satisfaction Program

In 1998, as a result of Executive Order No. 12862, a MARAD Customer Satisfaction Committee was formed. The Committee

consists of a representative from each MARAD program office. In 1999, the Committee developed two forms, 1) the Customer Service Questionnaire, a mechanism to evaluate the perception of how we conduct our business, and 2) the Program Performance Survey (PPS), which identifies areas for improvement in program service or product delivery and to monitor the overall level of customer satisfaction. All major MARAD programs are evaluated on a three-year cycle. In 2000, a third form was developed, the Conference/Exhibit Survey form, which is used to evaluate MARAD's performance at MARAD-sponsored and cosponsored conferences and exhibits in which MARAD participated.

The *Maritime Administration Customer Satisfaction Report–August 2001* was published. Information contained in this report was derived from a PPS sent to customers of seven major MARAD programs, our Customer Service Questionnaire, which is mailed periodically, and the Conference/Exhibit Survey distributed during conferences.

Sixty-six percent of the respondents rated MARAD above average or excellent in meeting their needs. The majority of respondents (57 percent) deal with MARAD two times or less a month. Twenty-seven percent have been MARAD customers five years or less, while 12 percent have dealt with us more than 30 years. Only 26 percent cited MARAD as their primary supplier for maritime information and support.

On specific comparison factors to other entities with which they dealt, 47 percent rated MARAD better, while only one percent rated us worse. They responded positively about our friendliness (54 percent), willingness to work with them (53 percent), and timely responses (51 percent). Two areas needing improvement were availability of services and assistance provided. Both were rated worse by four percent. However, 87 percent stated they would recommend MARAD.

The 2001 report compared findings with FY 1999 and 2000 baseline data. This report includes the final programs to be reviewed on a continuous three-year review cycle of all major MARAD programs. MARAD also developed and implemented a Customer Satisfaction Improvement Plan for programs surveyed in 1999 and 2000. MARAD's Office of Chief Counsel provided legal support for Agency offices and independently engaged in litigation, drafted rulemakings, monitored legislation, and served as the citizenship and American Fisheries Act program office.

LEGAL SERVICES AND AGENCY DECISIONS

Rulemaking

MARAD's regulations are contained in Chapter II of Title 46 of the *Code of Federal Regulations*. Actively engaged in rulemaking throughout the reporting year, the Agency published two final rules and one interim final rule.

One final rule (Part 205) updated the regulations on Audit Appeals; Policy and Procedure, which establish procedures for parties who contract with MARAD or the Maritime Subsidy Board.

A second final rule (Part 310) amended the employment reporting requirements for United States Merchant Marine Academy graduates and graduates of State maritime schools who receive student incentive payments. The regulation will allow all graduates an equal number of months to report employment under their service obligations, rather than require a July 1 report date for all graduates, including those having deferred graduation dates.

An interim final rule (Part 356) allows MARAD to waive procedural requirements of the American Fisheries Act in order that non-material discrepancies in a vessel's documentation would not arbitrarily cause vessel owners to lose their fishery endorsements.

Freedom of Information Act (FOIA)

MARAD began the fiscal year with 103 carryover requests for access to records, received 185 new requests, processed 232 during the fiscal year, and had pending at year's end 56 requests. There were no FOIA appeals from initial decisions.

International

In the international arena, legal advice was provided concerning the bilateral talks with Ukraine, and in advance of U.S. negotiations dealing with numerous free trade agreements. Particular emphasis was placed on free trade talks with Chile and the Free Trade of the Americas discussions.

Ship Scrapping

Extensive and varied legal advice concerned the Agency's ship scrapping program, ranging from a request for proposals for environmental cleanup to negotiations with the Commonwealth of Virginia to multiple legislative efforts.

Maritime Assistance

MARAD successfully implemented the new citizenship requirements of the American Fisheries Act, which became effective on October 1, 2001. Under this statute, 75 percent of the interest in U.S.-registered vessels having a fishery endorsement must, with certain exceptions, be owned and controlled by United States citizens. The statute requires that MARAD conduct a detailed examination of the ownership and operating arrangements for each vessel. MARAD's Office of Chief Counsel, which ordinarily is in a support role for other offices in MARAD, is in charge of compliance with the provisions of the American Fisheries Act. Every effort was made to ensure that vessel owners learned of the new requirements: MARAD's web site was modified to display relevant information and downloadable forms, individual vessel owners were directly contacted by mail and phone calls, and advertisements were published in

selected local newspapers. At the end of the fiscal year, over 300 vessel owners were determined to be United States citizens. In addition, four groups of vessel owners having some foreign ownership were deemed to be exempt from the more stringent U.S. citizenship requirements due to treaties of friendship, commerce, and navigation with either Japan, Denmark, or Korea.

During the year, Victory Maritime, Inc. moved for an injunction alleging that the Agency for International Development failed to meet the 75% U.S.-flag carriage requirement for food donation cargoes computed separately by liner vessels and by geographic areas. USAID, MARAD, and the Department of Agriculture were named as defendants. Several other carriers moved to intervene and two separate but related lawsuits, also naming MARAD as a defendant, were filed asserting positions in direct opposition to those taken in the initial lawsuit. While no injunction had been granted at the end of this reporting period, all three cases were pending before the court.

Legal assistance was provided on the novel question of the sale of stock in a Maritime Security Program participant to a new qualified operator. Following review of extensive documentation, MARAD approved the purchase of the stock of Automar International Car Carrier, Inc., an operator of three vessels in MSP, by American Ocean Enterprises, Inc. Potential conflicts of interest by the principals of the new MSP operator also were resolved.

Ship Financing

MARAD issued 12 Title XI commitments to guarantee obligations covering the financing, in part, of 295 vessels being constructed at shipyards in the United States. Those 12 commitments were for the following groups of vessels: 258 covered hopper barges, 1 container carrier vessel, 1 self-elevating offshore drilling unit, 1 cruise boat, 6 articulated tug-barges, 1 roll-on/roll-off vessel, 10 deck barges, 12 liquid tank barges, and 3 double-hull barges. These commitments were for an aggregate amount of $729,553,000.

In addition, there were closings on 6 commitments issued in previous fiscal years to guarantee obligations covering the financing, in part, of 201 vessels: 196 covered hopper barges, 2 double-hull asphalt/residual oil barges, 1 self-elevating offshore drilling unit, and 2 articulated tug-barges. These 6 commitments were for an aggregate amount of $298,356,000.

Searex, Inc. failed to reorganize after filing under Chapter 11 of the Bankruptcy Code. On March 22, 2001, MARAD honored its guarantee and paid bondholders $78,099,782.46 in outstanding principal and interest. At the same time, MARAD set off $15,892,000 in Searex's escrow fund in partial satisfaction of Searex's debt to MARAD. On July 2, 2001, MARAD filed to foreclose its mortgage on the vessel CRUSADER, and was the successful bidder at the Marshal's sale. To recover on its collateral, MARAD will solicit bids for the sale of the vessel and will continue its efforts to liquidate certain other equipment associated with the project.

During FY 2001, Massachusetts Heavy Industries, Inc. and MHI Shipbuilding, LLC (collectively, MHI) continued attempts to reorganize under Chapter 11 of the Bankruptcy Code, without success. A secured creditor, MARAD remained in possession of MHI's shipyard, and obtained offers to purchase MHI's assets. Foreclosure on the property and re-sale to the highest bidder is expected in the near future.

Friede Goldman Halter, Inc. and its subsidiaries (collectively, FGO) filed under Chapter 11 of the Bankruptcy Code in March 2001. FGO's assets include shipyards in Mississippi and Texas, where MARAD is financing construction of two deepwater drilling rigs for Petrodrill and a car carrier for Pasha Hawaii Transport Lines. Construction on these vessels has halted as a result of the bankruptcy. With the cooperation, to date, of the performance bonding company for FGO's construction of the drilling rigs, funds have been advanced to pay for winding up construction at FGO, and negotiations are proceeding to have the drilling rigs moved to another shipyard for completion. The performance bonding company for FGO's construction of the car carrier is disputing liability, and litigation is pending to compel payment so the vessel can be completed. FGO also has a shipyard improvements loan guaranteed by MARAD, and MARAD consented to liquidating a letter of credit so that FGO could pay semiannual debt service due on June 30, 2001.

Legislation

On October 30, 2000, the President signed the National Defense Authorization Act for FY 2001, designated Pub. L. 106-398. Title XXXV of the appendix consisted of MARAD's Fiscal Year 2001 authorization of appropriations for operations and training and Title XI loan guarantees. The measure also extended the deadline to 2006 for the Secretary to dispose of obsolete National Defense Reserve Fleet vessels, and authorized the Secretary to dispose of the ships on a best, value basis.

On December 21, 2000, the President signed the bill making Appropriations for the District of Columbia and other Activities, designated Pub. L. 106-553, that contained Appropriations for the Departments of Commerce, Justice, State, the Judiciary and Related Agencies for Fiscal Year 2001. MARAD's appropriations for the fiscal year were in the measure, with $98.7 million for the Maritime Security Program, $86.9 for operations and training, and approximately $34 million for the Title XI loan guarantee program.

At the close of FY 2001, MARAD's annual authorization bill for FY 2002 had passed the House as part of H.R. 2586, the National Defense Authorization Act for Fiscal Year 2002. The MARAD-related provisions of the bill provided for operations and training and the Title XI loan guarantee program. The measure also included provisions to streamline the Title XI loan guarantee process, and to clarify the scope of war risks to include confiscation, expropriation, nationalization, and detention of vessels.

Although FY 2001 saw a considerable amount of maritime-related legislation, no major bills were passed. FY 2002 likely will see maritime legislative activity, especially in the area of port and maritime security.

Litigation

MARAD faced challenges in Federal courts, various administrative boards, labor arbitrations, and in matters involving different government agencies. Most cases dealt with traditional litigation, such as contract disputes, personnel actions, environmental violations, personnel injury claims and suits, civil rights cases, vessel accidents, and general issues under various maritime laws.

MARAD attorneys continued to provide substantive legal support to the Department of Justice in handling of all Department of Justice litigation involving MARAD. Additionally, they worked with the Department of Defense on developing the legal framework for ordering Merchant Marine Reserve Officers aboard the National Defense Reserve Fleet, and were active in negotiations with State agencies on environmental issues.

A significant achievement in the past year was formal adoption of an aggressive focus on resolving cases without taking matters through to trial. Many disputes were resolved well before they reached the formal complaint stage. Through mediation and negotiation, matters that could grow into complaints have been ended to the satisfaction of all parties concerned. While most of these cases involved personnel and civil rights issues, complicated contract cases involving vessel scrapping were successfully negotiated.

At the end of FY 2001, the Agency still defended many Comprehensive Environmental Response Compensation and Liability (CERCLA) cases. The majority of these financially significant actions arise out of the operations of MARAD's predecessor agencies during World War II in constructing vessels. Even where the percentage of liability is fixed in these cases, MARAD continues to monitor that costs incurred in cleanups are reasonable.

During FY 2001, the D.C. Circuit Court of Appeals affirmed the district court's civil rights judgment for MARAD notwithstanding a jury verdict. Another district court civil rights matter was resolved through alternate dispute resolution (ADR), while a third was remanded to the Equal Employment Opportunity Commission (EEOC) for lack of jurisdiction and then concluded through ADR techniques.

Two cases are currently pending trial in Federal district courts. One case involves a challenge, based on the Rehabilitation Act, to an Agency termination of employment for inability to perform the duties of the position. The second case involves a claim of race and age discrimination in connection with a promotion.

Five matters were brought before the EEOC. Two of these were resolved through ADR (although one of these concluded in FY 2002). A third, which was resolved in cooperation with the EEOC administrative judge, is now being contested by the complainant. The last two matters await an administrative hearing order.

During the reporting period, three Merit Systems Protection Board cases were concluded, and a union grievance was handled successfully through appeal to the Federal Labor Relations Authority which affirmed the arbitrator's decision.

Two pending cases involve contract lawsuits against the Agency by parties lacking privity with MARAD. One case by an unpaid subcontractor is a maritime lien claim against an Agency vessel, and the other involves a contract dispute between a ship manager and its subcontractor. In both cases, MARAD seeks to have the complaints dismissed or stayed by compelling the parties to the contract to arbitrate their disputes without the involvement of the Agency.

The number of bid protests, including those brought before the General Accounting Office (GAO), declined in FY 2001. The Agency denied both agency bid protests (although one was denied in FY 2002). Of the two GAO bid protests, the protester withdrew one and the Agency subsequently took corrective action in the other, so GAO dismissed the protest as moot.

At the close of the reporting period, approximately 27 personal injury claims were pending in Federal district court or on appeal. Most of these claims involved seamen injured aboard agency vessels. However, some involved individuals, such as longshoremen, invitees, etc., who were not entitled to seamen status. The number of cases in this area continued to decline, due to increased safety efforts by the Agency and a reduction in the number of days of operations by Ready Reserve Force ships.

MARAD was involved in approximately 1,400 cases relating to asbestos, although most such matters are administratively stayed by a district court decision.

Information Resources Management

MARAD's ongoing information resources management planning program supports short- and long-range mission goals defined in MARAD's strategic plan.

MARAD continued to upgrade its Wide Area Network (WAN). We migrated to a standardized WAN configuration, which will enable us to implement stronger intrusion detection and network management software, thereby improving network security capabilities. During the year, MARAD strengthened its anti-viral measures, and escaped serious damage from potentially disruptive virus attacks.

The agency has implemented Section 508-compliant technologies, which have simplified access to MARAD's network by persons covered under the Americans with Disabilities Act.

MARAD continued to implement its technology refreshment program, whereby the Agency's oldest information technology equipment is replaced by new equipment. Under Executive Order 12999, most of that surplus equipment was donated to schools.

The agency's ongoing microcomputer applications software training program is used to empower employees with the knowledge and skills required to increase their use of computer technologies to create a more effective and productive organization. The training and use of computer technologies enhance efficient and effective communications and information sharing across DOT, and with constituents and customers through interoperability, interconnectivity, and data accuracy and consistency.

Safety Program

During FY 2001, MARAD continued its Action Plan for the Control of Asbestos Exposure and Uses in MARAD Programs. Agency policy is to prevent or stringently limit personnel exposure to airborne asbestos fibers. The Action Plan seeks to eliminate asbestos materials from MARAD programs, repair or replace asbestos materials already installed, modify work procedures, and provide employee training.

MARAD's Asbestos Medical Surveillance Program provides pre-placement, fit-for-duty determinations, and pre-separation examinations, in addition to periodic medical examinations to designated MARAD employees exposed or potentially exposed to hazardous substances or conditions. During FY 2001, 61 employees assigned to the Beaumont Reserve Fleet were provided medical examinations.

In conjunction with the Medical Surveillance Program, the Agency also provides the three National Defense Reserve Fleet (NDRF) sites and the U.S. Merchant Marine Academy with industrial hygiene services to conduct periodic surveys of the facilities and to target all safety and health hazards. MARAD gives an "Asbestos Safety Course" to employees assigned to NDRF sites and the U.S. Merchant Marine Academy to train workers and supervisors to recognize potentially dangerous asbestos hazards. The course emphasizes correct work practices, and outlines protective measures to prevent exposure to and release of asbestos. Employees also learn to protect themselves from poisonous fumes.

Other safety-related courses were also provided to workers. At the James River Reserve Fleet, employees received training in hearing conservation, first aid, hazardous communications, ladder safety, and lockout/tagout, and confined space entry. At the Suisun Bay Reserve Fleet, over 40 of its workers received training in such subjects as back injury prevention, respiratory protection, office ergonomics, and high-voltage electrical safety.

Human Capital

MARAD's employees totaled 869 at the end of FY 2001. During the fiscal year we hired a total of 56 employees; 30 percent of the new hires were females and 21 percent were minority employees. The percentage of handicapped employees hired was two percent.

Two Career Opportunities Training Agreement Program (COTA), formerly Upward Mobility, positions were established. In addition, seven cross-training positions were advertised under MARAD's Career Enhancement Program, and one position was advertised under the Department's Rotational Assignment Program. Also, 40 applications were approved for tuition assistance through the MARAD Tuition Assistance Program.

One of MARAD's Senior Executive Service members received the Meritorious Presidential Rank Award. Three MARAD employees received the Secretary's Silver Medal, and three MARAD employees received the Secretary's Award for Excellence. In addition, 24 employees, as a group, received the Secretary's Team Award. Twelve employees received the Maritime Administrator's Bronze Medal Award. Four employees received MARAD's EEO Award in recognition of and appreciation for contributions made toward the furtherance of Equal Employment Opportunity.

Installations and Logistics: Real Property

On September 30, 2001, MARAD's real property included NDRF sites at Suisun Bay, CA; Beaumont, TX; and Fort Eustis, VA; the U.S. Merchant Marine Academy at Kings Point, NY; and the Poland Street Wharf at New Orleans, LA.

Logistical warehouses to support the Ready Reserve Fleet (RRF) were maintained in Alameda, CA; Chesapeake, VA; and New Orleans, LA. A facility for training maritime firefighters was operated at Freehold, NJ, under MARAD agreement with the Military Sealift Command. MARAD also operated a marine fire training facility in Toledo, OH.

Region headquarters offices were maintained in New York, NY; Norfolk, VA; Des Plaines, IL; New Orleans, LA; and San Francisco, CA. Ship management staffs also were maintained at these region headquarters (except Des Plaines) as well as Port Arthur, TX. Port, intermodal, and environmental staffs were likewise maintained at the region headquarters as well as in Seattle, WA, and St. Louis, MO.

Budget

A new requirement contained in Section 3506 of the Department of Defense Authorization Act for FY 2001 (Public Law 106-398) requires that MARAD include in its annual report to the Congress, and in its annual budget estimate submitted to the Congress, funds managed by, but not appropriated to, the Maritime Administration.

The Maritime Administration (MARAD) receives funding from other Federal agencies primarily through reimbursable agreements. Funding from outside MARAD is placed in four accounts.

The largest reimbursement to MARAD is transferred by the Department of the Navy to pay for MARAD's maintenance and management of the National Defense Reserve Fleet (NDRF) and its Ready Reserve Force (RRF). Most of this funding is placed in the Vessel Operations Revolving Fund account. This account

pays for all non-salary costs associated with maintaining the RRF/NDRF. Funds were also transferred to this account from the Department of the Navy in 2001 to convert the CAPE BON, a RRF general cargo ship, into a schoolship for the Massachusetts Maritime Academy. Also in 2001, the Department of the Navy transferred $10 million to begin the disposal of obsolete merchant-type vessels in the NDRF.

The funds transferred into the Operations and Training account come from approximately 40 reimbursable agreements from other Federal agencies for a variety of purposes. The largest reimbursable transaction into this account comes from the Navy, and provides funding for the salary and administrative support costs for the RRF and the NDRF maintenance personnel.

The funds deposited into the Special Studies account originate from the sale of customized data products to the public. These customized data products are generated from the MARAD/U.S. Army Corps of Engineers U.S. Foreign Waterborne Transportation Statistics. The specialized data products consist of U.S. trade, vessel, cargo, and related data, and include economic analyses and in-depth market assessments of the major marine industry segments. MARAD charges customers a fee to recover the cost of producing these special reports and studies.

The funds deposited into the Gifts and Bequests account are provided by the U.S. Merchant Marine Academy Alumni Association. The Association provides donated funds to assist the Academy, the regiment of Midshipmen, and faculty in meeting the mission of the Academy. The funds support the music, arts, morale, athletics, and chapel programs.

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 2001 operations totaled $678 million. This included $168 million in ODS and ocean freight differential subsidies; and $68 million in administrative expenses, including financial assistance to State Maritime Academies. MARAD incurred $376 million in other operating income net of expenses. MARAD Financial Statements appear as Exhibits 1 and 2.

Acquisition

During FY 2001, the Agency awarded $348 million in contracts for goods and services with an excellent cost-to-spend ratio of one-cent-per-dollar spent – among the lowest in the Department – while embracing wider use of electronic commerce, automated contract writing systems, and Government purchase cards. The following major contract actions were accomplished:

- Overcame numerous protests to the General Accounting Office against, and directed performance to proceed on, 33 ship manager contracts valued at $1.2 billion over five years to manage 74 vessels of the RRF
- Conducted a number of contract administration reviews of ship managers
- Effected the award of contracts totaling $10 million to safely scrap five ships of the NDRF that posed the highest risk of environmental emergency
- Awarded multi-year contracts to layberth ships of the RRF, and to provide chemicals to treat and maintain boiler water aboard RRF ships
- Awarded contract for architectural and engineering services to design renovations of buildings at the U. S. Merchant Marine Academy
- Continued ongoing administration of major contracts for food service, janitorial service, and sewage treatment at the U. S. Merchant Marine Academy; information technology support for the agency; and logistics support to the RRF

AUDITS

In FY 2001, the Department of Transportation's (DOT's) Office of Inspector General (OIG) and the General Accounting Office (GAO) submitted principal final reports on MARAD activities as follows:

OIG:

- "Consolidated Financial Statements for FY 2000 in DOT" (FI-2001-037 Dated: March 1, 2001) File 10-290
- "Travel Policies and Practices of Former Political Appointees" (FI-2001-005 Fourth Interim Report Dated: November 9, 2000 and FI-2001-024 Final Report Dated: February 16, 2001) File: 10-291
- "Closeout and Payment Processes for Cost-Reimbursable Contracts – DOT" (FI-2001-018 Dated: January 23, 2001) File 10-292
- "Third Party Draft Payment System – DOT" (FI-2001-001 Dated: October 3, 2000) File 10-293
- "Use of Government Credit Cards – DOT" (FI-2001-095 Dated: September 24, 2001) File 10-296
- "Top Ten Management Challenges – DOT" (PT-2001-017 Dated: January 18, 2001) File 10-297
- "Implementing a New Financial Management System – DOT" (FI-2001-074 Dated: August 7, 2001) File 10-299
- "Review of the Department's 2000 Performance Report/2002 Performance Plan - DOT" (PT-2001-062 Dated: June 4, 2001) File 10-300

GAO:

- "MANAGING FOR RESULTS: Federal Managers' Views Show Need for Ensuring Top Leadership Skills" (GAO-01-127 Dated: October 20, 2000) File 11-350
- "INFORMATION MANAGEMENT: Dissemination of Technical Reports" (GAO-01-490 Dated: May 18, 2001) File 11-375
- "DEPARTMENT OF TRANSPORTATION: Status of Achieving Key Outcomes and Addressing Major Management Challenges" (GAO-01-834 Dated: June 22, 2001) File 11-378

U.S. DEPARTMENT OF TRANSPORTATION—Maritime Administration

Exhibit 1. Statement of Financial Condition
September 30, 2000, and September 30, 2001

ASSETS	*September 30* 2000	2001
Selected Current Assets		
Funded Balances with Treasury:		
Budget Funds	$771,710,000	$ 803,500,000
Deposit Funds	12,000	10,000
	771,722,000	803,510,000
Federal Security Holdings	155,822,000	86,125,000
Accounts Receivable:		
Government Agencies	138,877,000	170,236,000
The Public	297,000	184,000
	139,174,000	170,420,000
Advances To:		
Government Agencies		
The Public		
Total Selected Current Assets	**$ 1,066,718,000**	**$1,060,055,000**
Loans Receivable:		
Repayment in Dollars	87,755,000	128,228,000
Allowances (-)	(50,237,000)	(90,840,000)
	37,518,000	37,388,000
Real Property and Equipment:		
Land	3,962,000	3,962,000
Structures and Facilities	55,913,000	56,470,000
Equipment and Vessels	288,614,000	292,849,000
Leasehold Improvements	0	0
	348,489,000	353,066,000
Total Other Assets	**$386,007,000**	**$390,669,000**
Total Assets	**$1,452,725,000**	**$1,450,724,000**

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, 2000, and September 30, 2001

LIABILITIES AND GOVERNMENT EQUITY	*September 30* 2000	2001
Selected Current Liabilities (Note 2)		
Accounts Payable (Including Funded Accrued Liabilities):		
Government Agencies	$ 337,388,000	$ 440,832,000
The Public	90,768,000	45,279,000
	428,156,000	486,111,000
Accrued Liabilities for Loan Guarantees	213,167,000	208,476,000
Unfunded Liabilities:		
Environmental Liabilities	354,406,000	320,000,000
Other Liabilities	22,964,000	93,557,000
Federal Employees' Benefits Payable	18,907,000	22,182,000
	396,277,000	435,739,000
Total Selected Current Liabilities	1,037,600,000	1,322,209,000
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)		
Total Liabilities	**$ 1,037,600,000**	**$ 1,322,209,000**
Government Equity		
Unexpended Budget Authority:		
Unobligated	214,697,000	24,325,000
Undelivered Orders	224,324,000	309,183,000
	439,021,000	333,508,000
Unfinanced Budget Authority (-)		
Unfilled Customer Orders	(305,291,000)	0
Contract Authority	(305,291,000)	0
Invested Capital	281,284,000	204,993,000
Total Government Equity	**$415,125,000**	**$128,515,000**
Total Liabilities and Government Equity	**$1,452,725,000**	**$1,459,724,000**

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	
	2000	***2001***
OPERATIONS OF THE MARITIME ADMINISTRATION		
Net Costs of Operating Activities		
Reserve Fleet Programs:		
Maintenance and Preservation	$ 3,300,000	$ 3,903,137
Direct Subsidies and National Defense Costs:		
Operating-Differential	17,930,000	27,130,769
Ocean Freight Differential	22,908,000	141,005,126
Title XI Credit Reform Program and Financing Fund	123,575,000	211,245,633
Maritime Security Program	107,755,000	98,405,136
Administrative (includes Financial Assistance to State Maritime Schools, School ships, Student Incentive)	71,579,000	82,049,000
Other Operating Income Net of Expenses	732,487,000	302,700,599
Net Cost of Maritime Administration	**$1,079,534,000**	**$866,440,000**
Operations of Revolving Funds (Income):		
Vessel Operations Revolving Fund	(338,715,500)	(410,710,746)
War Risk Revolving Fund	(1,875,000)	(1,560,068)
Construction Differential Fund	(1,959,000)	(2,167,645)
Federal Ship Financing Fund	(28,546,000)	(1,739,276)
Gifts and Bequests	(2,164,500)	(1,321,865)
Special Studies	(37,000)	(18,400)
	(373,297,000)	(417,518,000)
Net Cost of Combined Operations	**$706,237,000**	**$448,922,000**

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

Notes to Financial Statements
September 30, 2000 and September 30, 2001

1. The preceding financial statements include combining assets, liabilities, income, and expenses of the Maritime Administration (MARAD), the Vessel Operations Revolving Fund, the War-Risk Insurance Revolving Fund, the Federal Ship Financing Fund, Programs of the Federal Credit Reform Act of 1990, and other appropriations. Fiscal Year 2000 and 2001 financial information is based on MARAD's FY 2000 and 2001 audited financial statements required by the Chief Financial Officer Act.

2. Contingent liabilities for Title XI guaranteed loans aggregated $4.9 billion as of September 30, 2001.

3. There were no conditional liabilities for pre-launching War-Risk Builder's Insurance on September 30, 2001.

4. The Federal Ship Financing Fund-liquidating account incurred no defaults during FY 2001.

5. The Title XI Credit Reform Program incurred one default in fiscal year 2001 in the amount of $67.1 million.

6. Real Property and Equipment are reported at book value (i.e., acquisition costs minus accumulated depreciation) for FY 2001.

Appendix I: MARITIME SUBSIDY OUTLAYS—1937-2001

Fiscal Year	Total ODS CDS	Reconstruction CDS	CD	Total ODS	and CDS
1936-1955	$248,320,942*	$ 3,286,888	$ 251,607,830	$ 341,109,987	$ 592,717,817
1956-1960	129,806,005	34,881,409	164,687,414	644,115,146	808,802,560
1961	100,145,654	1,215,432	101,361,086	150,142,575	251,503,661
1962	134,552,647	4,160,591	138,713,238	181,918,756	320,631,994
1963	89,235,895	4,181,314	93,417,209	220,676,685	314,093,894
1964	76,608,323	1,665,087	78,273,410	203,036,844	281,310,254
1965	86,096,872	38,138	86,135,010	213,334,409	299,469,419
1966	69,446,510	2,571,566	72,018,076	186,628,357	258,646,433
1967	80,155,452	932,114	81,087,566	175,631,860	256,719,426
1968	95,989,586	96,707	96,086,293	200,129,670	296,215,963
1969	93,952,849	57,329	94,010,178	194,702,569	288,712,747
1970	73,528,904	21,723,343	95,252,247	205,731,711	300,983,958
1971	107,637,353	27,450,968	135,088,321	268,021,097	403,109,418
1972	111,950,403	29,748,076	141,698,479	235,666,830	377,365,310
1973	168,183,937	17,384,604	185,568,541	226,710,926	412,279,467
1974	185,060,501	13,844,951	198,905,452	257,919,080	456,824,532
1975	237,895,092	1,900,571	239,795,663	243,152,340	482,948,003
1976**	233,826,424	9,886,024	243,712,448	386,433,994	630,146,442
1977	203,479,571	15,052,072	218,531,643	343,875,521	562,407,164
1978	148,690,842	7,318,705	156,009,547	303,193,575	459,203,122
1979	198,518,437	2,258,492	200,776,929	300,521,683	501,298,612
1980	262,727,122	23,527,444	265,079,866	341,368,236	606,448,102
1981	196,446,214	11,666,978	208,113,192	334,853,670	542,966,862
1982	140,774,519	43,710,698	184,485,217	400,689,713	585,174,930
1983	76,991,138	7,519,881	84,511,019	368,194,331	452,705,350
1984	13,694,523	-0-	13,694,523	384,259,674	397,954,197
1985	4,692,013	-0-	4,692,013	351,730,642	356,422,655
1986	(416,673)	-0-	(416,673)	287,760,640	287,343,867
1987	420,700	-0-	420,700	227,426,103	227,846,803
1988	1,236,379	-0-	1,236,679	230,188,400	231,425,079
1989	-0-	-0-	-0-	212,294,812	212,294,812
1990	-0-	-0-	-0-	230,971,797	230,971,797
1991	-0-	-0-	-0-	217,574,038	217,574,038
1992	-0-	-0-	-0-	215,650,854	215,650,854
1993	-0-	-0-	-0-	215,506,822	215,506,822
1994	-0-	-0-	-0-	212,972,929	212,972,929
1995	-0-	-0-	-0-	199,966,581	199,966,381
1996	-0-	-0-	-0-	164,687,965	164,687,965
1997	-0-	-0-	-0-	121,556,425	121,556,425
1998	-0-	-0-	-0-	36,671,731	36,671,731
1999	-0-	-0-	-0-	16,948,560	16,948,560
2000	-0-	-0-	-0-	9,998,665	9,998,665
2001	-0-	-0-	-0-	7,872,861	7,872,861
Total	**$3,569,648,434**	**$264,904,682**	**$3,834,553,116**	**$10,171,799,064**	**$14,006,352,319,180**

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

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

Appendix II: Combined Financial Statement of Companies with Operating-Differential Subsidies

(There were two subsidized companies in 1999 and four in 1998)

BALANCE SHEET for Years Ending:	***2000***	***(in thousands)***	***1999***
Cash	$16,706		$452
Marketable Securities	4,526		0
Notes Receivable	9,000		0
Accounts Receivable	27,784		546
Allowance for Doubtful Accounts	0		0
Other Current Assets	5,920		334
Total Current Assets	**$63,936**		**$1,332**
Restricted Funds	$0		$0
Investments	0		0
Property & Equipment (net of depreciation)	47,203		0
Deferred Charges	4,985		0
Other Assets	22,488		2
Goodwill, Other Intangibles	10,423		0
Total Non-Current Assets	**$85,099**		**$2**
TOTAL ASSETS	**$149,035**		**$1,334**
Notes Payable	$0		$0
Accounts Payable	31,417		74
Accrued Liabilities	1,773		1,258
Other Current Liabilities	15,714		0
Advance Payments/Deposits	0		0
Total Current Liabilities	**$48,904**		**$1,332**
Long Term Debt	$23,162		$0
Other Liabilities	1,331		0
Deferred Credits	55,388		0
Total Liabilities	**$128,785**		**$1,332**
Invested Capital	$29,067		$2
Treasury Stock	(722)		0
Retained Earnings	(8,095		0
Total Owners' Equity	**$20,250**		**$2**
TOTAL LIABILITIES & OWNER'S EQUITY	**$149.035**		**$1,334**

INCOME STATEMENT for Years Ending:	***2000***	***(in thousands)***	***1999***
Shipping Revenue	$209,749		$12,410
Operating-Differential Subsidy	0		6,415
Other Ship Operating Revenue	32,029		0
Total Revenue from Shipping Operations	**$241,778**		**$18,825**
Shipping Expense	$198,186		$16,543
Shipping Port Call Expense	0		2,277
Cargo Handling Expense	0		0
Inactive Vessel Expense	0		0
Other Ship Operating Expenses	0		0
Total Expense of Shipping Operations	**$198,186**		**$18,820**
Gross Income from Shipping Operations	$43592		$5
General & Administrative Expense	23,056		5
Depreciation & Amortization Expense	16,349		0
Interest Expense	2,890		0
Other Revenue (Expense)	2,061		0
Net Income Before Income Taxes	$3,358		$0
Provision for Income Taxes	1,529		0
Net Income After Income Taxes	$1,829		$0
Effect of Change in Accounting Policy	0		0
Income (Loss) from Extraordinary Items	616		0
NET INCOME	**$2,445**		**$0**

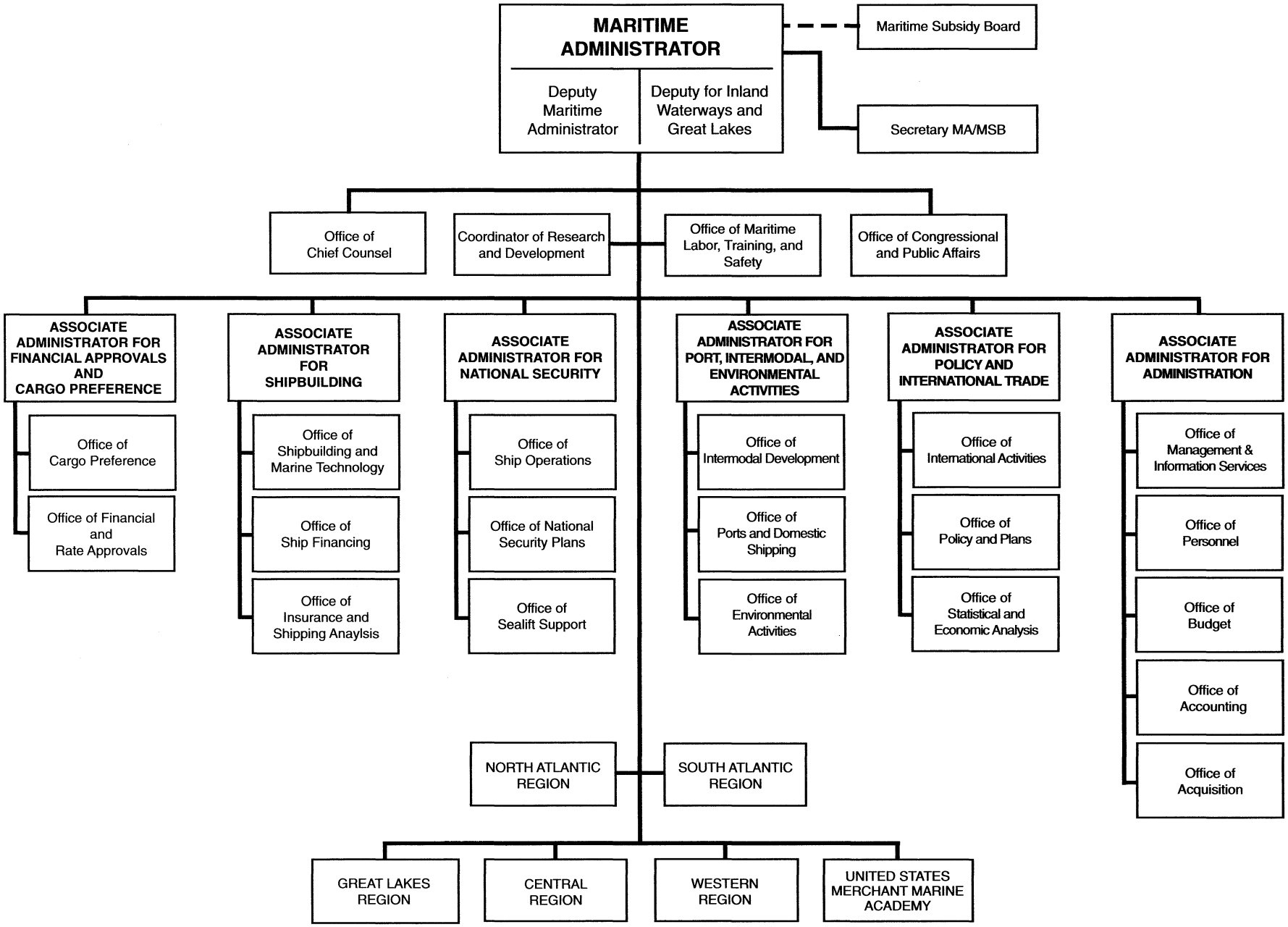
APPENDIX III: Reports Released or Updated in Fiscal Year 2001

- Compilation of Maritime Laws
- Customer Service Report
- Information Concerning Seafaring Employment in the U.S. Merchant Marine
- Glossary of Shipping Terms
- MARAD '00 (annual report of the Maritime Administration)
- Maritime Labor-Management Affiliation Guide
- Marine Transportation System (MTS)
- Port Development Expenditure Report
- U.S. Exports and Imports Transshipped via Canada and Mexico

Reports may be viewed or downloaded from MARAD's web site at **http://www.marad.dot.gov**; follow link to Publications and Statistics; click on More Publications, followed by selecting specific publication for view or download.

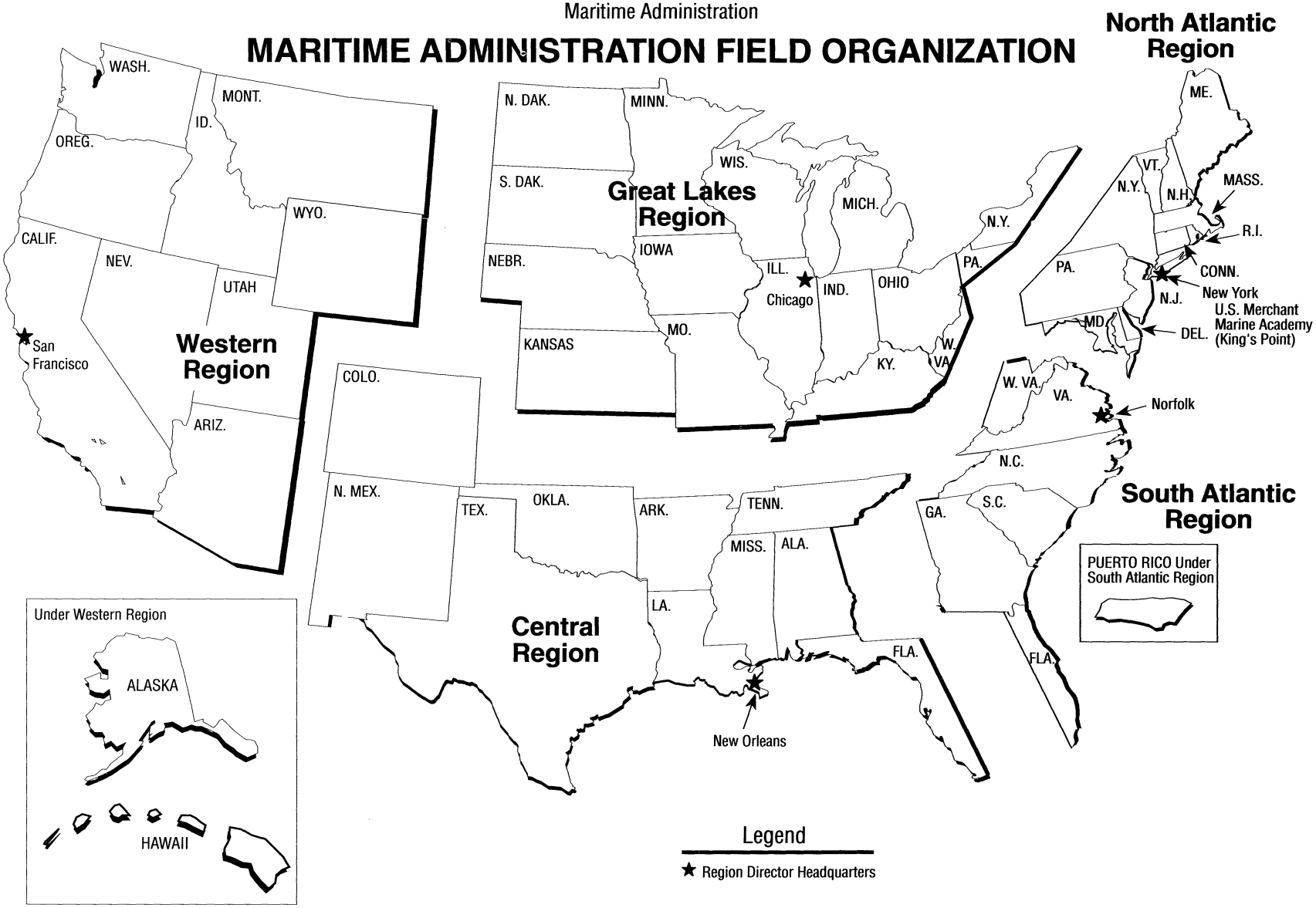
NOTE: The acrobat reader software is needed to view publications may be downloaded from its site free of charge.

MARITIME ADMINISTRATION



U. S. DEPARTMENT OF TRANSPORTATION
Maritime Administration

MARITIME ADMINISTRATION FIELD ORGANIZATION



MARAD REPORT ACRONYMS

AAPA	American Association of Port Authorities
ABS	American Bureau of Shipping
ADR	Alternate Dispute Resolution
AFL-CIO	American Federal of Labor and Congress of Industrial Organizations
AICC	Automar International Car Carrier
AID	Agency for International Development
ANS	Alaskan North Slope
ANSI	American National Standards Institute
APEC	Asia-Pacific Economic Cooperation
APF	Afloat Prepositioning Force
APL	American President Lines, Ltd.
APS	U.S. Army's Prepositioning Stock Program
ASTM	American Society for Testing and Materials
BRAC	Base Realignment and Closure
BRF	Beaumont Reserve Fleet
CBRD	Chemical, Biological, and Radiological Defense
CCC	Commodity Credit Corp.
CCF	Capital Construction Fund
CERCLA	Comprehensive Environmental Response Compensation and Liability
CFR	Code of Federal Regulations
CHCP	Cargo Handling Cooperative Program
COE	U.S. Army Corps of Engineers
COI	Certificate of Inspection
CORE	National Contingency Response
COTA	Career Opportunities Training Agreement Program
CPX	Command Port Exercise
CPY	Cargo Preference Year
CRF	Construction Reserve Fund
CWA	Cooperative Working Agreements
CY	Calendar Year
DARPA	Defense Advanced Research Projects Agency
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
ECC	Environmental Coordinating Committee
EEOC	Equal Employment Opportunity Commission
EMS	Excess Material Management System
EMSIS	Emergency Shipping Information System
EMT	Emergency Medical Technician

MARAD REPORT ACRONYMS (Cont'd)

EPA	Environmental Protection Agency
FAA	Foreign Assistance Act
FEU	Forty-Foot Equivalent Units
FGO	Friede Goldman Halter, Inc., and Its Subsidiaries
FHWA	Federal Highway Administration
FMC	Federal Maritime Commission
FMF	Foreign Military Financing
FTA	Federal Transit Administration
FWA	Fish and Wildlife Service
FY	Fiscal Year
GAA	General Agency Agreement
GAO	General Accounting Office
GIS	Geographic Information Systems
GPS	Global Positioning System
GT	Gross Tonnage
HF	High Frequency
IMO	International Maritime Organization
INCA	International Narcotics Control Act
IRM	Information Resource Management
ISO	International Organization of Standardization
ISTEA	Intermodal Surface Transportation Efficiency Act
IT	Information Technology
ITC	International Tonnage Convention
JLOTS	Joint Logistics Over the Shore
JPAG	(VISA's) Joint Planning Advisory Group
JRRF	James River Reserve Fleet
LAN	Local Area Network
LASH	Lighter Aboard Ship
LCA	Lake Carriers Association
LDT	Light Displacement Ton
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
MHI	Massachusetts Heavy Industries, Inc. and MHI Shipbuilding, LLC
MIO	Maritime Interdiction Operation
MITAGS	Maritime Institute of Technology and Graduate Studies
MOC	Memorandum of Consultation
MOU	Memorandum of Understanding
MPS	Maritime Prepositioning Ship
MRS	Mobility Requirements Study
MSA	Maritime Security Act

MARAD REPORT ACRONYMS (Cont'd)

MSB	Maritime Subsidy Board
MSC	Military Sealift Command
MSP	Maritime Security Program
MTC	(OECD's) Maritime Transport Committee
MTMC	Military Transportation Management Command
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NCAPS	Naval Coordination and Protection of Shipping
NCSORG	Naval Control of Shipping Organization
NDRF	National Defense Reserve Fleet
NDT	National Dredging Team
NEC	National Economic Council
NHS	National Highway System
NIMA	National Imagery and Mapping Agency
NLRB	National Labor Relations Board
NMREC	National Maritime Resource and Education Center
NMS	National Maritime System
NOAA	National Oceanic and Atmospheric Administration
NRC	National Research Council
NSI	National Shipbuilding Initiative
NSRP-ASE	National Shipbuilding Research Program-Advanced Shipbuilding Enterprise
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
OIG	Office of Inspector General
OPA	Oil Pollution Act of 1990
OPDS	Offshore Petroleum Discharge System
OSV	Offshore Service Vessel
PA	Purchase Authorization
PBOS	Planning Board for Ocean Shipping
PCD	Pacific Coast District
PC-SAL	Personal Computer Shipboard Allowance List
PCTC	Pure-Car Truck Carrier
PLS	Position Location System
PMA	Pacific Maritime Association
PPS	Program Performance Survey
QMED	Qualified Members of Engine Department
R&D	Research and Development
RAP	Remedial Action Project
RDT	Regional Dredging Team
RFS	Ready for Sea
ROK	Republic of Korea

MARAD REPORT ACRONYMS (Cont'd)

RO/RO	Roll-On/Roll-Off
ROS	Reduced Operating Status
RRF	Ready Reserve Force
RRF-MARTS	Ready Reserve Force Maintenance and Repair Tracking System
RY	Rate Year
SA	Shipyard Agreement
SBRF	Suisun Bay Reserve Fleet
SEABEE	Sea Barge Clipper
SEDRE	Sea Deployment Readiness Exercise
SEF	Sealift Enhancement Feature
SHAR	Ship Hostile Action Report
SHC	U.S. Shipping Coordinating Committee
SI	System International
SITREP	Situation Report
SMC	Ship Manager Contract
SOCP	Ship Operations Cooperative Program
SPR	Strategic Petroleum Reserve
SRA	Ship Repair Agreement
STARS	Ship Tracking and Retrieval System
SUP	Sailors' Union of the Pacific
T-AVB	Aviation Logistics Support Ship
T-ACS	Auxiliary Crane Ship
TEU	20-Foot Equivalent Unit
TRB	Transportation Research Board
UN	United Nations
UNREP	Underway Replenishment
USC	United States Code
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USNR	United States Naval Reserve
USTRANSCOM	U.S. Transportation Command
UTCP	University Transportation Centers Program
VISA	Voluntary Intermodal Sealift Agreement
VNTSC	Volpe National Transportation Systems Center
VTC	Video Telephonic Conference
WAN	Wide Area Network
WTO	World Trade Organization

NATIONAL MARITIME DAY, 2001
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA
A PROCLAMATION

Our commercial maritime tradition dates back to the founding of our Nation; and it continues to play an important role today, moving passengers and freight, protecting our freedom, and linking our citizens to the world.

Merchant mariners have served America with distinction throughout our history, but especially at critical moments. Before World War II, they made dangerous and difficult voyages carrying vital supplies to Europe. During that war, more than 700 United States merchant ships were lost to attack, and more than 6,000 merchant mariners lost their lives. Merchant mariners played a vital role in the Korean Conflict, especially in the rescue of 14,000 Korean civilians by the SS MEREDITH VICTORY. During the Vietnam War, ships crewed by civilian seamen carried 95 percent of the supplies used by our Armed Forces. Many of these ships sailed into combat zones under fire. In fact, the SS MAYAGUEZ incident involved the capture of mariners from the American merchant ship SS MAYAGUEZ.

More recently, during the Persian Gulf War merchant mariners were vital to the largest sealift operation since D-Day. And after the tragic attacks of September 11th, professional merchant mariners and midshipmen from the United States Merchant Marine Academy transported personnel and equipment and moved food and supplies to lower Manhattan. Their efforts enhanced rescue operations and helped save many lives.

Today, the men and women of the United States Merchant Marine and thousands of other workers in our Nation's maritime industry continue to make immeasurable contributions to our economic strength and our ongoing efforts to build a more peaceful world. We must ensure our maritime system can meet the challenges of the 21st century. As cargo volume is expected to double within the next 20 years, a viable maritime network will help our country compete in our global economy.

Accordingly, my Administration is working with government agencies, the shipping industry, labor, and environmental groups to ensure that our waterways remain a sound transportation option that complements our overland transportation network.

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

NOW, THEREFORE, I, GEORGE W. BUSH, President of the United States of America, do hereby proclaim May 22, 2002, as National Maritime Day. I call upon the people of the United States to celebrate this observance and to display 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 two thousand two, and of the Independence of the United States of America the two hundred and twenty-sixth.

GEORGE W. BUSH


MARITIME ADMINISTRATION
1950
1950
UNITED STATES OF AMERICA