Chapter 5

Ship Operations

U.S.-Flag Fleet Profile

MARAD has introduced a new format for presentation of U.S.-flag fleet statistics which reflects the true size and diversity of the fleet (see Tables 10 and 11). The U.S.-flag cargo carrying privately owned merchant fleet, including self-propelled and non self-propelled vessels totaled 28,891 vessels with an aggregate carrying capacity of about 65 million metric tons on July 1, 1999.

The foreign trade segment of the fleet comprised 395 vessels of 7.2 million metric tons, while the domestic trade segment included 28,496 vessels of 58 million metric tons. Dry bulk carriers and tankers accounted for 86 percent of the fleet's capacity. Vessels over 1,000 gross tons totaled 2,662 with a total capacity or 26 million metric tons. The Government-owned segment was comprised of 179 vessels of 2.6 million metric tons. (See Table 10.)

The remainder of the U.S. fleet is comprised of passenger vessels (1,276), tugs/towboats (5,459) and other workboats (1,433). (See Table 11.)

The total, U.S.-flag oceangoing merchant fleet ranked 11th in the world on a dwt. basis and 17th in the total number of ships. (See Table 12.)

Total U.S. waterborne commerce amounted to 2.1 billion metric tons in 1998, split about evenly between domestic and international cargo (see Table 13). The international portion, valued at $664 billion, increased 1 percent from CY 1997. The waterborne movement of domestic cargoes, which amounted to just under 1 billion tons, declined 2 percent form CY 1997. U.S.-Flag ships just over 1 billion tons of cargo in 1998, or 48 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) is 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. Existing ODS agreements will continue to be honored but no new contracts can be signed. Net subsidy outlays during FY 1999 amounted to $17 million. There were no subsidized voyages terminated in the Great Lakes trade during FY 1999.

ODS accruals and expenditure from January 1, 1937, through September 30, 1999, are summarized in Table 14. Accruals and outlays by shipping lines for the same period are shown in Table 15. ODS contracts in force are shown in Table 16.

Subsidy Rates

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

ODS is paid monthly for completed voyages based on tentative rates. Final rates are calculated following completion of each rate year (RY) after collection of the contractors' actual cost and voyage data. MARAD has completed the RY 2000 (July 1, 1999 - June 30, 2000) tentative rates and has substantially completed RY 1998 final ODS rates applicable to liner and bulk vessel operations.

Section 804 Activities

Section 5 of the Maritime Security Act of 1996 (MSA) provides an amendment to section 804 of the Merchant Marine Act, 1936, as amended (1936 Act) by adding a new section (f). Section 804 (f)(1), (3), (4), and (5) 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 own, charter, or operate any foreign-flag vessel on a voyage that does not call at a port in the United States,

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

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

⇒ to enter into time or space charters or other cooperative agreements with respect to foreign-flag vessels.

No approval is now required for any of these operations.

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.

During the year, MARAD waived the provisions of section 804 (a) of the 1936 Act, under special circumstances and for good cause shown, on behalf of Automar International Car Carriers (AICC). The waiver was granted to allow Fram Shipping Limited (Fram) to continue to own approximately 20 percent of the issued and outstanding shares of common stock of American Automar, Inc. (Automar), and to continue to share one interlocking directorship.

It also permits Fram to own, operate and/or charter the MV OCEAN KMIR and MV ANNA and up to five additional foreign-flag vessels in service between the United States and foreign ports with two conditions: the waiver shall run concurrently with the full term of each of MSP Operating Agreements MA/MSP-13, 14, and 15; and (2) AICC agrees that no MSP payments made to AICC shall benefit any foreign interest whose relationship with Automar is approved by this waiver.

Foreign Transfers

Under Section 9 of the Shipping Act of 1916, as amended, MARAD approved the transfer of 18 ships of 1,000 gross tons and over to foreign ownership and/or registry. Two privately owned vessels were sold for scrapping abroad. Permission was also granted for one vessel of less than 1,000 gross tons to be registered in Russia.

MARAD's approval of the transfer of vessels 3,000 gross tons and over to foreign ownership and/or registry are subject to the terms and conditions of 46 CFR Part 221. As such, the vessels require MARAD approval for any subsequent transfer of ownership and/or registry and are required to remain available for U.S. Government requisitioning, if needed. At year's end, there were a total of 183 vessels subject to these terms, 19 of which were approved for subsequent transfer of ownership and/or registry during the year.

User charges for processing applications for foreign transfers and similar actions totaled $13,680 in this reporting period, including fees filed pursuant to contracts reflecting the terms and conditions stipulated in 46 CFR Part 221.

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

Ship Operations Cooperative Program

The Ship Operations Cooperative Program (SOCP) is a cost-shared Government/industry/labor partnership. Its objective is to improve the competitiveness, productivity, efficiency, safety, and environmental responsiveness of vessel operations. Currently, there are 32 members, with the most recent additions being Mar Incorporated, Sabine Transportation, and Alaska Tanker Company.

In addition to the continuing evaluation and commercialization of the Reliability, Maintainability, and Availability (RAM) Data Bank program being carried out by the Gulf Coast Region Maritime Technology Center, efforts are underway on several projects under a training initiative. These include development and production of three training videos for mariners in support of the 1995 Amendments to the Standards of Training, Certification, and Watchkeeping. These videos supplement an earlier series produced by SOCP.

SOCP has been actively involved in Y2K outreach to the shipping industry by sponsoring Y2K panel discussions at three membership meetings, maintenance of an equipment database of Y2K compliance status, and maintenance of Y2K information and resources on the SOCP website at http://www.marad.dot.gov.

In addition, SOCP has been working to establish joint venture partnerships with innovative training system developers and suppliers in order to provide the mariner and the training schools with the best technology there is to offer. The SOCP website is continually being upgraded and expanded for dissemination of information to the SOCP members, as well as the public. The SOCP expects to complete the training video production project, establish several partnerships between SOCP and training developers, and initiate a distance training project.

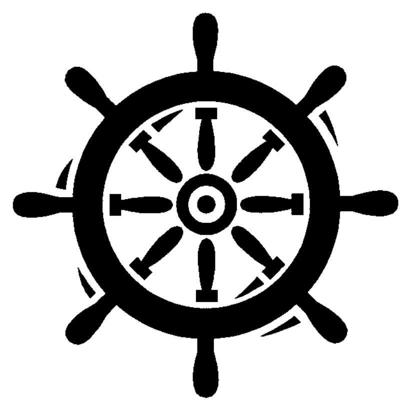


Table 10: Cargo-Carrying U.S.-Flag Fleet by Area of Operation
(Carrying Capacity Expressed in Thousands of Metric Tons)
As of July 1, 1999

Area of Operation	Liquid Carriers No.	Liquid Carriers Tons	Dry Bulk Carriers No.	Dry Bulk Carriers Tons	Containerships No.	Containerships Tons	Other Freighters* No.	Other Freighters* Tons	Total Fleet No.	Total Fleet Tons
Foreign Trade	**85**	**2,624**	**201**	**1,086**	**64**	**2,461**	**45**	**1,069**	**395**	**7,240**
Self-propelled	**39**	**2,353**	**11**	**510**	**64**	**2,461**	**45**	**1,069**	**159**	**6,393**
>=1,000 Gross Tons	39	2,353	11	510	64	2,461	45	1,069	159	6,393
< 1,000 Gross Tons	0	0	0	0	0	0	0	0	0	0
Non-self-propelled**	**46**	**271**	**190**	**576**	**0**	**0**	**0**	**0**	**236**	**847**
>=1,000 Gross Tons	39	270	0	0	0	0	0	0	39	270
< 1,000 Gross Tons	7	1	190	576	0	0	0	0	197	577
Domestic Trade	**3,383**	**15,962**	**21,218**	**36,822**	**49**	**718**	**3,846**	**4,514**	**28,496**	**58,016**
Coastal (including non-contiguous)	**574**	**9,368**	**537**	**1,530**	**49**	**718**	**1,436**	**1,675**	**2,596**	**13,291**
Self-propelled	**97**	**5,759**	**0**	**0**	**23**	**557**	**62**	**138**	**182**	**6,454**
>=1,000 Gross Tons	79	5,747	0	0	23	557	7	119	109	6,423
< 1,000 Gross Tons	18	12	0	0	0	0	55	19	73	31
Non-self-propelled**	**477**	**3,609**	**537**	**1,530**	**26**	**161**	**1,374**	**1,537**	**2,414**	**6,837**
>=1,000 Gross Tons	391	3,509	148	855	26	161	148	855	713	5,380
< 1,000 Gross Tons	86	100	389	675	0	0	1,226	682	1,701	1,457
Internal Waterways	**2,788**	**6,500**	**20,600**	**33,214**	**0**	**0**	**2,321**	**2,691**	**25,709**	**42,405**
Self-propelled	**0**	**0**	**0**	**0**	**0**	**0**	**26**	**18**	**26**	**18**
>=1,000 Gross Tons	0	0	0	0	0	0	0	0	0	0
< 1,000 Gross Tons	0	0	0	0	0	0	26	18	26	18
Non-self-propelled	**2,788**	**6,500**	**20,600**	**33,214**	**0**	**0**	**2,295**	**2,673**	**25,683**	**42,387**
>=1,000 Gross Tons	1,261	4,156	226	945	0	0	74	273	1,561	5,374
< 1,000 Gross Tons	1,527	2,344	20,374	32,269	0	0	2,221	2,400	24,122	37,013
Great Lakes	**21**	**94**	**81**	**2,078**	**0**	**0**	**89**	**148**	**191**	**2,320**
Self-propelled	**4**	**20**	**54**	**1,873**	**0**	**0**	**4**	**20**	**62**	**1,913**
>=1,000 Gross Tons	2	19	50	1,871	0	0	1	20	53	1,910
< 1,000 Gross Tons	2	1	4	2	0	0	3	0	9	3
Non-self-propelled	**17**	**74**	**27**	**205**	**0**	**0**	**85**	**128**	**129**	**407**
>=1,000 Gross Tons	14	70	9	179	0	0	5	14	28	263
< 1,000 Gross Tons	3	4	18	26	0	0	80	114	101	144
TOTAL Commercial Fleet	**3,468**	**18,586**	**21,419**	**37,908**	**113**	**3,179**	**3,891**	**5,583**	**28,891**	**65,256**
National Defense Reserve Fleet***	**28**	**884**	**0**	**0**	**5**	**86**	**146**	**2,457**	**179**	**3,427**
Ready Reserve Force(RRF)	10	303	0	0	3	50	77	1,539	90	1,892
Other Reserve	18	581	0	0	2	36	69	918	89	1,535
Other Government	**0**	**0**	**0**	**0**	**0**	**0**	**7**	**258**	**7**	**258**
Sealift Vessels	0	0	0	0	0	0	7	258	7	258
GRAND TOTAL	**3,496**	**19,470**	**21,419**	**37,908**	**118**	**3,265**	**4,044**	**8,298**	**29,077**	**68,941**

* 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 (78,000 tons)
Domestic Coastal – 10 liquid (413,000 tons), 3 dry bulk (70,000 tons), 1 other freighter (20,000 tons); Great lakes – 2 liquid (19,000), 8 dry bulk (162,500);

*** Self Propelled Vessels => 1,000 Gross Tons; excludes one RRF Passenger vessel of 9,382 Dwt and ten other Passenger vessels of 89,569 Dwt.

Table 11: U.S.-Flag Fleet of Passenger Vessels, Tugs/Towboats, and Other Work Boats*
As of July 1, 1999

Type of Vessel	No.	Capacity Unit
Passenger Vessels		**Passengers**
< 150 Passenger Capacity	757	51,244
>= 150 Passenger Capacity	519	425,187
Total	**1,276**	**476,431**
Tugs/Towboats		**Horsepower**
< 1,500 Horsepower	3,348	2,468,399
>= 1,500 Horsepower	2,111	7,260,752
Total	**5,459**	**9,729,151**
Other Work Boats**		**Metric Tons**
< 1,000 Tons Capacity	1,379	266,362
>= 1,000 Tons Capacity	54	75,547
Total	**1,433**	**341,909**

* Inventory Data
** Includes Crewboats, Supply, and Utility Vessels.

Table 12: MAJOR MERCHANT FLEETS OF THE WORLD–JULY 1, 1999				
	(Tonnage in Thousands)			
Country	Deadweight Tons	Rank by Deadweight	No. of Ships[1]	Rank by No. of Ships
Panama	152,308	1	4,615	1
Liberia	96,365	2	1,657	2
Greece	42,841	3	702	10
Bahamas	41,593	4	1,365	6
Malta	41,293	5	1,044	7
Cyprus	35,408	6	1,384	5
Singapore	33,012	7	883	8
Norway(NIS)	30,279	8	657	12
China	22,238	9	1,457	4
Japan	19,419	10	682	11
United States*	16,947	11	474	17
Philippines	11,646	12	517	14
Saint Vincent	11,182	13	811	9
Marshall Islands	11,129	14	129	37
India	10,856	15	295	25
Top 15 Total	576,516		16,672	
All Other	203,845		11,928	
Grand Total	780,361		28,600	

[1]Oceangoing merchant ships of 1,000 gross tons and over.
*Includes 189 Unites States Government-owned ships of 3.5 dwt.

Table 13: U.S. Waterborne Commerce

(Millions Metric Tons)

Calendar Year	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998
***Total U.S. Foreign Oceanborne**	**784.6**	**867.6**	**846.1**	**867.4**	**884.5**	**914.0**	**971.3**	**988.1**	**1,066.7**	**1,088.9**
U.S.- Flag Tons	**28.7**	**35.2**	**34.3**	**34.2**	**36.8**	**35.5**	**32.5**	**27.6**	**29.1**	**28.0**
Total Liner Service	60.1	97.9	104.3	106.4	111.6	123.0	137.1	124.7	120.8	120.5
U.S.-Flag Tons	16.4	17.1	17.5	17.3	17.3	17.3	16.1	11.0	10.9	12.8
Total Non-Liner Service	362.4	384.5	385.4	369	344.1	338.0	408.6	389.8	413.9	442.6
U.S.-Flag Tons	4.2	7.1	7.9	6.4	8.4	8.4	8.8	6.4	10.0	10.1
Total Tanker Service	362	385.2	356.4	392	428.7	453.0	425.6	473.6	532.0	564.8
U.S.-Flag Tons	8.0	11.0	8.9	10.6	11.0	9.8	7.6	10.2	8.2	8.2
Total Trans-Great Lakes	**31.6**	**26.8**	**20.3**	**24.3**	**23.3**	**26.5**	**27.7**	**31.7**	**36.1**	**39.0**
U.S.-Flag Tons	**3.1**	**0.8**	**1.0**	**1.0**	**1.0**	**2.1**	**2.6**	**2.4**	**3.3**	**3.3**
***Total U.S. Foreign Waterborne**	**816.2**	**894.4**	**866.4**	**891.7**	**907.8**	**940.5**	**999.0**	**1,020.0**	**1,102.8**	**1,127.9**
Total U.S. Domestic Waterborne**	**977.7**	**1,018.4**	**978.7**	**993.3**	**969.3**	**997.2**	**991.8**	**998.8**	**1,009.5**	**992.8**
Great Lakes	104.4	100.0	93.9	97.5	99.7	104.1	105.3	104.3	111.4	110.8
InlandWaterways	571.0	643.3	613.4	633.2	618.5	636.4	638.3	645.3	653.6	648.9
Coastal & Non-Contiguous	302.3	275.1	271.4	262.6	251.1	256.7	248.2	249.3	244.5	233.0
Total U.S. Waterborne Commerce	**1,793.9**	**1,912.8**	**1,845.1**	**1,885.1**	**1,877.1**	**1,937.7**	**1,990.8**	**2,018.8**	**2,112.3**	**2,120.7**
U.S.-Flag % of Waterborne Commerce	**56.3**	**55.1**	**55.0**	**54.6**	**53.7**	**53.4**	**51.6**	**51.0**	**49.3**	**48.3**

* Includes intransit cargo
** 100 percent U.S. Flag

Table 14: ODS ACCRUALS AND OUTLAYS--JANUARY 1, 1937, TO SEPTEMBER 30, 1999

	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	39,758,198	-0-	39,758,198	6.902,548	27,183,866	12,574,332
1999	24,475,546	-0-	24,475,546	10,046,012	10,046,012	14,429,534
Total Regular ODS	$10,389,966,340	$238,186,435	$10,151,779,905	$16,948,560	$10,124,707,610	$27,072,295
Soviet Grain Program [1]	$147,132,626	$-0-	$147,132,626	$-0-	$147,132,626	-0-
Total ODS	**$10,537,098,966**	**$238,186,435**	**$10,298,912,531**	**$16,948,560**	**$10,271,840,236**	**$27,072,295**

[1]No longer operative.

Table 15: ODS ACCRUALS AND OUTLAYS BY SHIPPING LINES--JANUARY 1, 1937, TO SEPTEMBER 30, 1999

Net Accrued Liability	Accruals LINES	ODS	Recapture	Outlays 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 Lines[3]	1,787,443,341	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.	10,113,827	0	10,113,827	6,143,827	3,970,000
Chestnut Shipping Co.	96,200,252	0	96,200,252	93,471,477	2,728,775
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	775,444,460	1,855,375	773,589,085	771,270,265	2,318,820
First American Bulk Carriers Corp.	58,293,257	0	58,293,257	55,049,028	3,244,729
Gulf & South American Steamship	34,471,780	5,226,214	29,245,566	29,245,566	0
Lachmar	17,992,623	0	17,992,623	16,089,019	1,9016045
Lykes Bros. Steamship Co., Inc.	2,192,182,207	52,050,598	2,168,414,624	2,136,714,228	3,417,381
Margate Shipping Co.	143,675,309	0	143,675,309	143,675,309	0
Moore-McCormack Bulk Transport	137,173.787	0	137,173,787	137,173,787	
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.	24,800,463	0	24,800,463	22,936,573	1,863,890
Ocean Chemical Transport, Inc.	25,111,206	0	25,111,206	23,936,573	1,174,633
Oceanic Steamship[5]	113,947,681	1,171,756	112,775,925	112,775,925	0
Pacific Argentina Brazil Line [1]	7,963,936	270,701	7,693,235	7,693,235	0
Pacific Far East Line [6]	283,693,959	23,479,204	260,214,755	260,214,755	0
Pacific Shipping Inc.	18,840,400	0	18,840,400	18,840,400	0
Prudential Lines[4]	641,647,708	24,223,564	617,424,144	617,424,144	0
Prudential Steamship [1]	26,352,954	1,680,796	24,672,158	24,672,158	0
Sea Shipping	25,819,800	2,429,102	23,390,698	23,390,698	0
Seabulk Transmarine I & II, Inc.	35,845,320	0	35,845,320	35,845,320	0
South Atlantic Steamship[1]	96,374	84,692	11,682	11,682	0
States Steamship	231,997,100	5,110,997	226,886,103	226,886,103	0
United States Lines[7]	750,518,013	54,958,689	695,559,324	695,559,324	0
Vulcan Carriers	29,847,656	0	29,847,656	29,847,915	0
Waterman Steamship Corp.	463,302,850	0	463,302,850	460,289,472	3,013,378
Worth Oil Transport	17,428,314	0	17,428,314	17,428,314	0
Total Regular ODS	$10,389,966,340	$238,186,435	$10,151,779,905	$10,124,707,610	$27,072,295
Soviet Grain Programs [9]	$147,132,626	$0	$147,132,626	$147,132,626	$0
Total ODS	**$10,537,098,966**	**$238,186,435**	**$10,298,912,531**	**$10,271,840,236**	**$27,072,295**

[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.

Table 16: CONTRACTS IN FORCE -- SEPTEMBER 30,1999

All ODS liner contracts have terminated.

Bulk Trades

Operator and Contract No.	ODS Agreements Contract Effective Date	Contract Termination Date	Number of Subsidized Ships	Service
Brookville Shipping, Inc. MA/MSB-542	1-01-96	12-31-2000	5 1/	Worldwide Bulk Trade
Equity Carriers, Inc. MA/MSB-439	5-24-81	5-23-2001	0 2/	Worldwide Bulk Trade
Ocean Chemical Carriers, Inc. 3/ MA/MSB-442	9-19-81	9-18-2001	1	Worldwide Bulk Trade
Ocean Chemical Transport, Inc. 3/ MA/MSB-440	3-26-81	3-25-2001	1	Worldwide Bulk Trade
Total Bulk Trades			7	

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

2/ Dormant contract.

3/ Contract transferred to subsidiaries of Marine Transport Corp., on 9/29/99.

Table 17: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS--FY 1999[1]

A. Program Summary	Number	Gross Tons
U.S. PRIVATELY-OWNED VESSELS		
Transfer to Foreign Ownership and/or Registry		
Vessels of 1,000 Gross Tons and Over	20	108,040
Vessels of Under 1,000 Gross Tons	1	596
Total	**21**	108,636
Modifications	1	
Violations		
Reported	2	
Mitigated or Settled	2	
Rescissions (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.

Table 17: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS--FY 1999(continued)

B. FOREIGN TRANSFER APPROVALS--Vessels of 1,000 Gross Tons and Over		
	Pursuant to Section 9 (U.S.-Owned and U.S. Documented)	
	No. of Vessels	Gross Tons
Tankers	4	64,657
Cargo	1	12,557
Barges	6	12,179
Passenger	2	3,050
Push Boat	1	1,009
Fishing	6	14,588
Total	**20**	108,040
Recapitulation by Nationality		
Belize	1	2,304
Canada	6	25,692
Ecuador	1	1,110
Federated States of Micronesia	1	1,651
Holland	1	6,959
Mexican	1	1,328
Panama	2	2,589
Paraguay	1	1,279
Russia	1	1,348
Vanuatu	3	7,280
Total	**18**	51,540
Sale to Foreign Nationals for Scrapping	2	56,500
GRAND TOTAL	**20**	**108,040**

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. MARAD is required to report annually to Congress 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 setforth on MARAD's website located at www.marad.dot.gov/offices/cargo_pref.html

To increase the availability of information available to our customers, MARAD developed a website to provide a list of U.S.-flag carriers and U.S.-flag vessels. This information allows quick and easy access to information on 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 Table 18). Statistics are maintained on a calendar year (CY) basis or on a 12-month program maintained over the life of a loan or guarantee.

Civilian Agencies
Israeli Cash Transfer (GOI)

The Israeli Cash Transfer program between the Government of Israel and the AID generates approximately 1.6 million tons of bulk grain annually. A "side letter" agreement requires that U.S. carriers transport 50 percent of the Israeli grain.

During FY 1999, 727,000 metric tons were carried on U.S.-flag vessels and earned revenue of approximately $22 million. A new "side letter" is expected to be issued for FY 2000.

Export-Import Bank (Eximbank)

Eximbank shipments are governed by P.R. 17, which requires that 100 percent of all cargoes generated by this resolution move on U.S.-flag vessels. If a recipient country meets United States' requirements and requests a general waiver, it would be allowed to move 50 percent of the cargoes on national-flag vessels.

Requests for non-availability waivers for project cargoes have decreased since MARAD published new policy procedures in the *Federal Register*, which became effective June 30, 1997. The procedures stipulate the criteria required for each type of waiver. 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.

Military Cargoes

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

The Cargo Preference Act of 1904 requires that items procured for, or owned by the military departments or defense agencies, be carried exclusively (100 percent) on U.S.-flag vessels, if available at reasonable rates. The preponderance of DOD cargoes moves on U.S.-flag vessels chartered-in to the Military Sealift Command (MSC). However, a significant amount of DOD cargo moves in the commercial sector. Cargo preference applies not only to the end item but also to its component parts and supplies. Under DOD acquisition regulations, it does not apply to certain subcontractors providing commercial off-the-shelf items, when ocean transportation is not the subject of the contract.

MARAD has been receiving quarterly reports from the Military Traffic Management Command (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 been receiving data on the movement of privately owned vehicles (POVs) being transported between selected turn-in points in the continental United States to six points in the Republic of Germany. The ocean carrier awarded the contract reports ocean tonnage and revenue.

MARAD is continuing to work closely with DOD representatives to improve reporting and monitoring of cargo preference shipments by fostering improved communication and meeting the needs of our customers.

DOD Services and Agencies

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 Foreign Assistance Act (FAA) Section 516, related programs authorized under the scope of the FAA of 1961 as amended, 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 Table 18 from FMF and related FAA programs represent combined tonnage and revenue data for those ocean shipments arranged by the foreign recipients' freight forwarder. These statistics also reflect cargoes that were authorized to move within the Defense Transportation System (DTS) and which were processed by the MTMC and the MSC. U.S.-flag participation meets the compliance requirements as set forth in the governing cargo preference law (P.L. 83-664).

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.

Air Force

Volume moving by surface transportation continues to decline, principally because of the increased use of air transportation to deliver the products in a more timely manner and the downsizing of our foreign bases.

U.S. Army
Corps of Engineers (COE)

The trend in downsizing and budgetary cutbacks continues to show in the decreased Army program tonnage for FY 1998. MARAD is continuing to improve communications with contract officers and contractors to ensure compliance with cargo preference laws. Enhancements to the computer system used by MARAD allow greater efficiency and flexibility in reporting.

The COE program remains in compliance with the cargo preference laws, although a reduction in tonnage and revenue has occurred within FY 1998. MARAD is currently working with COE to ensure contracting personnel are enforcing compliance with the 1904 Act.

Defense Logistics Agency (DLA)

Tonnage reported under the DLA program decreased significantly because of a decline in the number of contracts awarded, the increased use of air transportation and the DTS, and the decline of the U.S.-flag fleet.

Navy/Marine Corps

The Navy program was in compliance with the cargo preference laws during this reporting period. The total number of contracts has decreased resulting in a reduction of overall tonnage.

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. President Clinton announced a 2.5 million metric ton wheat initiative under Section 416(b) and the United States entered into a 3.2 million metric ton food aid program with the Russian Federation. While a substantial portion of these two programs was shipped in the subsequent CPY, shipments during the 1998/1999 CPY increased by over 2.1 million metric tons from the previous CPY. This 77 percent increase resulted in employment opportunities for the U.S.-flag fleet not experienced since CPY 1993/1994. Collectively, 76.1 percent of the 5 million metric tons of humanitarian food aid commodities were transported on U.S.-flag vessels during the 1998/1999 Cargo Preference Year (CPY).

- **Title I** provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. Approximately 874,000 metric tons of bulk grain was shipped during CPY 1998/1999. This was about 86,000 metric tons (11 percent) more than the prior year, but 699,000 metric tons (80 percent) less than shipments during CPY 1994/1995.

- **Title II** is a donation program administered by AID which generated approximately 1.8 million metric tons of packaged, processed, and bulk commodities for least developed countries. Shipments increased by 172,000 metric tons over the previous CPY due to lower commodity prices; however, this is 1.1 million metric tons 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. Approximately 141,000 metric tons of bulk grain and flour was shipped during the current CPY, an increase of 16,000 metric tons (13 percent) from last year but 940,000 metric tons (668 percent) less than CPY 1994/1995. Program funding has been substantially reduced during the past few years.

- **Section 416(b)** is a donation program established primarily to distribute surplus commodities, to the extent such surpluses exist. There were 1.7 million metric tons shipped for the current year under the President's wheat initiative and the Russian food aid program. No shipments were made available during the prior CPY

- **Food for Progress** provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the current CPY, 493,000 metric tons of commodity, principally bulk grain, were donated. This 196,000 metric tons (66 percent) is more than the previous CPY but 101,000 metric tons (21 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) $19.4 million for OFD invoices and documents submitted during FY 1999. Additional OFD obligations covering the 1998/1999 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 1999, the average OFD cost for which MARAD reimbursed USDA was $39.51 per metric ton, an increase of $10.62 per metric ton, or 37 percent, from the previous year. This increase was due, in part, to extremely weak foreign-flag rates and a 77 percent increase in program tonnage. OFD obligations that remain outstanding are not expected to increase the average OFD rate paid for shipments during the 1998/1999 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. At this time, we are unable to determine if such shipping costs exceeded the 20 percent threshold for that fiscal year.

Minimum Tonnage

The minimum tonnage for agricultural products was created by the Food Security Act of 1985 and established under Section 901c(a)(1) of the Merchant Marine Act, 1936, as amended. This includes P.L. 480, Section 416(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 1998, a total of 3,044,742 tons of such agricultural products were exported. The minimum tonnage calculated for FY 1998 is 7,219,313 metric tons. This represents a deficit of 4,174,571 metric tons.

The foreign food aid tonnage exported during FY 1998 was below the average of the base period because of lower Congressional appropriations, higher average commodity costs, and no tonnage for the Section 416(b) program. However, during the past three fiscal years the collective minimum tonnage deficit amounted to approximately 15.3 million metric tons. This lack of tonnage has resulted in a substantial downsizing in the dry bulk U.S.-fleet, and the virtual elimination of the break bulk U.S.-fleet.

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

Although program funding for FY 1999 was about the same as the prior year, USDA 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 2000.

This, coupled with an approximate level funding for FY 2000, low commodity prices, shipments remaining under the President's 250 million metric ton wheat initiative and the Russian food aid program, and the possibility of additional food aid to Russia, should provide tonnage opportunities greater than those experienced in FY 1998.

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 Fiscal Year 1999, MARAD calculated 277 fair and reasonable guideline rates for 5.9 million metric tons of Government-impelled cargoes. Shipments went to numerous destinations ranging from North Korea to Bangladesh to Africa and to South & Central America. In addition to these destinations, a special program for Food Aid to Russia began in April 1999 and continued through the end of the fiscal year. Of the 277 guideline rates calculated, 49 of them, covering 1.9 million metric tons of grain cargoes were calculated for this special program.

Fair and reasonable guideline rates serve as a ceiling on market freight rates in periods of high demand for US.-flag vessels. During FY 1999, the offered rate exceeded the fair and reasonable guideline rates on 87 occasions. Many ship operators lowered their offered freight rate to the fair and reasonable guideline rate thus saving the U.S. Government $18.3 million in FY 1999. The savings included $8.3 million for Russian shipments.

The program contributes to the operation of a variety of U.S.-flag vessels. Ship operators filed vessel costs for 120 vessels with MARAD under this program. The total consisted of 51 ocean going self-propelled vessels, 29 oceangoing barges, and 40 tugboats.

Table 18: GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1998
(Note: These numbers do not include domestic shipments)

PUBLIC LAW 664 CARGOES:

Program	U.S.-Flag Revenue ($1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Agency for International Development (AID):				
Loans and Grants				
Liner	10,404	92,087	75,647	82.1
Bulker	0	0	0	0.0
Tanker	0	9,500	0	0.0[1]
TOTAL	10,404	101,587	75,647	74.5
P.L. 480 - Title II[2]				
Liner	116,904	1,140,263	754,484	66.2[3]
Bulker	27,279	365,004	269,170	73.7[4]
Tanker	16,872	260,616	242,129	92.9
TOTAL	161,055	1,765,883	1,265,783	71.7[5]
P.L. 480 - Title III[2]				
Liner	3,694	38,885	38,885	100.0
Bulker	1,027	58,157	23,500	40.4[6]
Tanker	4,561	43,617	43,617	100.0
TOTAL	9,282	140,659	106,002	75.4
Department of Agriculture:				
P.L. 480 - Title I[2]				
Liner	3,284	57,630	43,810	76.0[7]
Bulker	30,999	685,353	506,094	73.8[8]
Tanker	8,470	131,459	112,955	85.9[9]
TOTAL	42,753	874,442	662,859	75.8[10]
Food for Progress[2]				
Liner	17,539	162,910	99,772	61.2[11]
Bulker	7,112	174,092	104,270	59.9[12]
Tanker	7,653	155,584	111,035	71.4[13]
TOTAL	32,304	492,586	315,077	64.0[5]
Section 416(b)[2]				
Liner	10,230	50,294	50,084	99.6[14]
Bulker	43,494	760,586	525,437	69.1[15]
Tanker	69,784	879,298	850,045	96.7[16]
TOTAL	123,508	1,690,178	1,425,566	84.3

Table 18 : GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1998 (continued)
(Note: These numbers do not include domestic shipments)

National Aeronautics and Space Administration	7	33	27	81.8
National Science Foundation	6,228	35,829	34,493	96.2
General Services Administration	6	10	1	10.0[1]
Department of Transportation Federal Transit Administration	3,008	9,143	4,208	46.0[1,17]
U.S. Information Agency	417	723	486	67.2
Department of State:				
Foreign Building Office	96	462	353	76.4
Other Agencies	7,246	19,571	10,229	52.2

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	202,903	151,557	70,851,220	49,424,519	74.6

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)	1,600,000	787,000	813,000	22,800,000	49.2[18]

CARGO PREFERENCE ACT OF 1904 CARGOES:

Note: These numbers are for FISCAL YEAR 1998[19]

Department of Defense Support Cargoes:	Total Metric Tons	Metric Tons Dry Cargo	Percentage U.S.-Flag Tonnage Dry Cargo	Metric Tons Petroleum	Percentage Tonnage on Total
U.S.-flag privately-owned vessels	751,835	751,835	71.8	n/a	17.4
U.S. Government-owned vessels	56,535	56,535	5.4	n/a	1.3
MSC Voyage Chartered Foreign-Flag vessels	324,406	110,158	n/a	214,248	7.5
MSC Time Chartered U.S.-flag vessels	3,152,074	103,674	9.9	3,048,400	73.2
MSC Time Chartered Foreign Flag	24,676	24,676	n/a	n/a	.6
Total Support Cargo	4,309,526	1,046,878	87.1	3,262,648	100.0

Table 18 : GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1998 (continued)
(Note: These numbers do not include domestic shipments)

Note: These numbers are for FISCAL YEAR 1998[20]

	U.S.-Flag Revenue ($1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Department of Defense Commercial Contractor Cargoes and Personal Property Shipments	442,525	226,338	222,544	98.3

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:	14,508	57,181	34,768	60.8
Tanker:	10,064	256,163	253,310	98.9
TOTAL	24,572	313,344	288,078	91.9

Notes:

1. Imbalance due to nonavailablity of U.S.-flag service.

2. The Food Security Act of 1985 (P.L. 99-198) impacted on the P.L. 480 Section 416, titles I, II nd III, and the Food for Progress programs by changing the reporting period from a calendar year to a 12-month period commencing April 1, 1986, through March 31, 1987, and by increasing the U.S.-flag share from 50 to 75 percent over a three year period. The required U.S.-flag share for the current reporting period, April 1, 1998 to March 31, 1999, is 75 percent.

3. After accounting for the non-availability of certain U.S.-flag vessels, liner service vessels met the 75 percent U.S.-flag requirement.

4. After accounting for the non-availability of certain U.S.-flag vessels, dry bulk vessels met the 75 percent U.S.-flag requirement.

5. After accounting for the non-availability of certain U.S.-flag vessels, the program met the 75 percent U.S.-flag requirement.

6. Ethiopia did not ship any cargo on U.S.-flag dry bulk vessels and Haiti (70 percent) did not meet the 75 percent requirement.

7. Angola (AO-5009 & 5010) and Georgia (GG-5003) did not ship any preference cargo on U.S.-flag liner service vessels due to no offers.

8. Eritrea (ER-5002) and Guatemala (GT-5006) did not ship any cargo on U.S.-flag dry bulk vessels due to no U.S.-flag offers. The following countries did not meet the 75 percent requirement: Jordan (JO-5028 68 percent-insufficient U.S.-flag offers), Peru (PE-5001 60 percent), Philippines (RP-5006 73 percent - insufficient U.S.-flag offers), Sri Lanka (CE-5002 72 percent - insufficient U.S.-flag offers), and Zimbabwe (ZI-5005 69 percent).

9. The following countries did not ship any bulk liquid cargo on U.S.-flag vessels due to the lack of, or insufficient, U.S.-flag offers: El Salvador (ES-5016 & 5017), Guatemala (GT-5006), and Nicaragua (NU- 5002).

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

Table 18 : GOVERNMENT-SPONSORED CARGOES--CALENDAR YEAR 1998 (continued)
(Note: These numbers do not include domestic shipments)

11. Eight of the sixteen participating countries did not achieve the 75 percent requirement: Azerbaijan (47 percent), Russia (39 percent) and Ukraine (69 percent) while Angola, Equatorial Guinea, Georgia, Guyana, and Mongolia (no U.S.-flag offers) did not receive any preference cargo on U.S.-flag liner service vessels.

12. Seven of the eleven participating countries did not achieve the 75 percent requirement: Nicaragua (30 percent) while Albania, Bangladesh, El Salvador, Russia, Swaziland, and Tanzania did not ship any preference cargo on U.S.-flag dry bulk vessels.

13. Albania (70 percent) and Russia (36 percent) failed to achieve the 75 percent requirement due to insufficient U.S.-flag offers while South Africa (no U.S.-flag offers) did not ship any preference cargo on U.S.-flag tankers.

14. The Dominican Republic did not ship any preference cargo on U.S.-flag liner service vessels.

15. Six of the sixteen participating countries did not achieve the 75 percent requirement: Bangladesh (62 percent), Indonesia (58 percent - due to insufficient U.S.-flag offers), and North Korea (44 percent) while El Salvador, Ethiopia, and Peru insufficient U.S.-flag offers) did not receive any preference cargo on U.S.-flag dry bulk vessels.

16. Guinea Bissau (66 percent) failed to achieve the 75 percent requirement for tanker vessels.

17. These programs tonnages are reflected in metric tons for uniformity only. Cargo preference compliance for those programs involving high cube/low density cargo is achieved on a gross revenue ton basis. Percentage reflected on a weight tonnage basis for such programs do not necessarily represent the exact extent of the programs' compliance with the statute. U.S.-flag vessels achieved 50 percent of the revenue tons.

18. Under the "side letter" agreement the GOI, on a fiscal year basis, must provide U.S.-Flag vessels with 800,000 tons of bulk grain. During FY 98 the GOI provided 787,000 tons leaving an imbalance of 13,000 tons. MARAD will deduct 13,000 tons from the FY 99 shipments to satisfy the agreement.

19. Tonnages reported by Military Sealift Command (MSC) and Military Traffic Management Command (MTMC). Tonnages are from vessel manifests of ocean carriers that carry DOD sponsored cargo by liner contract or charter contract during the fiscal year. POVs are included in these tonnages. *"U.S.-flag privately-owned vessels"* represents cargoes transported by contract with liner carriers.

20. Tonnages and revenues for commercial cargoes derived from rated ladings submitted by shippers to MARAD's Office of Cargo Preference. Tonnages and revenues for personal property shipments reported by MTMC; data taken from rated ladings submitted for payment by carriers performing personal property shipments under MTMC contract.

Chapter 7

Maritime Labor, Training, and Safety

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

U.S. Merchant Marine Academy

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

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

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

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

Academy graduates also are committed to a 5-year maritime service obligation. This requires graduates to obtain a merchant marine officer's license on or before graduation and to maintain the license for at least 6 years. This service obligation may be satisfied in the merchant marine as an officer aboard U.S. merchant ships, or in shore side maritime or intermodal transportation industry positions if afloat employment is not obtainable. Active military duty in the U. S. Armed Forces or employment with the National Oceanic and Atmospheric Administration also satisfies the obligation.

The Class of 1999 comprised 96 third mates, 75 third assistant engineers, and 9 who completed the dual deck/engine license program. Twenty-nine of the third engineer licensees were the first graduates of the Academy's Marine Engineering and Shipyard Management Program. They received special training in engineering management as it applies to a shipyard or marine repair facility environment.

The Academy recently added a new major program in logistics and intermodal transportation. This curriculum complements the sound marine transportation undergraduate education program to enable a graduate to effectively manage increasingly complex commercial and defense logistics systems.

The 21 women graduates in 1999 brought to 370 the total number of female graduates since the first coeducational graduating class in 1978.

Senator Charles Robb of Virginia delivered the commencement address. During the ceremony, Don Hewitt, a prominent television news producer, received an honorary degree. In addition, the Academy conferred an honorary degree on Ronald Byrne, a prisoner of war during the Vietnam conflict.

Within 3 months after graduation, about 85 percent of the 180 graduates had found employment in the maritime or transportation industry--aboard ship or ashore--or were serving on active military duty.

Average enrollment at the Academy during the year was 888. At the beginning of the 1999-2000 academic year, the regiment of midshipmen included 94 women, 27 of whom are scheduled to graduate in June 2000. Members of Congress nominated 1,385 constituents for the Class of 2003 and a total of 276 appointments were made in FY 1999.

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

- complete the academy's course of instruction;

- 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;

- 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; and

- maintain employment in the maritime industry at least 3 years from the date of graduation.

MARAD provides training vessels to five sea coast academies for use in at-sea training and as shore side laboratories.

Supplemental Training

MARAD provides supplemental training for seafarers in marine firefighting and defense readiness. In FY 1999, 1,712 maritime personnel were trained in ship and barge firefighting, including U.S. citizen seafarers, USCG personnel, and port city professional firefighters. MARAD-sponsored basic and advanced firefighting training is offered at: MARAD s fire school at Swanton, OH; the U.S. Navy-Military Sealift Command (MSC)/MARAD fire training facility in Earle, NJ; and the U.S. Navy fire training installation at San Diego, CA.

Seventy-five port city firefighters were trained in specialized marine fire fighting skills at the Toledo school during the spring of 1999 under a cooperative agreement between MARAD and the Charleston County Government of South Carolina with funds from RSPA. This funding also included acquisition of firefighting equipment to enhance local firefighters' ability to respond to marine fires.

MARAD's National Sealift Training Program for Masters and Chief Mates under the Global Maritime Transportation School (GMATS), previously called the Department of Continuing Education at the U.S. Merchant Marine Academy was developed to improve U.S.-flag strategic sealift support capability and reduce vulnerability to piracy and hostage threats. 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 1999, 52 senior deck officers completed this program.

MARAD training experts are also facilitating the implementation of Chemical Biological and Radiological Defense (CBRD) one-day training for all U.S. merchant seamen at industry schools and maritime academies in coordination with the U.S. Transportation Command and the Navy's Military Sealift Command. The objective of this program is to have all U.S. mariners trained within 5 years from October 1999.

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 we have a workforce prepared for the technologically challenging jobs of the 21st century.

MARAD participation in this intermodal program is seen as an opportunity to help interest students of all ages across the nation in marine 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.

U.S. Merchant Marine Academy Logistics and Intermodal Transportation Program

The U.S. Merchant Marine Academy has developed and introduced a comprehensive and integrated undergraduate program in Logistics and Intermodal Transportation. The program supports the Academy's ongoing efforts to provide quality education that reflects best practice and leading edge concepts in the dynamic environment served by the institution and its graduates.

The program also supports MARAD's strategic goals and the policy objectives of DOT with respect to workforce development, national defense preparedness, transportation system enhancement, and research.

This program also proactively supports the Garrett A. Morgan Technology and Transportation Futures Program and outreach initiatives.

Contribution of Educational Supplies to Schools

During FY 1999, MARAD donated under Executive Order 12999 approximately $180,000 worth of surplus computer equipment to schools. The recipients are listed on page 72.

Merchant Marine Awards

Public Law 100-324, the Merchant Marine Decorations and Medals Act, authorizes the Secretary of Transportation to recognize outstanding and meritorious service or participation in national defense action. Under this authority, MARAD assisted in replacing merchant marine decorations issued to merchant mariners who served during World War II, Korea, Vietnam, and Operation DESERT STORM. In FY 1999, MARAD responded to more than 2,500 inquiries on awards and related issues.

Contribution of Educational Supplies to Schools

	CPU Processor	Monitor	Printer
Cardozo Sr. High School Washington, DC	0	0	5
Coolidge Sr. High School Washington, DC	15	18	5
Hine Jr. High School Washington, DC	33	33	0

Labor

Labor Data

In FY 1999, average monthly U.S. seafaring employment in all sectors (private, Government contract, and Great Lakes) was 10,458 which remained about the same as 10,324 in 1998. (See Table 19.) The total work force in selected U.S. commercial shipyards remained the same as a year earlier at 61,118. Longshore employment increased 3 percent to 23,562.

Seafaring Labor Relations

The Tanker Service Committee (representing companies which operate tankers) signed a new collective bargaining agreement with the National Maritime Union covering ocean-going vessels. The new agreement is in effect until June 15, 2003. The agreement calls for an overall 17 percent increase in wage related items (base wages, overtime rates, penalty rates and vacation wages) occurring as 3-4 percent yearly increases.

The Seafarers International Union (SIU) and the National Maritime Union (NMU) began member voting in December 1999 on a referendum to determine if the executive boards of each union would begin implementing a merger of the two unions. A committee composed of officials from both unions have been meeting since determine if a merger would be feasible.

Annual Crewing Assessment of U.S. Merchant Mariners

United States sealift ships include the 91 RRF ships operated by MARAD, two hospital ships, and eight fast sealift ships operated by the MSC. Approximately 2,692 mariners would be required to activate all reserve sealift billets not currently manned; this is nearly 5 percent less than estimated a year ago.

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

Longshore

In May 1999 the Pacific Maritime Association (PMA) and the International Lonshore and Warehouse Union (ILWU) began negotiations toward a new contract. The contract negotiated in 1996, which expired on June 30, 1999 enabled the average West Coast longhsore worker in 1999 to earn $99,000 for at least 2000 hours of work with clerks and “walking bosses” earning $118,000 and $156,000, respectively for the same number of hours. An agreement was reached in mid-July and later ratified for a new 3-year contract.

Highlights of the new agreement are significant increases in pension benefits and the establishment of a Joint Coast Technology-Job Security Committee to address issues arising from new technology and related education requirements. The increases in basic hourly wage rates were modes with a $1.00 increase on July 3, 1999, $.50 on July 1, 2000, and $..50 on June 30, 2001.

The international trade community was anxious for the negotiations to result in a contract which assured future reliable, dependable, and safe West Coast port operations. Employers believe that West Coast longshore costs are high, however, a stable waterfront would offset the increased costs involved in the contract given the large capital costs they have tied up in modern containerships and mega-terminals.

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.

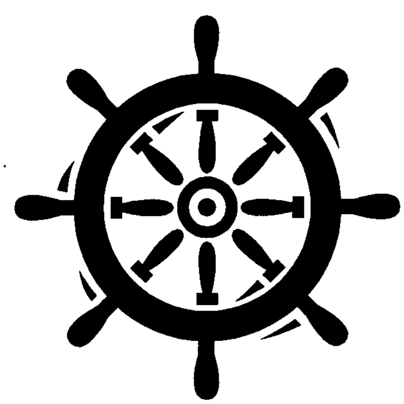
MARAD and the USCG continued to jointly facilitate industry development of a safety reporting system now called the International Maritime Information Safety System . The industry working group under the Society of Naval Architects and Marine Engineers has completed the blueprint for the system. Legislative changes to provide protections necessary to enable such a system are still under development. The system continues to follow many of the concepts used for the Aviation Safety Reporting System. An anonymous voluntary reporting system in the marine industry promises the opportunity to identify and solve system safety problems before they result in accidents.

The DOT Human Factors Coordinating Committee, which MARAD Chairs, with contractual assistance completed detailing two major research initiatives on operational performance: "Human Fatigue and Alertness and Advanced Instructional Technologies."

Table 19: MARITIME WORK FORCE AVERAGE MONTHLY EMPLOYMENT

	Average Monthly Employment in Fiscal Year 1999	1998
Seafaring Shipboard Jobs:[1]	**10,458**	**10,324**
Shipyards:[2]	**61,118**	**61,118**
Production Workers	34,591	34,591
Management and Clerical	26,527	26,527
Longshore:	**23,562**	22,743

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



Chapter 8

International Activities

Japanese Port Restrictions

On January 20, 1999, the United States commented formally to Japan's Ministry of Transport (MOT) on the Harbor Transport Subcommittee's interim report dealing with deregulation, modernization, and revitalization of Japan's harbor transport industry. The U.S. comments emphasized the report's numerous shortcomings in fulfilling the Japanese Government's commitment to create an efficient system of port and harbor transport. In March 1999, U.S. agencies once again expressed their concern over the deficiencies in the interim report during a visit by MOT officials to the Maritime Administration.

MOT issued its final report on port deregulation in June 1999. This document carried forward the problematic proposals in the interim report that had prompted U.S. concerns, and represented substantial steps toward re-regulation of the port system in Japan. As a result, on August 30, 1999 the Maritime Administrator in a letter to Vice Minister of Transport for International Affairs Katsuji Doi, expressed the U.S. Government's disappointment at the lack of progress in carrying out the reform commitments that Japan undertook in November 1997. He also requested that consultations on the issue be held between the two Governments. In late September 1999, the Japanese Government agreed to hold consultations in Tokyo in October 1999.

Improved Relations with Brazil

Maritime relations between the United States and Brazil improved considerably over the course of fiscal year (FY) 1999. Maritime tensions between the two countries had heightened in January 1997, when the Brazilian Congress enacted a law creating a special Brazilian ship registry known as the "R.E.B." that included a discriminatory tax benefit for shipments on vessels under this new registry.

Vigorous protests from the United States and other countries failed to prevent implementation of this discriminatory tax provision in July 1998. An additional problem arose in late 1998 when Brazil's tax authority imposed an "industrial production tax" (IPI) on cargoes moved by U.S. carriers.

In February 1999, the Maritime Administrator led an U.S. negotiating team to Brasilia for consultations on these problems. The talks led to resolution of the two major disputes, as well as ancillary issues. The Brazilians agreed to eliminate the R.E.B. tax exemption, which was subsequently accomplished through executive branch action, and to extend a blanket waiver of IPI taxes to U.S. carriers pending completion of a bilateral maritime agreement acceptable to its congress.

Over the following months, the two governments worked to implement the February understandings and, early in FY 2000 a new agreement was signed by Secretary of Transportation Rodney E. Slater and his Brazilian counterpart in October. (The new agreement was signed by both parties on October 20, 1999.) The 3-year pact will ensure equal access for each country's national-flag carriers to the other country's Government-controlled cargo. It also encourages liberalization of the maritime sector and provides for nondiscriminatory treatment of each side's carriers with respect to maritime-related services and facilities.)

One remaining issue of serious concern to the United States is access to Brazil's "cross trades," regional cargoes moving between its South American neighbors. These trades are now subject to restrictive cargo sharing agreements, and the United States has urged Brazil and other countries in the region to carry out the speedy and comprehensive liberalization of these trades.

Negotiations with China

China's announcement of a proposal to approve freight rates and bills of lading prompted the Maritime Administrator to write to China's Ministry of Communications. In a letter toVice Minister Hong on January 22, 1999. The Maritime Administrator stated that the proposed regulations, if implemented, would authorize an unprecedented intervention by the Chinese Government in the commercial shipping market. In particular, they would authorize their government to approve freight rates and bills of lading which are contractual documents relating to the carriage of cargo. The Maritime Administrator also noted that these are private business matters between ocean carriers and their customers.

In September 1999, the United States and China met in Washington to hold negotiations on a new maritime agreement and to address business problems of U.S. carriers serving the China trade. The Maritime Administrator led the U.S. delegation and the Chinese team was chaired by Vice Minister of Communication Hong Shanxiang. The U.S.-China Maritime Agreement, which was first concluded in 1988 and extended to September 15,1998, was not extended further. Both the U.S. and Chinese Governments agreed they would continue to honor the terms of the agreement on the basis of comity and reciprocity.

During the negotiations, the two sides reviewed the range of issues that will need to be addressed in a new bilateral maritime agreement. The U.S. objective in securing a new maritime agreement is to ensure that its shipping lines operating in China enjoy the same open access that Chinese carriers enjoy in the United States. In America, Chinese companies can conduct shipping and related activities virtually without restriction, while U.S. carriers are subjected to numerous restrictions on their routine business operations in China, including: unilateral port access restrictions, Chinese vessel agency monopoly, restrictions on branch offices, and intermodal restrictions.

World Trade Organization

In July 1999, the United States took part in a trade policy review conducted under the auspices of the World Trade Organization (WTO). The review covered a broad range of U.S. trade measures and practices, including maritime transportation. MARAD helped prepare responses and positions on U.S. maritime programs and policies, including cabotage and cargo preference. MARAD, jointly with the Office of the United States Trade Representative, organized a maritime industry briefing on the launching of the next round of trade negotiations under the WTO, which began with a Ministerial meeting in Seattle on November 30, 1999.

Organization for Economic Cooperation and Development (OECD)

MARAD participated in meetings of the OECD's Maritime Transport Committee, which discussed a wide range of international shipping policy issues and industry developments.

The Committee held consultations with a broad group of non-member economies to exchange information and views on maritime topics. MARAD also took part in a meeting of the OECD's Council Working Party on Shipbuilding and continued to work with the Office of the United States Trade Representative on shipbuilding subsidy policy. There was no progress, however, on securing U.S. ratification of the OECD Shipbuilding Agreement that had been negotiated in 1994.

MARAD and the North Atlantic Treaty Organization (NATO)

MARAD plays a significant role in NATO's Planning Board for Ocean Shipping (PBOS), the body that develops plans for the mobilization of commercial sealift resources to support the deployment and sustainment of NATO forces. The Associate Administrator for National Security serves as the Chairman of PBOS, and MARAD personnel act as the Secretariat for PBOS. In FY 1999, PBOS completed work on a NATO Marine War Risk Insurance Scheme; created a new crisis management plan to support NATO military operations, taking account of the post-Cold War security environment; and, through enhanced cooperation with NATO Military planners, devised new roles and duties for shipping industry experts who staff the civilian, sealift crisis management organization.

Other Activities

In FY 1999, MARAD initiated a maritime training proposal for the African continent and presented it to the World Bank for consideration. The proposal would establish a MARAD program to provide annual training for 20 maritime officials. Six weeks of training would be conducted at the U.S. Merchant Marine Academy's Global Maritime and Transportation School at Kings Point, NY.

The proposed course would involve the latest technical and management developments in port and vessel operations. Full implementation of the program is tentatively planned for the end of CY 2000. Once established, it is hoped that the program will be expanded to include other U.S. maritime training and funding institutions.

Chapter 9

Administration

Strategic Planning

In accordance with the Government Performance and Results Act of 1993 (GPRA), MARAD published the *Maritime Administration Strategic Plan 1998-2002* in April 1998. In this plan, the agency's objectives consist of four strategic goals which define anticipated long-term accomplishments in the key areas of national security, shipbuilding, intermodalism, and trade.

GPRA measures the effectiveness of Federal programs against performance goals derived from the strategic planning process. Performance goals and several performance measures are defined for each of the strategic goals in a Performance Plan submitted to the Office of Management and Budget with MARAD's FY 2000 budget.

The MARAD strategic and performance goals support the broader goals set forth in the *Department of Transportation Strategic Plan 1997-2002,* which is currently being updated. Planned accomplishments for activities designed to achieve the strategic/performance goals also provide the basis for periodic progress reviews between the Maritime Administrator and the Deputy Secretary of Transportation. Strategic planning is an iterative process; refinement of the strategic goals, performance goals, and performance measures is an ongoing activity.

Maritime Subsidy Board

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

MSB decisions, opinions, orders, rulings, and reports are final unless the Secretary of Transportation reviews a decision.

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

The MSB conducted regular meetings during the fiscal year (FY), and a number of notices relating to adjudication proceedings and development and adoption of rules and regulations were published in the *Federal Register*.

In FY 1999, the Maritime Administrator and the MSB took a number of administrative actions to help strengthen the U.S. Merchant Marine. Significantly, the Maritime Administrator approved the transfer of Maritime Security Program (MSP) Contract Nos. 13, 14 and 15 from Crowley American Transport, Inc. to American Automar, Inc. The transfer places three car carrier vessels with high military usefulness in the 10-year MSP which was enacted by the Maritime Security Act of 1996. (See Chapter 1).

One of the three new MSP vessels is being transferred to U.S. registry. The old operating-differential subsidy (ODS) program phased out in 1998 for liner vessels and phases out in 2001 for bulk vessels.

Legal Services and Agency Decisions

MARAD's Office of Chief Counsel provided legal support for Agency offices and independently conducted investigations, engaged in litigation, drafted rulemakings and monitored legislation. These legal services advanced the agency's strategic goals.

Defense Related Activities

Legal support was provided for the transfer of three MSP Agreements from Crowley American Transportation, Inc., to American Automar, Inc., and for the transfer of 15 MSP Agreements to U.S. Ship Management, Inc. This relates to the recent sale of the international container shipping business of Sea-Land Service, Inc. to Maersk Lines, Inc.

MARAD's Office of Chief Counsel worked with the Department of Defense (DOD) on a number of items, including waivers of the cargo preference laws for commercial items and commercial components purchased under a subcontract. The Agency also proposed amendments to the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation, to clarify the application of the cargo preference laws for U.S.-flag vessels. In addition, work continued on amending MARAD's regulations governing the administration of the cargo preference program by other Government agencies.

MARAD continues to collaborate with NATO's Planning Board for Ocean Shipping and the U. S. Transportation Command to develop a revised plan for vessel war risk insurance under Title XII of the Merchant Marine Act.

Additionally, MARAD notified the Naval Sea Systems Command that war risk insurance is available for contract service vessels such as salvage tugs. Also, during FY 1999, MARAD continued to provide legal support in the Agency's efforts to implement Public Law 105-451, to dispose of all obsolete vessels in the National Defense Reserve Fleet by September 30, 2001. In addition, new Capital Construction Fund (CCF) agreements were drafted and a number of CCF, Construction-Differential Subsidy, Operating-Differential Subsidy, and MSP Agreements were amended.

MARAD's Chief Counsel also prepared and submitted comments to the U.S. Customs Service urging that agency to modify its proposed amended interpretation concerning when spare parts purchased overseas for U.S.-flag ships are subject to a duty. MARAD's comments were consistent with those of an industry group and several members of Congress. At the end of FY 1999, the Customs Service was still considering the issue.

Existing Ship Manager contracts were scheduled to expire during FY 1998. As a result, in FY 1997 MARAD issued a request for proposals as the initial step in entering into new ship manager contracts for its Ready Reserve Force vessels. The Agency's Chief Counsel provided assistance in the initial issuance of the RFP as well as the several amendments required as a result of protests filed at the General Accounting Office (GAO) and in the Federal Courts.

Shipbuilding Related Activities

A variety of Title XI shipyard and shipbuilding financing activities occurred in FY 1999. MARAD approved the issuance of 11 commitments to guarantee obligations covering the financing, in part, of 2 shipyard modernizations, and the construction of 39 vessels (3 semi-submersible drilling rigs, two 230' supply vessels, 1 multi-purpose DP vessel, 5 steel deck barges, 7 asphalt tank barges, 15 liquid tank barges, two 180' deck barges, 1 power barge, 1 multi-purpose supply vessel and 2 U.S. flag passenger vessels) for an aggregate amount of $1,766,878,000.

At the same time, MARAD closed 11 commitments to guarantee obligations covering the financing, in part, of 1 shipyard modernization, and the construction of 48 vessels (2 semi-submersible drilling rigs, 1 jack-up mobile offshore drilling unit, 10 medium-high horsepower tugboats, 2 platform supply vessels, 7 asphalt tank barges, 15 liquid tank barges, two 180' deck barges, 1 power barge, 1 multi-purpose supply vessel, two 230' supply vessels, and 5 steel deck barges) for an aggregate amount of $618,905,000.00.

During FY 1999, Massachusetts Heavy Industries, Inc. (MHI) was unable to make its June 1999 debt service payment. However, MARAD and the holder of the guaranteed note, Fleet National Bank, granted a deferral of this payment until December 1999. Difficulties have occurred in the completion of the Quincy Shipyard, and MHI is in litigation with its major contractor, O. Ahlborg & Sons, Inc., over the course of work under the construction contract.

In September of 1999, Hvide Marine Incorporated (Hvide), Hvide Marine Towing, Inc. and other Hvide affiliates filed for protection under Chapter 11 of the Bankruptcy Code. The Hvide companies have proposed a plan of reorganization that would, if approved by the Bankruptcy Court, reinstate in its entirety the approximately $35 million of outstanding Title XI debt, without any loss to the Government.

Litigation

During FY 1999, MARAD faced a variety of litigation, both in Federal Court and in administrative forums. The Agency is currently defending five significant Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) cases and reached a settlement in one case during the year. Three of the active cases involve sites operated by MARAD's predecessor agency during World War II, and two cases involve disposal sites for operational activities. All cases seek substantial damages for remediation. MARAD staff attorneys continue to provide substantial litigation support to the Department of Justice (DOJ) in defense of these cases.

At year's end, four personnel cases were pending in Federal Court; three were before the Equal Employment Opportunity Commission (EEOC), and two were before the Merit Systems Protection Board (MSPB). Two Federal Court cases, three EEOC cases, and four MSPB cases were resolved during FY 1999.

Two contract appeal cases were filed at the Department of Transportation Board of Contract Appeals during the year. One case remained active at the end of FY 1999, and the other was successfully settled. MARAD handled four protest cases at the General Accounting Office (GAO). GAO dismissed two cases, and the protesters voluntarily withdrew the remaining two cases. Three contract related cases were filed in the Federal District Court for the District of Columbia during the year. One protest of the ongoing ship manager solicitation was voluntarily withdrawn with prejudice and another was settled. The third case, a suit by a union regarding the application of the Service Contract Act in the ship manager solicitation, was pending at the close of FY 1999.

MARAD provided litigation support to DOJ for the defense of claims of injuries to seamen employed on MARAD vessels. At the end of the period, approximately 48 cases were pending. This is down from 55 at the end of FY 1998. Also, MARAD continues as a named defendant in multiple asbestos cases; approximately 1,100 seaman injury cases alleging asbestos have been filed. MARAD also provided litigation support in two Federal Tort Claims Act cases, both involving the U.S. Merchant Marine Academy, and one case brought under the Admiralty Extension Act.

Domestic Trade Related Activities

MARAD is engaged in an extensive investigation concerning the time charters of certain vessels operating in a port area. The issue is whether the vessel owner, without MARAD's permission, bareboat chartered these vessels to a non-citizen for operation in coastwise service. Entering into such bareboat charters, without the Agency's permission, violates section 9 of the Shipping Act, 1916, as amended (46 U.S.C. App. '808), and 46 CFR 221.11 and 221.13.

MARAD's policy, as promulgated in its regulations, is not to approve bareboat charters to non-citizens for operation in the coastwise trade. The investigation was ongoing at the end of the fiscal year.

In 1999, MARAD also concluded an investigation regarding the ownership of certain U.S. documented vessels by MV One, LLC (MV One) and chartering of vessels by Paragon Marine Services, Inc. (Paragon) for use under a Fleet Operating Agreement that Paragon entered into with Consolidated Grain & Barge Company (CGB).

As a result of the joint investigation by MARAD and the U.S. Coast Guard (USCG), it was concluded by MARAD and the USCG that MV One and Paragon failed to comply with the requirements of Section 2 of the Shipping Act, as amended (1916 Act). The Coast Guard revoked the Certificates of Documentation on fourteen vessels owned by MV One.

MARAD advised Paragon that it must cease by August 1, 1999 its bareboat charter arrangements involving vessels in the U.S. coastwise trade, whether they were bareboat charters out by Paragon or bareboat charters in to Paragon from various entities. It is understood that Paragon ceased such activity.

Rulemaking

MARAD actively engaged in rulemaking throughout the reporting year. MARAD's regulations are contained in Chapter II of Title 46 of the Code of Federal Regulations. The Agency published two notices of proposed rulemaking (NPRM) during the fiscal year. One NPRM proposed modifications to Part 298 in an effort to improve administration of the Title XI Federal Ship Financing program.

Another NPRM proposed regulations to implement a new program to provide waivers of the U.S.-build and other requirements for employment of small passenger vessels in the coastwise trade.

Also during this period, MARAD withdrew a rulemaking action entitled Approval of Certain Transactions before Vessel Documentation and terminated the rulemaking entitled Approval of Underwriters for Marine Hull Insurance.

MARAD published two Advance Notices of Proposed Rulemaking (ANPRM) during the year. As a result of efforts to amend the cargo preference regulations, an ANPRM seeking public comment on several issues relating to how well MARAD's existing cargo preference regulations reflect actual practices in the ocean transportation industry was published. Based on the comments, a general level of satisfaction with MARAD's existing regulations was indicated. Many comments provided useful ideas that merit further consideration.

The second ANPRM solicited public comments on MARAD's implementation of new citizenship requirements imposed by the American Fisheries Act of 1998 (AFA), Title II, Division C, Public Law 105-277.

The AFA increased the U.S. citizen ownership and control requirements to obtain a fishery endorsement for a vessel of 100 feet or greater in registered length from a majority to at least 75 percent.

The AFA requires MARAD to "rigorously" scrutinize any transfers of ownership and control over fishing vessels, fish processing vessels, and fish tender vessels; to pay particular attention to leases, charters, financings, mortgages, and other arrangements to determine if they constitute an impermissible conveyance of control to persons not eligible to own a vessel with a fishery endorsement; and to set forth in regulations which transactions are permissible, which transactions will require prior approval, and which transactions are impermissible. Final regulations must be published by April 1, 2000, and will become effective October 1, 2001.

International

In the international arena, the Agency's Chief Counsel provided legal advice in U.S. negotiations with the People's Republic of China which it is hoped will lead toward the development of a new bilateral maritime agreement to replace one that has lapsed. Legal advice was also provided on the successful conclusion of a new agreement with the Government of Brazil.

Legislation

No major maritime related bills were enacted during the first session of the 106th Congress (1999). Measures that are likely to see continued debate include, among others, bills addressing the issue of funding for harbor dredging, coastwise trade for both cargo and passengers, and revitalization of the merchant marine.

On the issue of funding for harbor maintenance, H.R. 1947, the Harbor Services Fund Act of 1999, sets forth the Administration's proposal to fund harbor maintenance. The bill would implement a user fee, paid by ocean carriers, to fund harbor maintenance costs. Conversely, H.R. 1260, the Support for Harbor Investment Program Act, calls for the repeal of the Harbor Maintenance Tax and a funding of harbor maintenance from general treasury revenues.

Among the bills that challenge the existing coastwise trade laws, S. 1032, the Freedom to Transport Act, would allow foreign-flag vessels carrying bulk cargoes to enter the domestic trade. Similarly, H.R. 248, the United States Cruise Tourism Act, and S.1510, the United States Cruise Ship Tourism Development Act, would allow foreign-flag cruise vessels to engage in the coastwise transportation of passengers.

Several of the maritime bills introduced during the first term of the 106th Congress were geared toward providing incentives for carriers flying the U.S.-flag. For example, H.R. 2159, the United States Flag Merchant Marine Revitalization Act of 1999, seeks, among other things, to expand the uses of the Capital Construction Fund Program to help finance the construction of U.S.- built vessels. Other bills offering certain tax incentives for carriers include H.R. 265, the Shipping Income Reform Act of 1999 and H.R. 3102, a bill to amend the Internal Revenue Code by eliminating foreign base company shipping income from foreign base company income.

Information Resource Management

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

MARAD continues to concentrate technology resources toward strengthening its infrastructure to enhance internal communications, information, and data sharing opportunities. MARAD implemented user-friendly Intranet and Internet web sites, conducted training in the use of general web applications development software, and implemented privacy notice requirements.

The Agency also implemented a redesigned and restructured Internet homepage for easier identification of programs, services, and key points of contact. More easily identifiable links were provided to the items identified on the homepage. MARAD evaluated and tested existing disaster recovery and contingency plans to prevent disruption of critical systems that would impede DOT's and MARAD's ability to accomplish their missions and programs.

MARAD established baseline information technology (IT) core competencies and provided appropriate training courses to establish or improve employee IT literacy. MARAD initiated several programs to provide direct desktop Internet access for 100 percent of MARAD employees who use the Internet in performing their jobs.

MARAD created a more effective and productive organization by providing ongoing microcomputer application software training, which is used to empower employees with the knowledge and skills required to increase the use of computer technologies.

Safety Program

In FY 1999, MARAD continued to update its Safety and Health Program in order to provide its employees with safe and healthy work environments.

With full-time safety and occupational health specialists assigned to NDRF sites, monthly occupational safety and health inspections are conducted at each workplace and identifiable hazards are promptly abated.

Fleet employees are continuously instructed in safe work practices and fleet safety policies/regulations. During the FY 1999, employees at the James River Reserve Fleet (JRRF) received training in such areas as ladder safety, personal flotation devices, forklift safety, and eye protection.

In order to provide immediate first aid to its employees, each NDRF site continues to upgrade its volunteer Emergency Medical Technicians (EMT) with annual training which ensures state certification and to provide them with current medical first-aid training. At the Beaumont Reserve Fleet, six employees received EMT recertification training during the fiscal year. MARAD continued its site-specific Bloodborne Pathogens Exposure Control Plan originally established in 1992, at each NDRF site, and offered Hepatitis B vaccinations to each EMT.

With active participation and commitment by the employees to safe methods and procedures, MARAD continued its safety and health incentive program to lower the injury/illness lost-time accident rates at the NDRF sites.

MARAD continued its Asbestos Action Plan for the prevention of asbestos exposures. MARAD's policy is to prohibit or stringently limit personnel exposure to airborne asbestos and use of asbestos in any MARAD program.

MARAD's ongoing asbestos survey area and personnel air-monitoring program determines, evaluates, and documents ambient concentrations of asbestos fibers in the NDRF workplace. The Action Plan is geared to eliminate asbestos material from MARAD programs. It encompasses the repair or replacement of such materials already installed, modified work procedures, and employee training.

MARAD's Medical Surveillance Program of the Asbestos Action Plan continues to provide periodic medical examinations to designated MARAD employees exposed or potentially exposed to hazardous substances or conditions in the workplace.

This includes employees assigned to MARAD's Headquarters, the Reserve Fleets, the region offices, and the U.S. Merchant Marine Academy. During the fiscal year, 30 employees of the Suisun Bay Reserve Fleet and MARAD's Western Region office received such examinations.

MARAD also provides the NDRF sites and the U.S. Merchant Marine Academy with periodic industrial hygienist support to conduct surveys of the facilities and to target all safety and health hazards.

Personnel

MARAD's employment totaled 930 at the end of FY 1999. A one-half percent increase in the number of female and minority employees was experienced during the year. The percentage of handicapped employees decreased by .7 percent.

Three Career Opportunities Training Agreement Program (COTA), formerly Upward Mobility, positions were established. In addition, two cross-training positions were advertised under MARAD's Career Enhancement Program, and 35 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 one individual received the Secretary's Award for Excellence. Twenty-four employees as a group received the Secretary's Team Award and one employee also received a team award as a member of a DOT team. Fifteen employees received the Administrator's Bronze Medal. Two employees received the MARAD 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, 1999, MARAD's real property included National Defense Reserve Fleet (NDRF) sites at Suisun Bay, CA; Beaumont, TX; and James River, VA; the U. S. Merchant Marine Academy at Kings Point, NY; and the Poland Street Wharf at New Orleans, LA.

Logistical warehouses to support the Ready Reserve Force (RRF) were maintained in Alameda, CA; Chesapeake, VA; and New Orleans, LA.

Facilities for training maritime firefighters were operated at Freehold, NJ, and Monterey, CA, under MARAD agreements with the U.S. Navy. MARAD also operated the Toledo, OH, marine fire-training facility.

Regional headquarters offices were maintained in New York, NY; Norfolk, VA; New Orleans, LA: Des Plaines, IL; and San Francisco, CA. Ship management staff were also maintained at these regional headquarters as well as Port Arthur, TX. Port and environmental staff were likewise maintained at the regional headquarters as well as in Seattle, WA and St. Louis, MO.

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

Audits

In FY 1999, 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:

Office of the Inspector General

FY 1998 Consolidated Financial Statements in DOT, Report No. FE-1999-081, dated: March 30, 1999.

Massachusetts Heavy Industries (MHI) Inc., Title XI Loan Guarantee – MARAD, Report No. MA-1999-115, dated: July 20, 1999.

Status Update - Massachusetts Heavy Industries (MHI) Inc., Title XI Loan Guarantee – MARAD, Report No. MA-1999-127, dated: September 15, 1999.

General Accounting Office

Federal Surplus Ships: Government Efforts to Address the Growing Backlog of Ships Awaiting Disposal, Report No. NSIAD-99-18, dated: October 22, 1998.

Commercial Maritime Industry: Updated Information on Federal Assessments, Report No. RCED-99-260, dated: September 16, 1999.

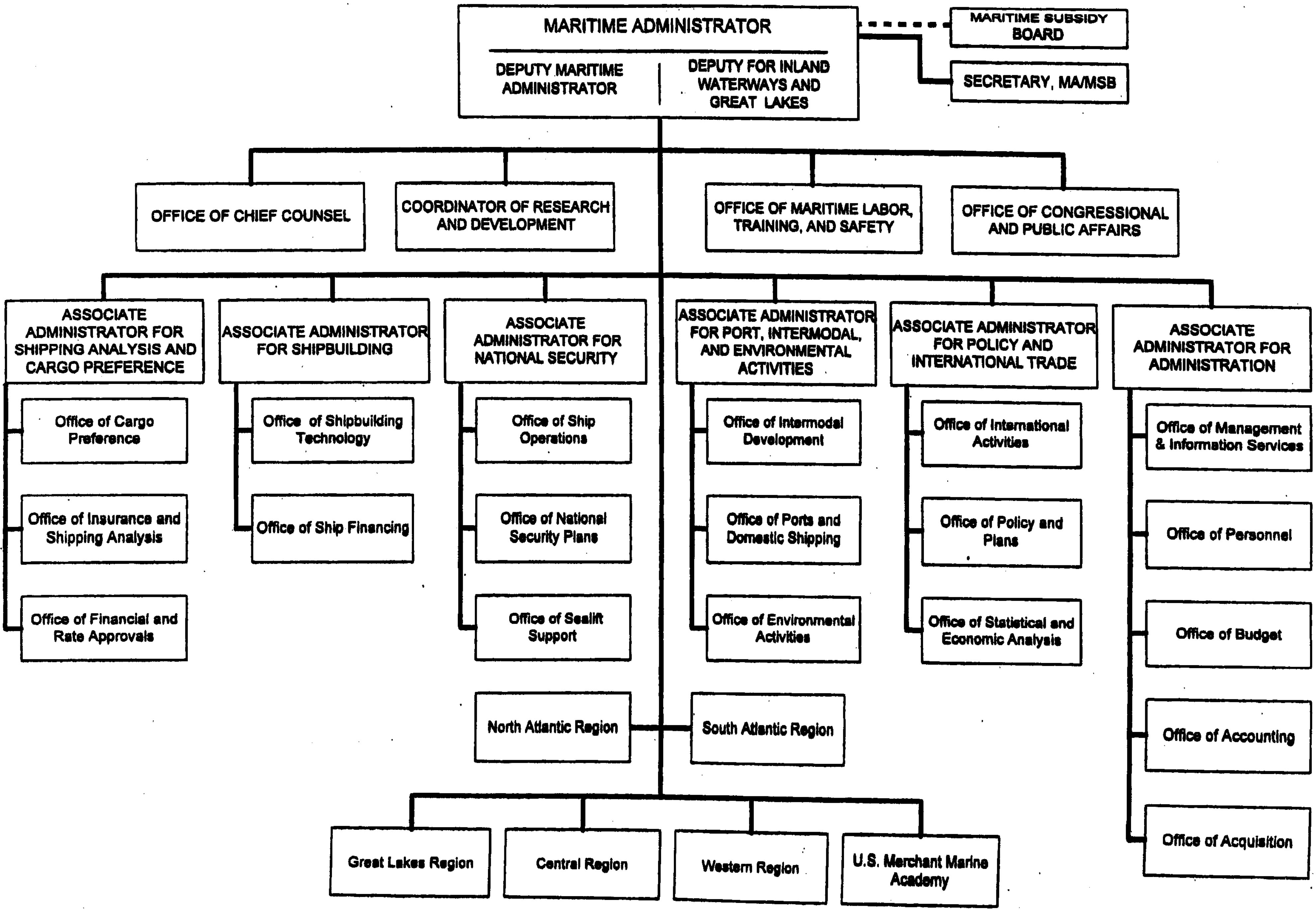
Accounting

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.

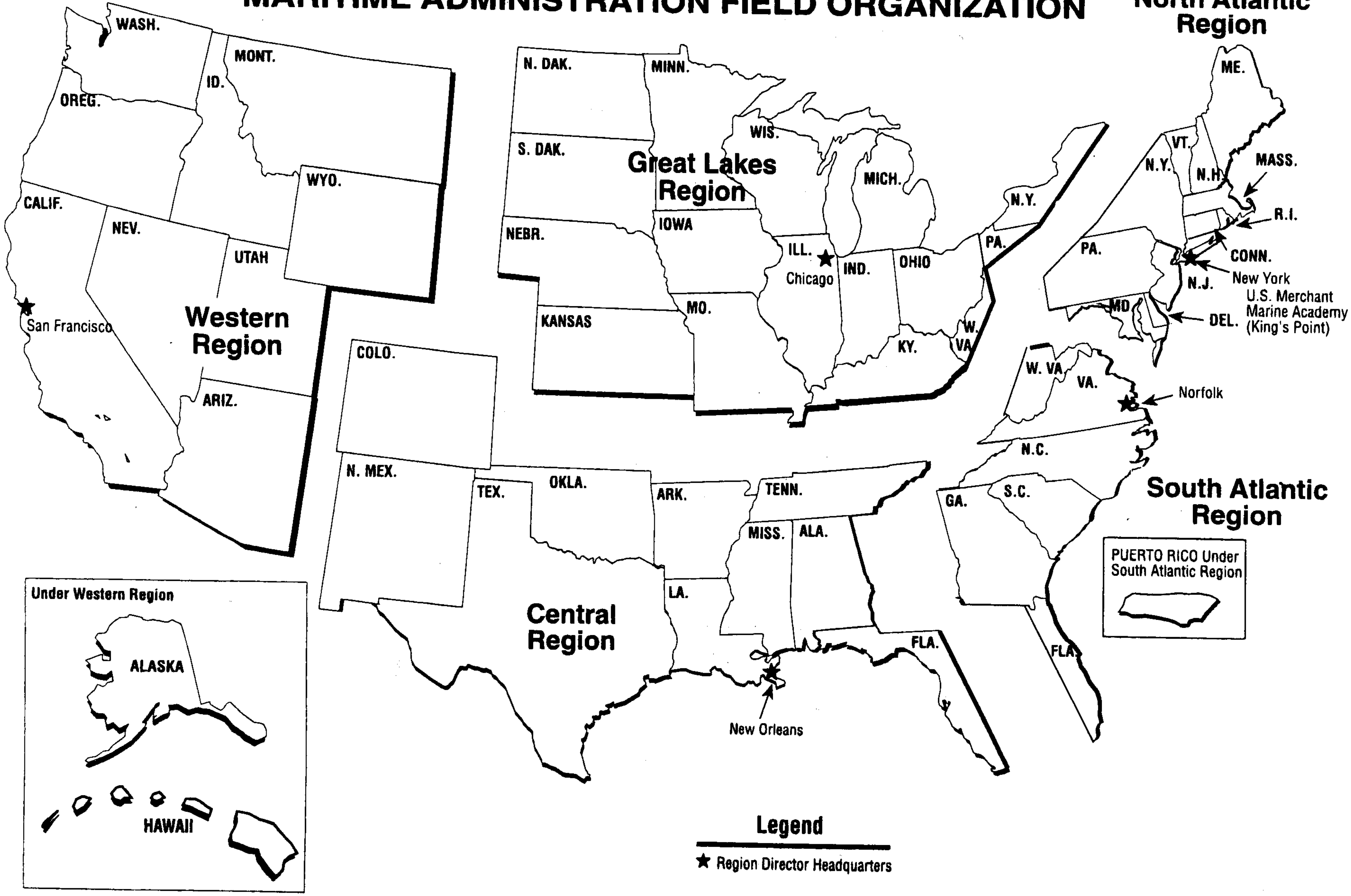
The net cost of MARAD's FY 1999 operations totaled $246 million. This included $20 million in ODS and ocean freight differential subsidies; and $68 million in administrative expenses, including financial assistance to State Maritime Academies. MARAD incurred $158 million in other operating income net of expenses. MARAD Financial statements appear as Exhibits 1 and 2.

NEW

MARITIME ADMINISTRATION



MARITIME ADMINISTRATION FIELD ORGANIZATION



U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 1. Statement of Financial Condition
September 30, 1998, and September 30, 1999

	September 30	
ASSETS	**1998**	**1999**
Selected Current Assets		
Funded Balances with Treasury:		
Budget Funds	$ 632,258,000	$ 627,844,000
Deposit Funds	2,000	000
	632,260,000	627,844,000
Federal Security Holdings	117,567,000	118,528,000
Accounts Receivable:		
Government Agencies	159,534,000	213,434,000
The Public	128,000	(1,072,000)
	159,662,000	212,362,000
Advances To:		
Government Agencies		
The Public		
Total Selected Current Assets	**$ 909,489,000**	**$958,734,000**
Loans Receivable:		
Repayment in Dollars	18,904,000	25,309,000
Allowances (-)	(5,433,000)	(14,213,000)
	13,471,000	11,096,000
Real Property and Equipment:		
Land	3,962,000	3,228,000
Structures and Facilities	57,557,000	76,776,000
Equipment and Vessels	368,472,000	337,761,000
Leasehold Improvements	0	0
	429,991,000	417,765,000
Total Other Assets	**$443,462,000**	**$428,861,000**
Total Assets	**$1,352,951,000**	**$1,387,595,000**

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, 1998 and September 30, 1999

	September 30	
LIABILITIES	**1998**	**1999**
Selected Current Liabilities (Note 2)		
Accounts Payable (Including Funded Accrued Liabilities):		
Government Agencies	$ 164,145,000	$ 235.359,000
The Public	100,630,000	91,139,000
	264,775,.000	326,498,000
Accrued Liabilities for Loan Guaranteed	135,619,000	77,422,000
Unfunded Liabilities:		
Environmental Liabilities	32,878,000	1,191,000
Other Liabilities	20,900,000	24.835,000
Federal Employee's Benefits Payable	15,918,000	17,977,000
	69,696,000	44,003,000
Total Selected Current Liabilities	470,090,000	447,923,000
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	**$ 470,090,000**	**$ 447,923,000**
Government Equity		
Unexpended Budget Authority:		
Unobligated	578,806,432	214,279,000
Undelivered Orders	296,668,568	103,840,000
	875,475,000	318,119,000
Unfinanced Budget Authority (-)		
Unfilled Customer Orders	(69,696,000)	(77,828,000)
Contract Authority		
	(69,696,000)	(77,828,000)
Invested Capital	77,082,000	699,371,000
Total Government Equity	**$882,861,000**	**$939,662,000**
Total Liabilities and Government Equity	**$1,352,951,000**	**$1,387,585,000**

U.S. DEPARTMENT OF TRANSPORTATION--Maritime Administration

Exhibit 2. Statement of Operations

	Years Ended September 30	
	1998	**1999**
OPERATIONS OF THE MARITIME ADMINISTRATION		
Net Costs of Operating Activities		
Reserve Fleet Programs:		
Maintenance and Preservation	$ 6,364,000	$ 13,718,000
Direct Subsidies and National Defense Costs:		
Operating-Differential	37,049,000	4,210,000
Ocean Freight Differential	18,600,000	16,131,000
Title XI Credit Reform Program	52,098,000	59,529,000
And Financing Fund		
Maritime Security Program	81,431,000	93,637,000
Administrative (includes Financial Assistance to State Maritime Schools, School ships, Student Incentive	74,350,000	67,552,000
Other Operating Income Net of Expenes	387,745,000	404,525,000
Net Cost of Maritime Administration	**$657,637,000**	**$659,302,000**
Operations of Revolving Funds (-Income):		
Vessel Operations Revolving Fund	(368,415,000)	(377,462,000)
War Risk Revolving Fund	(1,000,000)	(2,,077,000)
Construction Differential Fund	(5,511,000)	(0)
Federal Ship Financing Fund	(30.905,000,)	(32,656,000)
Gifts and Bequests	(806,000)	1,437,000)
	(406,637,000)	(413,632,000)
Net Cost of Combined Operations	**$250,719,000**	**$245,670,000**

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

Notes to Financial Statements
September 30, 1998 and September 30, 1999

1. The preceding financial statements include combining assets, liabilities, income, and expenses of the Maritime Administration (MARAD); the Vessel Operations Revolving Fund, the War-Risk Insurance Revolving Fund, and the Federal Ship Financing Fund, Programs of the Federal Credit Reform Act of 1990 and other appropriations. Fiscal Year 1999 financial information is based on MARAD's 1999 audited financial statements required by the Chief Financial Officer Act.

2. Contingent liabilities for Title XI guaranteed loans aggregated $3.73 billion as of September 30, 1999.

3. There were no conditional liabilities for prelaunching War-Risk Builder's Insurance on September 30, 1998.

4. As of September 30, 1999, the Federal Ship Financing Fund incurred no defaults during FY 1999.

5. The Title XI Credit Reform Program did no incur no defaults in fiscal year 1999.

6. Real Property and Equipment are reported net of allowances for FY 1999.

Appendix I: MARITIME SUBSIDY OUTLAYS--1937-1999

Fiscal Year	Total ODS CDS	Reconstruction CDS	CDS	ODS	Total 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
Total	**$3,569,648,434**	**$264,904,682**	**$3,834,553,116**	**$10,153,927,538**	**$13,988,480.654**

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

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

Appendix II: Combined Financial Statements of Companies with Operating Differential Subsidies
(There were four subsidized companies in 1998 and eight in 1997.)

BALANCE SHEET for Years Ending:	1998	(in thousands)	1997
Cash	$11,090		$23,058
Marketable Securities	551		718
Notes Receivable	27		28
Accounts Receivable	(7,316)		189,307
Allowance for Doubtful Accounts	0		(682)
Other Current Assets	10,184		88,637
Total Current Assets	$14,536		$301,066
Restricted Funds	$183		$2.873
Investments	0		107,224
Property & Equipment (net of depreciation)	0		1,068,946
Deferred Charges	0		493
Other Assets	10,442		391,223
Goodwill, Other Intangible Assets	0		0
Total Non-Current Assets	$10,625		$1,570,759
TOTAL ASSETS	$25,161		$1,871,825
Notes Payable	$0		$7,197
Accounts Payable	3,756		72,897
Accrued Liabilities	1,530		275,652
Other Current Liabilities	0		39,793
Advance Payments/Deposits	0		0
Total Current Liabilities	$5,286		$395,539
Long Term Debt	$0		$454,502
Other Liabilities	0		58,947
Deferred Credits	1,063		181,842
Total Liabilities	$6,349		$1,090,830
Invested Capital	$27,191		$338,264
Treasury Stock	0		0
Retained Earnings	(8379)		442,731
Total Owners' Equity	$18,812		$780,995
TOTAL LIABILITIES & OWNERS' EQUITY	$25,161		$1,871,825

INCOME STATEMENT for Years Ending:	1998	(in thousands)	1997
Shipping Revenue	$32,715		$1,575,884
Operating Differential Subsidy	18,691		51,769
Other Ship Operating Revenue	720		201,385
Total Revenue from Shipping Operations	$52,126		$1,829,038
Shipping Expense	$25,587		$346,062
Shipping Port Call Expense	2,234		67,113
Cargo Handling Expense	0		1,106,615
Inactive Vessel Expense	0		58
Other Ship Operating Expense	0		11,159
Total Expense of Shipping Operations	$27,821		$1,531,007
Gross Income from Shipping Operations	$24,305		$298,031
General & Administrative Expense	24,569		280,086
Depreciation & Amortization Expense	0		74,793
Interest Expense	0		32,890
Other Revenue (Expense)	1,005		56,765
Net Income Before Income Taxes	$741		$(32,973)
Provision for Income Taxes	0		(13,873)
Net Income After Income Taxes	$741		$(19,100)
Effect of Change in Accounting Policy	0		0
Income (Loss) from Extraordinary Items	2,341		(71)
NET INCOME	$3,082		$(19,171)

Appendix III: Reports Released in Fiscal Year 1999

The following reports were released during FY 1999:

- **Marine Transportation System**
  --An Assessment of the U.S. Marine Transportation System, A Report to Congress
  -- MTS: Marine Transportation System [brochure]
  --Our Valuable U.S. Marine Transportation System
  --Poster: America's Marine Transportation System

- **Impact of Changes in Ship Design on Transportation Infrastructure and Operations**

- **MARAD '98 (the Annual Report of the Maritime Administration for FY 1998)**

- **MARAD's Customer Service Report**

- **Port Risk Management and Insurance Guidebook**

- **Port Security: A National Planning Guide**

- **Public Port Finance Survey for FY 1997**

- **Reserve Fleet Inventory**

- **U.S. Merchant Fleet: World War II to Present**

- **U.S. Shallow Draft Public Port Development Expenditure Report**

- **Vessel Inventory Report**

Reports may be viewed or downloaded from the agency's web site http://www.marad.dot.gov; follow link to Publications.

NOTE: **Acrobat Reader software can be downloaded free of charge from its site.**

MARAD REPORT ACRONYMS

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

GATT	General Agreement on Tariffs and Trade
GIS	Geographic Information Systems
GPS	Global Positioning System
HF	High Frequency
JETRO	Japan External Organization
JLOTS	Joint Logistics Over the Shore
IMO	International Maritime Organization
INCA	International Narcotics Control Act
IRM	Information Resource Management
ISTEA	Intermodal Surface Transportation Efficiency Act
IT	Information Technology
ITC	International Tonnage Convention
LAN	Local Area Network
LCA	Lake Carriers Association
LDT	Light Displacement Ton
LOTS	Logistics Over The Shore
LTM	Long Ton/Miles
LVM	Louisiana Vessel Management, Inc.
MAP	Military Assistance Program
MARAD	Maritime Administration
MARDEZ	Maritime Defense Zones
MCDS	Modular Cargo Delivery System
MOC	Memorandum of Consultation
MOU	Memorandum of Understanding
MITAGS	Maritime Institute of Technology and Graduate Studies
MRS	Mobility Requirements Study
MSA	Maritime Security Act
MSB	Maritime Subsidy Board
MSC	Military Sealift Command
MTMC	Military Transportation Management Command
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NCSORG	Naval Control of Shipping Organization
NDRF	National Defense Reserve Fleet
NEC	National Economic Council
NDT	National Dredging Team
NHS	National Highway System
NLRB	National Labor Relations Board
NMREC	National Maritime and Education Resource Center
NMS	National Maritime System
NOAA	National Oceanic and Atmospheric Administration
NRC	National Research Council
NSI	National Shipbuilding Initiative
NSRP	National Shipbuilding Research Program
NYSA	New York Shipping Association
NY/NJ	New York/New Jersey
OAS	Organization of American States
ODS	Operating-Differential Subsidy
ODSA	Operating-Differential Subsidy Agreement
OECD	Organization for Economic Cooperation and Development
OFD	Ocean Freight Differential

MARAD REPORT ACRONYMS (Con.)

OPA	Oil Pollution Act of 1990
OPDS	Offshore Petroleum Discharge System
OSVs	Offshore Service Vessels
PA	Purchase Authorization
P.L.	Public Law
PBOS	Planning Board for Ocean Shipping
PCD	Pacific Coast District
PLS	Position Location Systems
PMA	Pacific Maritime Association
PRC	Peoples Republic of China
QMED	Qualified Members of Engine Department
R&D	Research and Development
RAP	Remedial Action Projects
RDT	Regional Dredging Teams
RO/RO	Roll-On\Roll-Off
ROS	Reduced Operating Status
RRF	Ready Reserve Force
RY	Rate Year
SA	Shipyard Agreement
SHC	U. S. Shipping Coordinating Committee
SI	System International
SMC	Ship Manager Contract
SOCP	Ship Operations Cooperative Program
SPR	Strategic Petroleum Reserve
SRA	Ship Repair Agreement
STARS	Ship Tracking and Retrieval System
T-AVB	Aviation Logistics Support Ship
SUP	Sailor's Union of the Pacific
T-ACS	Auxiliary Crane Ship
TEU	20-foot Equivalent Units
TRANSCOM	U.S. Transportation Command
TRB	Transportation Research Board
U.N.	United Nations
USC	United States Code
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
UTCP	University Transportation Centers Program
VISA	Voluntary Intermodal Sealift Agreement
VNTSC	Volpe National Transportation Systems Center

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release May 21, 1999

NATIONAL MARITIME DAY, 1999

\- - - - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

The history of the United States has always been linked to the sea. For more than 2 centuries, American ships and crews have made enormous contributions to the strength of our economy, the security of our shores, and the success of our efforts to create a more peaceful, prosperous world.

Today's U.S. Merchant Marine is building on that rich maritime heritage. Our commercial ships and marine infra-structure -- and the dedicated men and women who are part of our maritime industry and U.S. Merchant Marine -- continue to meet the challenges and opportunities of a rapidly changing marketplace and the expanding global-ization of trade. Our merchant fleet is a key component of our Nation's intermodal transportation system, carrying more than one billion tons of cargo between domestic ports and supporting our connection to overseas markets. The fleet helps facilitate our engagement in world affairs and helps protect U.S. national security interests.

Recognizing that a strong America requires a strong merchant marine, my Administration has worked closely with the Congress to promote the development and maintenance of a modern, efficient, well-balanced merchant fleet, capable of facilitating international commerce and meeting the military needs of our Armed Forces during times of conflict or national emergency. Through the Maritime Security Program and the Voluntary Inter-modal Sealift Agreement, which implement the Maritime Security Act of 1996, we have forged new public-private partnerships to ensure that our country will maintain a modern commercial fleet owned and operated by U.S. citizens and crewed by well-trained, highly skilled American sailors. We have strengthened U.S. shipyards through the National Shipbuilding Initiative. We also have helped keep our shipbuilding industry competitive in the global marketplace by providing financing guarantees,granting tax deferrals, and making it easier to operate ships under the U.S. flag.

The United States Merchant Marine has served our Nation boldly and well through challenge and change. As we enter a new century, we must reaffirm our commitment to this proud legacy. We must maintain the strength and vitality of our merchant fleet and the skills and training of the men and women who have made America a great maritime Nation. By doing so, we will ensure that U.S.-flag vessels continue to sail the world's oceans, preserving our leadership of the global economy, strengthening our prosperity, and defending our freedom for generations to come.

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

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, do hereby proclaim May 22, 1999, as National Maritime Day. I urge all Americans to observe this day with appropriate programs, ceremonies, and activities and by displaying the flag of the United States in their homes and in their communities. I also request that all merchant ships sailing under the American flag dress ship on that day.

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

WILLIAM J. CLINTON