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MARITIME PROGRAM APPROPRIATION AUTHORIZATION

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HEARING

BEFORE THE

MERCHANT MARINE SUBCOMMITTEE

OF THE

COMMITTEE ON COMMERCE

UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

S. 3489 and H.R. 15945

MARCH 23, 1970

Serial No. 91-53

Printed for the use of the Committee on Commerce

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(11)



CONTENTS

| | Page |
|---|------|
| Text of bills: | |
| S. 3489----- | 1 |
| H.R. 15945----- | 1 |
| Agency comments of the Secretary of the Treasury----- | 2 |

WITNESSES

| | |
|---|----|
| Blackwell, Robert J., Deputy Maritime Administrator; accompanied by William J. Heneghan, Jr., Chief, Office of the Budget, Maritime Administration of the Department of Commerce----- | 2 |
| Prepared statement----- | 3 |
| Questions of Senator Russell B. Long----- | 15 |

ADDITIONAL STATEMENTS, LETTERS, AND ARTICLES

| | |
|---|----|
| Blackwell, Robert J., Acting Maritime Administrator, Maritime Administration, Department of Commerce, letter of March 20, 1970----- | 20 |
| Magnuson, Hon. Warren G., U.S. Senator from Washington and chairman, Commerce Committee, letter of February 9, 1970----- | 19 |
| Will, John M., First Atomic Ship Transport, Inc., letter of April 1, 1970----- | 22 |

TO AUTHORIZE APPROPRIATIONS FOR CERTAIN MARITIME PROGRAMS OF THE DEPARTMENT OF COMMERCE

MONDAY, MARCH 23, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
MERCHANT MARINE SUBCOMMITTEE,
Washington, D.C.

The subcommittee met at 10 a.m. in room 2221, New Senate Office Building, Hon. Russell B. Long (chairman of the subcommittee) presiding.

Present: Senators Long and Griffin.

Senator LONG. This morning we take up S. 3489 and H.R. 15945, bills to authorize appropriations for certain maritime programs of the Department of Commerce. As originally introduced, the bills were identical. However, the House adopted two amendments which had the effect of authorizing \$4 million for the continued operation of the N.S. *Savannah* rather than \$1.7 million to lay up the ship as had originally been requested.

(The bills and agency comments follow:)

[S. 3489, 91st Cong., second sess.]

A BILL To authorize appropriations for certain maritime programs of the Department of Commerce

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That funds are hereby authorized to be appropriated without fiscal year limitation as the appropriation Act may provide for the use of the Department of Commerce, for the fiscal year 1971, as follows:

(a) acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships, \$199,500,000;

(b) payment of obligations incurred for ship operation subsidies, \$193,000,000;

(c) expenses necessary for research and development activities (including reimbursement of the Vessel Operations Revolving Fund for losses resulting from expenses of experimental ship operations), \$20,700,000;

(d) reserve fleet expenses, \$4,675,000;

(e) maritime training at the Merchant Marine Academy at Kings Point, New York, \$6,800,000; and

(f) financial assistance to State marine schools, \$2,325,000.

[H.R. 15945, 91st Cong., 2d sess.]

AN ACT To authorize appropriations for certain maritime programs of the Department of Commerce

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That funds are hereby authorized to be appropriated without fiscal year limitation as the appropriation Act may provide for the use of the Department of Commerce, for the fiscal year 1971, as follows:

Staff member assigned to this hearing: Emanuel Rouvelas.

(a) acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships, \$199,500,000;

(b) payment of obligations incurred for ship operation subsidies, \$193,000,000;

(c) expenses necessary for research and development activities (including reimbursement of the Vessel Operations Revolving Fund for losses resulting from expenses of experimental ship operations), \$19,000,000;

(d) reserve fleet expenses, \$4,675,000;

(e) maritime training at the Merchant Marine Academy at Kings Point, New York, \$6,800,000;

(f) financial assistance to State marine schools, \$2,325,000; and

(g) continued operation of nuclear ship *Savannah* (including reimbursement of the Vessel Operations Revolving Fund for losses resulting from expenses of experimental ship operations), \$4,000,000.

Passed the House of Representatives March 11, 1970.

Attest:

W. PAT JENNINGS,
Clerk.

OFFICE OF THE SECRETARY OF TRANSPORTATION,
Washington, D.C., March 27, 1970.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The views of this Department have been requested on S. 3489, a bill to authorize appropriations for certain maritime programs of the Department of Commerce.

The bill would authorize funds to be appropriated for the use of the Secretary of Commerce to carry out the programs authorized by the Merchant Marine Act, 1936, as amended, and related shipping statutes to aid the development, promotion and operation of the U.S. merchant marine.

We recommend favorable consideration of the bill. The plight of the U.S. merchant marine is well known to your Committee. Enactment of this bill will assist the Secretary of Commerce in building the new ships and in providing the other necessary factors required to permit the U.S. merchant marine to exercise its proper role in the economic strength and defense mobility of this country.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report for the consideration of the Committee.

Sincerely,

JAMES A. WASHINGTON, Jr.,
General Counsel.

Senator LONG. With respect to the N.S. *Savannah*, on February 9, 1970, the distinguished chairman of the full committee, Senator Magnuson, wrote the Maritime Administrator requesting certain information regarding the proposed layup. The full reply to that inquiry was received yesterday, and will be inserted in the record, along with the chairman's letter, following the statement of our witnesses.

These authorization bills represent the initial phase in the proposed new, 10-year, maritime program.

Our only witnesses this morning are Robert J. Blackwell, Deputy Maritime Administrator, and William J. Heneghan, Jr., Chief of the Office of the Budget of the Maritime Administration.

Now, I believe you have a prepared statement here. If it is all the same with you, I will just ask that your statement be printed in full so we can get on with the hearings, Mr. Blackwell. I would like to get on with the business, and if you want to, you can summarize it, directing my attention to anything that is particularly important in this statement, and I will ask you a few questions thereafter.

So I ask that this be printed in full.
(The prepared statement follows:)

STATEMENT OF ROBERT J. BLACKWELL, DEPUTY MARITIME ADMINISTRATOR, ON BEHALF OF THE MARITIME ADMINISTRATION OF THE DEPARTMENT OF COMMERCE

Mr. Chairman and members of the subcommittee: I appreciate the opportunity to appear before your subcommittee.

Both S. 3489 and H.R. 15945, as introduced, proposed identical total 1971 funding authorizations of \$427,000,000 for various Maritime Administration appropriations, which agreed with amounts similarly contained in the 1971 Presidential budget request. Both bills included funds of \$20,700,000 for research and development activity of which the Presidential budget document proposed the allocation of \$1,700,000 for the initial phase of lay up for the N.S. SAVANNAH. H.R. 15945, as passed the House, however, amounted in total to \$429,300,000 which included funds of \$4,000,000 for continued operation of the SAVANNAH in lieu of the \$1,700,000 allocation for lay up. My testimony this morning is in support of S. 3489 which expresses the dimensions of the Presidential budget proposal.

S. 3489 includes, among other items, a requested authorization of ship construction subsidy, which would represent the largest regular appropriation for this activity in over 20 years. I think this is highly indicative of this Administration's commitment to revitalize the American merchant marine. The amounts contained in the authorization bill reflect the attainment of funding levels needed to implement the new Maritime program announced by the President on October 23, for which hearings on proposed revisions in enabling legislation are now being held by your subcommittee.

In announcing the new Maritime program, the President expressed the hope that it would "* * * introduce a new era in the maritime history of America, an era in which our shipbuilding and ship operating industries take their place once again among the vigorous competitive industries of this Nation." I know that you, Mr. Chairman, along with members of your Subcommittee share the President's desire for revitalization of the American Merchant Marine. I will now explain in some detail the various elements contained in S. 3489, which are dedicated to this purpose.

"(a) acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships, \$199,500,000"

The 1971 request of \$199,500,000 for this appropriation provides an increase of \$81,236,000 over 1970 funding of \$118,264,000. Funding in 1970 consisted of an appropriation of \$15,918,000 and carryover funds of \$102,346,000. The 1971 request provides initial financial requirements for a 10-year program of expanded ship construction designed to rebuild the U.S. flag merchant marine. Contract awards for 19 ships are anticipated in 1971 compared to 10 which can be funded in the current fiscal year. The new Maritime program plan calls for reaching a level of 30 ships per year by 1973, and anticipates maintenance of that rate in the seventies to provide a total of approximately 300 new ships.

In announcing the new program, the President also stressed that both Government and industry share responsibility for the decline in American shipping and shipbuilding. The President therefore made it clear that the new program is one of challenge and opportunity, designed to reverse this trend by making the American merchant fleet more competitive. Reduction in the need for Government construction subsidy is one of the measures which will be emphasized to achieve this end. The underlying plan calls for an initial level of approximately 45 percent subsidy in 1971.

The present U.S. foreign trade fleet consists of approximately 650 ships, which carry about 6 percent of U.S. oceanborne foreign trade. Approximately three-fourths of this U.S. foreign trade fleet is now over 20 years of age, having been constructed in World War II, compared to the world fleet only one-fourth of which is 20 years old. The U.S. ships are now past their useful economic life and we estimate that approximately 85 percent of them will likely be lost from the fleet by the end of 1973.

Some of the key objectives of the new Maritime program call for rebuilding the U.S. merchant fleet, increased participation by the U.S. fleet in the carriage of U.S. oceanborne trade, and improved efficiency in the maritime industry. The new program is also structured to provide the shipping capability needed by the Nation for defense in times of crisis and participation in essential inter-

national trades in times of peace. Under the planned program expansion, construction subsidy will be extended to bulk carriers in addition to general cargo ships receiving subsidy exclusively over the past several years. Extension of subsidy to dry bulk vessels is designed to assist the non-liner segment of the United States fleet, and subsidy extension to tankers is aimed at assuring adequate capability transportation of liquid cargoes for which the United States is now overly dependent upon foreign flag carriers.

The new Maritime program also introduces multi-year ship procurement now being utilized by other Government agencies. Its implementation strives for the attainment of quantity productions through the procurement of standard ships in lot sizes. This is enabled through anticipated future Government contract commitments in part based on subsequent year appropriations.

The new program also establishes procedures which are designed to minimize the Government's undue involvement in shipbuilding by awarding subsidy directly to the shipbuilder. The program also is designed to encourage shipbuilders to develop efficient production and procurement methods through the employment of production line manufacturing techniques, prefabrication of standard components, etc.

"(b) payment of obligations incurred for ship operation subsidies, \$193,000,000"

The requested 1971 authorization for payment of ship operation subsidies provides for the continued payment of subsidies to American operators to enable them to operate their ships competitively with foreign counterparts.

The 1971 estimate anticipates the addition of some new operators and reflects savings due to the elimination of the need for subsidy on certain trade routes where the introduction of new technology has enabled profitable operation without Government assistance. In line with the legislative recommendation, calling for the elimination of the recapture provisions of the 1936 Act, no estimate is made for minor offsetting receipts previously generated under this section.

A basic component of the new program provides for a modification in the method of determining and administering subsidizable expenses. The new program calls for the initiation of an index system for determining wage subsidy. Subsidy rates under this system will be the difference between allowable U.S. costs and comparable foreign costs as calculated under the present system. Allowable U.S. costs in subsequent years will increase proportionately with an appropriate index of wages and benefits under development by the Bureau of Labor Statistics. No change in requirements has been factored into the 1971 estimate of appropriation requirements since the index system would not become effective until fiscal year 1972.

"(c) expenses necessary for research and development activities (including reimbursement of the Vessel Operations Revolving Fund for losses resulting from expenses of experimental ship operations), \$20,700,000"

The 1971 authorization proposed for research and development is also keyed to the initiation of the new Maritime program. The amount requested reflects a substantial funding expansion in order to apply the benefits of advanced technology to increase productivity in the maritime industry. Intensified efforts will also be made to obtain greater financial participation from industry. Extended industry involvement is calculated to catalyze the translation of technology advances into marine applications and speed the search for fundamental technology advances not now within the state-of-the-art.

The 1971 program represents a departure from previous investment in large long-range programs and projects with little industry relationship. It concentrates resources on projects with immediate objectives to reduce life-cycle costs of American merchant ships and increase productivity in both ships' operation and shipbuilding. More restricted sums will be spent on secondary objectives designed for longer term growth and support in the field of advanced technology. Summarily, the 1971 program seeks to improve the competitive position of the U.S. merchant marine while reducing Government subsidy for construction and operation.

Key undertakings anticipated in 1971 relate to standardization of ships in new categories in cargo transportation to reduce costs through a multi-year program. Substantial expansion is anticipated in current research and development efforts to combat pollution arising from oceangoing ships.

A program is being established to identify research and development requirements for commercial vessels employing the Northwest passage. Research and development will also be undertaken in the field of high speed displacement ships in order to maintain the U.S. current lead in high speed container ships.

Finally, the proposed authorization provides for the continuation of a minimum effort with Navy in the Surface Effect Ship program and for funding the initial phase of lay up of the N.S. SAVANNAH.

"(d) reserve fleet expenses, \$4,675,000;"

Funds of \$4,675,000 are requested for expenses incurred in the preservation and custody of reserve fleet vessels. This compares to an authorization of \$5,174,000 approved for fiscal year 1970; thereby reflecting a reduction in funding requirements of \$499,000. On a comparable basis, however, the reduction would come to \$744,000 since expenses of maintaining the various Marad warehouses used for care and maintenance of equipment for outfitting reserve fleet vessels separately stated in 1970, are included in the 1971 request. Their inclusion results from a modification in the activity structure of the Salaries and Expenses appropriation wherein similar projects were combined for simplification.

The reduction occurs mainly as a result of phasing out the Hudson River, N. Y., and Mobile, Ala. fleet sites, which began in fiscal 1970.

"(e) maritime training at the Merchant Marine Academy at Kings Point, New York, \$6,800,000"

An authorization of \$6,800,000 is proposed for the continued maintenance and operation of the U.S. Merchant Marine Academy at Kings Point, N. Y. The additional funds requested over 1970 are required mainly to intensify the Academy's modernization program to update facilities. Additional funds are also needed for increased operating expenses, such as higher costs of food service, maintenance and supply materials, health services provided by other agencies, etc.

The 1971 program anticipates continuation of the current graduation rate of about 200 merchant marine officers. The appropriation covers cadet costs, which include items such as uniform and textbook allowances, food service, library books, etc., for which an annual amount of \$475 is paid to each cadet. The 1971 estimate contemplates an average of 678 cadets in residence. Provision is also made for the maintenance, repairing, and operation of the Academy, covering security and maintenance staffs and supporting costs, to permit adequate upkeep of the Government's property. Funds are also included for continued modernization of the Academy's buildings, including improvement of cadet housing as well as waterfront facilities. Similarly, continued improvement of instructional equipment for the laboratories used in the engineering, nautical science, math and science departments, is covered in the request. Finally, allowance is made for the program direction and administration and instruction programs which cover administrative and academic staffs and expenses incurred in these operations.

"(f) financial assistance to State Marine Schools, \$2,325,000"

The requested 1971 authorization of \$2,325,000 provides for continuation of the program with the five State Marine Schools participating in the program of financial assistance authorized by the Maritime Academy Act of 1958. The five participating schools located in California, Maine, Massachusetts, New York, and Texas have been graduating approximately 400 merchant marine officers per year. The 1971 program anticipates continuation of this level.

The authorization covers, pursuant to the enabling Act, a request for funds in the amount of \$375,000 for grants to the schools, which allows a payment of \$75,000 to each school to help defray expenses. Funds of \$973,000 are proposed to enable payment of \$600 per annum for cadets in attendance based on average enrollment of 1,733. The amount allowed is intended to partially offset expenses incurred by the cadets relative to the costs of uniforms, textbooks, and subsistence.

Finally, funds of \$977,000 are included to cover the maintenance and repair and drydocking costs of Government-owned training vessels on loan to the schools. This represents an increase over the amount authorized for 1970, which is occasioned by the need for extensive repair to the five schoolships, and also to provide for the certification of two schoolships by the American Bureau of Shipping.

This concludes my statement, Mr. Chairman. I will now be happy to answer any questions that you or any members of the Subcommittee have concerning our 1971 request.

Mr. BLACKWELL. Mr. Chairman, I appreciate the opportunity to be before your committee. As you indicated, I am accompanied by Mr. William J. Heneghan, the maritime budget officer.

Mr. Andrew Gibson, the Maritime Administrator, asked me to personally tender his regrets for not being here today. Mr. Gibson had an unavoidable conflict and he just couldn't make it this morning.

Mr. Chairman, inasmuch as this document has been inserted in the record, as my testimony, I have no particular desire to read it either in its full form or to summarize it. It largely speaks for itself.

Consequently, I would be pleased to answer any questions that you have.

Senator LONG. I would like to have one of our staff members ask you a few questions that this committee would like to know about. They were suggested by other members of the committee, and are not necessarily my questions, but I would like to know the answer to them.

Mr. ROUVELAS. Thank you Mr. Chairman.

These are questions relating to the proposed layup of the *Savannah*, and to your letter of March 20, 1970, relating to that subject.

You stated that continued operation of the *Savannah* would require \$4 million during 1971, including \$600,000 in preparation for refueling.

Excluding that extraordinary item, which I understand is a one-shot item, the total program would then be \$3.4 million, is that right?

Mr. BLACKWELL. That's right.

Mr. ROUVELAS. What portion of the program cost is attributable to the shoreside technical support facility operated by Todd at Galveston?

Mr. BLACKWELL. Over a million dollars of that sum.

Mr. ROUVELAS. Over a million dollars?

Mr. BLACKWELL. Yes. I can give you a precise figure here—it's just a million dollars.

Mr. ROUVELAS. Isn't it true that the Maritime Administration has said that the facilities could support several nuclear vessels, and the only reason its total cost is attributed so the *Savannah* is because the *Savannah* happens to be the only nuclear ship at this time?

Mr. BLACKWELL. That's right. The Maritime Administration has indicated that the facilities are much too large for use by a single ship. As you know, the Navy has a fairly large number of nuclear fueling depots throughout the country, but has been reluctant to receive a commercial nuclear ship.

If the Navy were agreeable to receiving and fueling the *Savannah* at its facilities, we could largely forego this cost.

Mr. ROUVELAS. Do you have any correspondence with the Navy related to this subject that you could submit for the record?

Mr. BLACKWELL. I don't have any with me. I would think that we have some. We at least have, I would think, memoranda of discussions, and we would be pleased to supply that for the record.

(The information requested follows:)

A review of the files failed to disclose any pertinent correspondence.

Mr. ROUVELAS. What portion of the total program cost is attributable to the training of personnel?

Mr. BLACKWELL. About \$300,000 a year. I think it was \$344,000.

Mr. ROUVELAS. Now that cost, too, is one that is not directly attributable only to the *Savannah*, but would produce benefit in terms of nuclear ships for the future?

Mr. BLACKWELL. This is true. Those funds are expended to prepare the crew of the *Savannah*. However, the Nation is benefited to the extent that it has a ready officer reserve with capability to man nuclear ships, both commercial ships of the future as well as Navy vessels.

Mr. ROUVELAS. If you subtract the amounts for technical support and training at Galveston, and other shoreside technical facilities and training costs, how much is the actual cost of operating the ship?

Mr. BLACKWELL. \$1.7 million a year. This would exclude the \$600,000 one-shot deal to refuel.

Mr. ROUVELAS. Is that net of recapture?

Mr. BLACKWELL. Yes, sir.

Mr. ROUVELAS. What has been the profit level of American Export Isbrandtsen Lines in operating this ship?

Mr. BLACKWELL. They actually have been losing money operating that ship. That is the FAST people—the First Atomic Ship Transport Co.—and the level of that loss is in the area of \$1,700,000 a year.

Mr. ROUVELAS. You have provided the amount that the Government is actually paying for the operation of the *Savannah*—the ship operation itself. What is the level of operating subsidy that you pay on a break-bulk mariner class vessel in commercial service, which is a similar ship to the *Savannah*?

Mr. BLACKWELL. The average subsidy operation payment for a vessel runs between \$600,000 and \$700,000 a year. It is very difficult to key it down now into a mariner. A significant number of mariners have been converted or are being converted to container ships.

I would think it would break around \$500,000 or \$600,000 for a *Mariner*, as a guess.

Mr. ROUVELAS. About 2 years ago, when this question was up before, it was \$800,000. Has it been reduced, or is it still in the same ball park?

Mr. BLACKWELL. I would think it has been reduced to some extent.

Mr. ROUVELAS. So there is a million dollar difference a year between operating the *Savannah* and operating the *Mariner* in terms of ship operation?

Mr. BLACKWELL. That's right. I would like to point out though that the subsidy that is paid to the conventional fleet is paid for their contribution, for engaging in foreign trade, and for rendering more adequate services to our trade routes.

Mr. ROUVELAS. That is also true of the operation of the *Savannah* in commercial service.

In your letter you stated that the cost of permanent layup of the *Savannah* over the next 3 years would be approximately \$9 million. The Maritime Administrator has said that nuclear-powered ships will be a factor on the oceans of the world within 10 years, and that he is concerned that they will not be American.

Isn't it true that nuclear ships represent a turn to capital intensiveness, an area in which Americans generally have a competitive advantage?

Mr. BLACKWELL. That is true, capital intensiveness, where the unit is a viable economic unit.

Mr. ROUVELAS. Germany and Japan have both launched nuclear merchant vessels within the last 2 years, haven't they?

Mr. BLACKWELL. Yes; that's right.

Mr. ROUVELAS. If we layed up the *Savannah* and a decision to build a new nuclear ship were made today, how long would it be before the new ship was in the water and operating?

Mr. BLACKWELL. At least 5 years.

Mr. ROUVELAS. At least 5 years? After we incurred a \$9 million cost to terminate the existing program, what would be the cost of gearing up the shoreside facilities and the training programs again in 5 years when the new ship was ready, after all the trained people had been dispersed?

Mr. BLACKWELL. I don't know. It would be very significant.

Mr. ROUVELAS. It would be high?

Mr. BLACKWELL. It would be high.

Mr. ROUVELAS. Isn't it true that there is a new fuel core available for the *Savannah* which the Government has already paid for, but which has never been used?

Mr. BLACKWELL. I am not familiar with that.

Mr. ROUVELAS. I think that there is. You don't know about the new fuel core?

Mr. BLACKWELL. No, sir.

Mr. ROUVELAS. Do you know roughly what our situation is going to be vis-a-vis the Germans and the Japanese in terms of the technology of this after we lay up the *Savannah*?

Mr. BLACKWELL. As I understand it, the German ship and the Japanese ship are essentially slight improvements on the *Savannah*. They don't mark a breakthrough technologically over that of the *Savannah*.

The *Savannah*, as you know, was really designed almost 15 years ago. The ship now has been operating for 8 years. It is our view that we have achieved all the operating experience and results that we can from that contemporary powerplant.

Mr. ROUVELAS. Has there ever been a nuclear merchant vessel refueled with a new fuel core?

Mr. BLACKWELL. No.

Mr. ROUVELAS. Wouldn't the *Savannah* have to be refueled within a year?

Mr. BLACKWELL. That's right.

Mr. ROUVELAS. Wouldn't that be something you could learn from?

Mr. BLACKWELL. I take it we could learn something from that, yes, sir.

Mr. ROUVELAS. Isn't one of the major objectives of the *Savannah* to open up free world ports to nuclear ships?

Has Japan been opened yet?

Mr. BLACKWELL. No.

Mr. ROUVELAS. None of the Japanese ports are open to nuclear ships?

Mr. BLACKWELL. No, we have been discussing with representatives of the Japanese Government the possibility of opening ports in Japan to the *Savannah*. So far we haven't been successful.

Most of the ports in Europe and in South America—indeed, most of the ports throughout the world—major ports—have in fact received the *Savannah*.

Mr. ROUVELAS. I have just two more brief questions.

In answer to question three of the letter, you indicated that you have planned two nuclear projects for fiscal year 1971. What are they and what is the level of funding?

Mr. BLACKWELL. I believe that I have that information someplace in this stack of papers, Mr. Rouvelas. I would appreciate the opportunity to make it available at the conclusion of my testimony. If I

do not have the information here, we will be pleased to submit it for the record.

(Information for two nuclear projects as follows:)

1. High Speed Container Ship Design: The objective of Phase I of this task will be to assess the potential areas of economic opportunity offered to high speed container ship transport during years 1975-1985. Phase II will identify a reference shipping system to meet the projected opportunity and requirements. When the shipping system has been identified and a reference design vessel configuration established, a proforma of both nuclear and non-nuclear propulsion systems will be developed to identify areas of further development required for improved system economics together with the basic requirements for a preliminary ship design.

2. Transit Through Ice Fields: There is a need to make available to the maritime industry at large, data on the feasibility of arctic shipping. Information will be generated on ice breaking principles, physical characteristics of sea ice, relationships between required ship powering, ship form, and ice properties for a wide speed range, vehicle concept, trade off studies, analysis of forces on the hull structure in ice, and specifications for ships designed for arctic operations. The initial study will make performance predictions in ice for two surface ship designs (tanker and bulk carrier, modified for ice breaking and for a submarine tanker). The study will utilize data produced by Humble Oil for the 1969 transit of the Northwest passage by the SS MANHATTAN.

A precise level of funding for the above projects cannot be determined at this time.

Mr. ROUVELAS. Very good. In your view, if the funds are both authorized and appropriated.

Senator LONG. Why don't you go ahead and answer the other questions, and then you can look through your papers and see if you have the information.

Mr. ROUVELAS. The House has already authorized funds for the continued operation of the *Savannah*. If the funds are both authorized and appropriated, do you think the *Savannah* would be continued in operation?

Mr. BLACKWELL. No, sir.

Mr. ROUVELAS. You think they will not be expended?

Mr. BLACKWELL. That is right, sir.

Mr. ROUVELAS. Thank you Mr. Blackwell. Thank you Mr. Chairman.

Senator LONG. Do you want to see if you can find the information to answer that question? Well, if you don't have it, you can submit it for the record.

Mr. BLACKWELL. Thank you, Mr. Chairman.

Senator LONG. Are you aware at all of the recent controversy about the *Sansinena* being given a waiver to ply the American coastal trade?

Mr. BLACKWELL. Yes, sir.

Senator LONG. Do you have any documents, information, or memoranda concerning that?

Mr. BLACKWELL. Not with me, sir. I am generally aware of the facts and the arguments on both sides of that issue.

Senator LONG. Are you willing to make the correspondence and memoranda in your office on that matter available?

Mr. BLACKWELL. I think yes, sir.

Senator LONG. I would suggest that that be done. We are going to have a discussion sometime soon in the committee on the extent that we want to explore that particular matter.

And I would think that it would be well if we had as much of the information about it as possible before us at the time this committee

discusses that matter. Now, I am somewhat aware of what both sides of the argument were, and I am not sure that I had both sides fully before me when I was asked my opinion of it.

Had that been the case, my opinion might have been somewhat different than it was at the time.

Would you mind telling me what the considerations involved were from your point of view?

Mr. BLACKWELL. Well first, Senator, let me say that the Maritime Administration did not take a position on it. As I understand it, the advocates of returning the *Sansinena* to U.S.-flag registry contended that our domestic offshore trade needed that capacity, particularly in view of the oil that would be shortly flowing from the north slope; that it would assist in the balance of payments for the United States; and the crew which is now foreign would become American. I don't know precisely the manning of that ship, but it must be in the range of 40.

I think that is somewhat of a significant consideration inasmuch as seagoing jobs in our merchant marine are now declining very rapidly from month to month.

There was also consideration to the fact that if it were employed exclusively in U.S. domestic commerce, the vessel would more likely be repaired in the United States than if she were operating foreign.

Obviously, the people who were opposed to having her returned to American registry were reluctant to see any ship returned because they thought it would be an initial violation of concepts and principles in the Jones Act.

The counter-argument was that the Jones Act had in fact met its obligation here. That act was, I think, designed to protect the American shipyards and that ship was indeed built in the United States. So the purpose of the Jones Act had indeed been met when it was built here in the first place.

There are many other arguments. I think the economic arguments could by many reasonable people be considered to be a standoff.

Senator LONG. Well, when I was asked my advice about the matter, I said that I was opposed to it. Not that it was a matter of any great importance to me.

On the other hand, as chairman, I was aware of the fact that there was something of a reason why this was not in the interest of Louisiana, with petroleum being one of our largest industries.

I think if you look at the indirect, as well as the direct, employment involved, petroleum is by far the largest industrial activity of the State. There is no way Louisiana could do anything but lose by that waiver. Insofar as other ships were repatriated to haul more oil from Alaska, it would mean the people in Louisiana produced and sold less oil. It would tend to displace oil from Louisiana and Texas.

If the waiver were not granted, it would mean that more ships would have to be built in American yards. So the longer it took to hasten the flow of Alaskan oil into American ports, the more oil would be produced in Louisiana and Texas.

Also, the fact that more ships would have to be built meant more business for American shipyards. I was not led to believe that any Louisiana shipyard would be building the ships, but if the Baltimore shipyards are filled up with tanker orders, some of the tramp ship orders might be going to Louisiana. Otherwise maybe the Baltimore or Philadelphia yards might be building those same ships.

So my view as one representing Louisiana was that I couldn't see any reason why we should be anything but opposed to the waiver. If I had to vote on it, I thought I would vote against it. But my vote would be dictated by the fact that I was representing the State of Louisiana, rather than exercising responsibility with regard to the entire United States, my feeling being that the Secretary of the Treasury and the Maritime Administrator should be looking at that from a somewhat different point of view than the Senator from Louisiana.

So there might be reasons why they would want to decide it one way, where my vote would have to be the other way around.

Mr. BLACKWELL. Senator Long, your position is very understandable. It is an extremely complex subject.

Senator LONG. So there are some good arguments that can be made for both sides, from your point of view?

Mr. BLACKWELL. I think so.

Senator LONG. You did not advise it, one way or the other?

Mr. BLACKWELL. No, sir.

Senator LONG. I would appreciate your making available your memoranda to us. It's been suggested that there was maybe something highly improper in the decision of the Secretary of the Treasury with regard to that matter. Perhaps we should understand that this is a celebrated cause, and we should see if there is some major scandal involved in connection with it.

As far as you are concerned, at your level, you are willing to make available anything you have on the subject?

Mr. BLACKWELL. Yes, sir, we have basically the documents on the ship, information on how many other ships in the *Sansinena* class were built in this country.

That whole series of vessels at that time were apparently built in the United States immediately after the closure of the Suez Canal, even though prices were higher here than in yards in Japan and Germany.

The yards in Europe and Japan were so booked that the tanker operators were willing to build those ships here at higher U.S. prices and then put them under foreign registry.

And there were, over a 2- or 3-year-period a number of ships built. Only three or four or five were of the fairly large size of the *Sansinena*. Most of them were in the range of 30,000 to 40,000 tons.

Senator LONG. Well now, the president of that company, he was either the president or chairman of the board, asked for an appointment to see me to discuss the matter. He led me to believe that he had had that ship built in American yards because he wanted to respect American industry and the American flag, and the desire to keep this Nation strong by keeping its shipyards in business. He cited considerations of this type.

I take it that you do not analyze it in that way; that your thought is that it couldn't have been built in any other yards and they were in haste to get ships because of the closing of the Suez Canal?

Mr. BLACKWELL. I couldn't divine any human being's reasoning for building a single ship either here or abroad. But economic considerations at that time would, I think, have dictated that ships be built here and in large numbers, because of the unavailability of building spaces in Europe and the Far East.

But as to one particular ship, what that gentleman says about it might be true. I just don't know.

Senator LONG. Yes. In other words, it could have been the ship was built for patriotic purposes, but it looked to you as a matter of dollars and cents, that they couldn't have had it built on time someplace else, because the other yards were filled up with orders?

Mr. BLACKWELL. Most businessmen use the dollars and cents yardstick, and I don't blame them.

Senator LONG. So apart from patriotism, you think that the economic aspect would have dictated that that particular ship be built in American yards?

Mr. BLACKWELL. If they wanted the tankers, yes.

Senator LONG. That is, in a hurry?

Mr. BLACKWELL. In a hurry.

Senator LONG. I see. Well, thank you. I may request that one of our staff visit with you and go over the memoranda you have on that subject, and I take it you will cooperate with that request?

Mr. BLACKWELL. I certainly will.

Senator LONG. Senator Griffin.

Senator GRIFFIN. I don't have any questions. Of course, we would like to be kept informed on this matter and I am sure the chairman will cooperate in that respect.

Senator LONG. May I say that there are some other general questions that I would like you to answer, not with regard to the Sansinena, but with regard to the other matters that I was discussing with you previously, and we will submit those. I will appreciate that you make the answers available for the record.

Mr. BLACKWELL. We would be pleased, Mr. Chairman.

Senator LONG. The Senator was not here when I brought the subject up, but it is my understanding that we will request that all information, memoranda, anything of that nature, either in the executive branch or with regard to the corporations involved, be made available and be investigated by this committee or a subcommittee of this committee.

That is a matter which I understand we are to discuss at some future meeting.

I am aware of the fact that sometimes the executive is reluctant to make available a number of matters on the basis of executive privilege, and I thought I would inquire here whether the Maritime Administration's representative would be willing to make available to us everything they know about that subject matter. The answer was they would have no objection to it.

May I say that I personally have voted, and will have to vote in the future, that I would not make anybody tell my committee what he told the President of the United States. I respect the executive privilege up to a certain point.

I thought the fellow with the Maritime Administration might know something about this subject, and might make it available to us. That is just one more source of information we can look at to see whether we thought there was a basis to proceed further on the matter.

Senator GRIFFIN. Certainly if any subcommittee of the full committee were to undertake an investigation, it would seem this subcommittee would be the appropriate one.

I am sure the chairman, by what he says, is also recognizing that there is a preliminary decision to be made as to whether there is any

basis and justification for an investigation. I don't think that we have reached that point, have you?

Senator LONG. The last time we had a meeting of the full committee I thought that we had more or less tentatively agreed that we would hold the hearings on Senator Tydings' bill, which would be an amendment to the Jones Act waiver provisions and that in the course of that hearing, we would inquire into this matter.

Now, I understand that this matter was discussed further after that, and I don't believe I was there at the time. Sometimes my attitude about some of these investigations is, if it doesn't appear to me to be something that I would be particularly interested in, and someone else wants to delve more deeply into something, it is all right with me to have all the information he wants. But I don't feel like I want to put my time to it if I don't think he is going to find anything when he gets there.

And I simply want to inquire if the information of the Maritime Administration would be available when we look at this in our hearings.

Frankly, I have also inquired informally, but I haven't had an answer yet, if the Treasury had any objection to making available to us anything they have on the subject. My impression of most of the forays of this type is that by the time the investigation is all over with, everyone is of the same opinion he had at the beginning. Those who thought things were honorable still felt the same way, and those who thought something was amiss wound up with the same opinion they had to begin with.

So I wanted to know to what extent this was available. And when I get the information, Senator, you are welcome to it.

Senator GRIFFIN. Well, naturally the minority will be interested in keeping abreast of whatever is going on and to the extent that we can have that kind of cooperation, we will appreciate it. Thank you.

Senator LONG. No problem. Thank you very much.

(Whereupon, at 10:35 a.m., the hearing in the above-entitled matter was concluded.)

past and justification for an investigation. I don't think that we have reached that point, have you?

Senator Pazo: The last time we had a meeting of the full committee I thought that we had more or less tentatively agreed that we would hold the hearing on Senator Young's bill which would be an amendment to the house set-aside provisions and that in the course of that hearing we would inquire into this matter.

Now, I understand that this matter was discussed further after that and I don't believe I was there at the time. Sometimes my attention about some of these investigations is if there's anything to be investigated that I would be particularly interested in, and someone else wants to delay more people, then something is all right with me. I have all the information he wants. But I don't feel like I want to put anything to it. I don't think he is going to find anything when he gets there.

And I simply want to inquire if the information of the Administration would be available when we look at this in our hearings.

I can't say I have also inquired internally, but I haven't had an answer yet. If the Treasury had any objection to making available to us anything they have on the subject. My impression of most of the forces of this type that by the time the investigations all over with everyone is of the same opinion he had at the beginning. Those who thought things were hopeless still felt the same way, and those who thought something was being wound up with the same opinion they had to begin with.

So I wanted to know to what extent this was available. And what I get the information, Senator, you are welcome to it.

Senator Pazo: Well, naturally the minority will be interested in having access of whatever is going on and to the extent that we can have that kind of cooperation, we will appreciate it. Thank you, Senator Pazo. No problem. Thank you very much.

Thereupon, at 10:35 a.m., the hearing in the above-entitled matter was concluded.

ADDITIONAL STATEMENTS AND LETTERS

ADDITIONAL INFORMATION REQUESTED BY SENATOR LONG

Question 1: This bill provides for authorization of funds on an annual basis. I assume you are familiar with proposals to establish a revolving fund for the merchant marine. Don't you think that would better assure reaching the program goals?

Answer 1: We are aware generally of various proposals to establish a revolving fund for merchant marine appropriations. We understand the revenues would be derived from a general tax on imports or perhaps an allocation of existing U.S. Customs import duties.

It is our view that these proposals would encourage reprisals by foreign countries engaged in trade with the United States. Such reprisals would inhibit the overall development of our foreign trade, and could jeopardize the success of the new Maritime Program. Additionally, as the Administration has provided for the program goals by means of subsidy, there would appear to be no need for supplementary financing plans at this time.

Question 2: Your request for construction funds for 1971 is \$199,500,000 and you have said that you plan to build 19 ships with that. In order to tie down those two figures, I assume you must have developed estimates of the types and costs of the ships you plan to build. What types of ships do you plan to include in those 19?

Answer 2: For planning purposes the FY 1971 ship construction program contemplates 27 new ship commitments, of which, 19 will be financed from funds to be appropriated in FY 1971 and 8 from funds to be requested in 1972. The estimate of 19 contracts to be funded within the requested appropriation of \$199,500,000 was based on average ship prices for a mix of general cargo ships and bulk carriers tentatively selected to begin implementation of the new Maritime program. Provision is also made for cancellation costs for 1972 commitments if funds for that year's planned construction are not appropriated.

The mix will include high speed containerhips, bulk carriers, and tankers. However, the ultimate mix depends upon the results of studies currently being developed for Marad by Bath Iron Works, Bath, Maine; and Newport News Shipbuilding and Drydock Co., Newport News, Virginia (Contracts Nos. MA-4883 and MA-4882).

Question 3: In general, how accurate have your projections been about the cost of vessel construction and reconstruction over the last few years?

How accurate have the estimates of delivery time been?

Answer 3: Maritime Administration projections of vessel construction and reconstruction costs have generally been within allowable tolerances for planning purposes. Estimates are prepared with limited margins allowing little latitude for unforeseen price increases or for major changes to contracts. This has not proven to be a major problem. Actual contract costs have been compatible with estimates.

In general the estimates of delivery have been reasonably good, except where the causes of delay were beyond the control of the contractor under the terms of the contract (such as strikes, hurricanes and design changes). Currently there are a number of ships under construction that will be late in delivery due to a short term skilled labor shortage, unique ship design, or a temporary backlog of work. Delays where encountered may range from one month to under one year or an average of four months.

Question 4: At page 7, you mentioned the phase out of the Hudson River and Mobile Reserve Fleets which has already begun. How many ships are now in those fleets and what are the projected dates by which the phase outs will be completed?

Answer 4: (a) Number of ships in the fleets as of February 28, 1970: Hudson River, 99; Mobile, 134. (b) Estimated date the phase outs will be completed: Hudson River, fiscal year 1973; Mobile, fiscal year 1974.

These installations are presently in a custodial status wherein no ship preservation is being accomplished. The phase out dates shown above contemplate com-

pletion of the sale of the ships in these sites for scrap either on the domestic or foreign market.

Question 5: We have been hearing a good deal lately about the Maritime Administration approving the transfer to foreign registry of refrigerator ships that will continue to be used on the same routes in U.S. commerce and operated by the same companies indirectly. How many ships are involved in that and what is your position on it?

Answer 5: The Maritime Administration has currently approved the transfer of 16 vessels to foreign registry under the terms and conditions you described.

The transfer of American-owned vessels to foreign ownership and registry is subject to the provisions of Sections 9 and 37 of the Shipping Act of 1916. Applications filed under the appropriate sections of this Act are reviewed by the Maritime Administration on the individual merits of each request. Consideration is given to vessel's age, speed, type, its national defense value, and other conditions. Prior to granting approvals, the Maritime Administration confirms with the Navy Department that the subject vessel is not needed in the foreseeable future for purposes of national defense.

During the last few years, all of the vessels approved for transfer to foreign ownership and/or registry were more than 20 years old and could not be operated economically under the U.S. flag. Furthermore, there is no market for the purchase or operation of these vessels in this country.

The Maritime Administration cannot ignore the economics of modern day ocean shipping or the property rights of American shipowners. The Administration has no authority to compel an unsubsidized shipowner to operate a private vessel. Refusals to allow foreign transfer by the Maritime Administration, unless for a good cause, would subject the owner to severe and unwarranted economic hardship. In reviewing the applications of the vessels you referred to, it is our opinion that no purpose would have been served by disallowing their transfer to foreign ownership and registry.

Question 6: With respect to each contract awarded for construction subsidy during fiscal year 1970, please provide the following information: (a) the name of the applicant shipowner, (b) if the applicant shipowner is a corporation the majority of whose voting stock is held, directly or indirectly, by another corporation listed on a national securities exchange, indicate the name of such listed corporation, (c) the type and size of ship covered by the contract, (d) the nature of the project, e.g., construction, reconstruction, conversion to containership, etc., (e) the amount to be paid by the Government pursuant to the contract, exclusive of national defense features, (f) the percentage of the total cost of construction or reconstruction (exclusive of national defense features) which (e) represents, (g) the name of the shipyard which is the primary contractor and, if the shipyard is a corporation the majority of whose voting stock is held, directly or indirectly, by another corporation listed on a national securities exchange, the name of such listed corporation.

ANSWER 6.—CONTRACTS AWARDED TO DATE SHIP CONSTRUCTION SUBSIDY FISCAL YEAR 1970

| Name of applicant shipowner (a) | Parent corporation (b) | Number of ships and size (c) | Type of construction (d) | Estimated ¹ Marad cost (thousands) (e) | percent of subsidy (f) | Contractor (and parent corporation) (g) |
|---------------------------------|--------------------------|------------------------------|-------------------------------|---|------------------------|--|
| United States Lines, Inc. | Walter Kidde & Co., Inc. | 2 | Containership (20,500 d.w.t.) | \$16,122 | 44.8 | Sun Shipbuilding & Drydock Co. (Sun Oil, Inc.) |
| American President Lines, Ltd. | Natomis, Inc. | 1 | Containership (20,200 d.w.t.) | 10,492 | 46.4 | Litton Systems, Inc. |
| The Oceanic Steamship Co. | Matson Navigation, Inc. | 2 | Containership (22,400 d.w.t.) | 23,881 | 46.5 | Bethlehem Steel Corp. |
| Total | | 5 | | 50,495 | | |

¹ Excludes cost of national defense features estimated to be \$25,000 per ship.

Question 7: In your prepared statement, it was indicated that you anticipate a substantial expansion of your current research and development efforts to combat pollution from oceangoing vessels. Please outline your current programs in this area, setting forth a brief summary of the scope and objective of each project and whether it is being done in-house or under contract.

Answer 7:

POLLUTION ABATEMENT

Ongoing pollution control includes:

1. Development of an oily ballast separator.
2. Development of instrumentation to measure and control separator discharge.
3. Shipboard evaluation of a commercially developed oily ballast separator.
4. Evaluation for proposed support of the development of an advanced concept oily ballast separator.

A more comprehensive program has been developed for implementation in fiscal year 1971.

This pollution control program contains the following elements:

1. Hardware development project:
 - (a) General Ship Plan.
 - (b) Northwest Passage Ships (Incl. submersibles) plan.
 - (c) Advanced high speed ship plan.
 - (d) Ship Containment Systems plan.
 - (e) Small boat plan.
 - (f) Conceptual systems development plan.
2. Scientific information project:
 - (a) Ocean sciences data plan.
 - (b) Technical information exchange and library plan.
3. Policy and program support project:
 - (a) Reserve Fleet applications plan.
 - (b) Pollution standards development plan.
 - (c) End product implementation plan.

This program encompasses, in the Hardware Development Project, a four phase approach for each plan which will include, (1) Problem Definition, (2) Requirements Investigation, (3) Hardware Development, (4) Hardware Test Evaluation. Implementation action will follow, as appropriate, in each phase leading to the required hardware development in the shortest time possible.

The Scientific Information Project envisions a Ships of Opportunity Program (so named because the ships report while on their usual commercial routes) to gather data on pollution as well as cooperative programs with other agencies to determine trends, analyze data and evaluate program effectiveness. The technical information exchange program will attempt to enlighten as well as avoid duplication of effort.

The Policy and Program Project will, in the Reserve Fleet application, attempt to find areas of cooperation with other agencies for utilizing reserve fleet ships in oil spill clean up, sewage processing for urban areas and other similar applications. Oil spill clean-up involves the use of Liberty ships to carry "holding Tanks" which would receive the oil retrieved by mechanical oil skimming barges now under development. The Pollution Standard Plan involves cooperation with other agencies in the development of meaningful standards for ship discharge. The Implementation Plan will concern itself with means for taking appropriate action such as legislation, regulation, financial assistance and other alternatives to assure installation of satisfactory systems.

For the most part the work will be done under contract. The project formulation, evaluation, cooperation with other agencies and like actions will be done in-house.

Question 8: With respect to each research and development contract awarded during fiscal year 1969 and 1970, please set forth the following: a) a brief summary of the objective of the project, b) the party to whom the contract was awarded, c) the date on which the contract was entered, d) the amount which the government has paid or will pay pursuant to the contract, e) the date by which the project is to be completed.

ANSWER 8

| (a) | (b) | (c) | (d) | (e) |
|--|---|----------------|----------|----------------|
| 1969 | | | | |
| To find ways and means to reduce the incidence of mechanical failures. | Office of Naval Research. | Mar. 14, 1969 | \$20,000 | June 30, 1969 |
| Mobile emergency port facilities. | Bechtel Corp. | July 18, 1968 | 85,560 | July 15, 1969 |
| Port management problems. | A. D. Little Co. | Nov. 18, 1968 | 31,898 | Aug. 15, 1969 |
| Examine the technical and economic feasibility of waterborne feeder subsystems for unitized cargo. | do. | Jan. 1, 1969 | 116,857 | Mar. 31, 1970 |
| Development of a Maritime Research Information Service. | National Academy of Sciences. | June 30, 1969 | 98,800 | June 29, 1970 |
| Woods Hole Conference. | Booz-Allen Applied Research. | June 9, 1969 | 109,500 | Aug. 29, 1969 |
| 1970 | | | | |
| Passenger survey of travel aboard U.S. passenger ships. | Opinion Research. | Oct. 15, 1969 | 36,537 | Feb. 14, 1970 |
| To assess the role of containerization in the present transportation network. | Matson Research. | Feb. 9, 1970 | 99,375 | Sept. 8, 1970 |
| To produce industry generated preliminary designs for a standard series of ships. | Newport News Shipbuilding Co. | Nov. 14, 1969 | 500,000 | May 30, 1970 |
| Do. | Bath Iron Works. | do. | 498,944 | Do. |
| Feasibility study on conversion of NS "Savannah". | Westinghouse Electric. | Oct. 31, 1969 | 75,000 | Mar. 31, 1970 |
| Engineering and development program for a consolidated nuclear steam generator. | Babcock & Wilcox. | Aug. 26, 1969 | 70,882 | Apr. 15, 1970 |
| Update the Westinghouse merchant ship nuclear propulsion system design. | Westinghouse Electric. | Nov. 25, 1969 | 45,280 | Aug. 24, 1970 |
| Guidelines for protection of cargo in deck stowed containers. | J. J. Henry, Inc. | Dec. 1, 1969 | 72,500 | June 30, 1969 |
| Develop information concerning operation of international trade services. | Robert Reebie & Associates. | Feb. 19, 1970 | 9,550 | Mar. 18, 1970 |
| To accomplish the design work to determine the feasibility of a contrarotating propeller. | Naval Ship Research and Development Center. | Sept. 5, 1969 | 87,500 | Sept. 30, 1970 |
| Comparison of alternative forms of modularity in ship design. | Mardeg Corp. | Sept. 20, 1969 | 30,392 | Feb. 23, 1970 |
| Structural test of SS "Michigan" and measurement of hull vibration. | States Lines, Inc. | Jan. 14, 1970 | 109,994 | June 30, 1970 |
| Strain gage test on SS "Michigan". | Brewer Engineering Co. | Mar. 13, 1970 | 4,006 | Sept. 13, 1970 |
| Ship operation and human engineering research. | U.S. Merchant Marine Academy. | Jan. 9, 1970 | 95,000 | June 30, 1970 |

FEBRUARY 9, 1970.

HON. ANDREW E. GIBSON,
*Administrator, Maritime Administration,
 Department of Commerce, Washington, D.C.*

DEAR MR. GIBSON: The recently announced program to retire the nuclear ship SAVANNAH from operation is of great interest to this Committee. Since the Fiscal Year 1971 Budget Message reference to the SAVANNAH is quite brief and seemingly inconsistent with previous Administration statements relating to the SAVANNAH, some clarification is required.

The recently announced plan appears similar to one submitted in conjunction with the Fiscal Year 1968 budget program. As you may recall, during the first session of the 90th Congress, when the Administration indicated its intent to layup the N. S. SAVANNAH, Senate Concurrent Resolution 28 was introduced which stated in part that it was "the sense of the Congress that operation of the nuclear merchant vessel SAVANNAH is in the best interest of the United States of America and should continue."

Testimony was heard on this resolution in hearings before a subcommittee of this Committee on June 12, 1967. The resolution was subsequently tabled when the funds required to operate the SAVANNAH were restored with the appropriation proviso that the funds were not to be used for layup of the SAVANNAH. The latter wording has been included in each appropriation for the vessel since that time.

During hearings before this Committee's Subcommittee on Merchant Marine on October 23, 1969, you indicated your intention to continue to operate the SAVANNAH until a program could be formulated for advanced nuclear merchant ships and until contracts were let for such ships. More recently it is reported that you indicated that during the forthcoming year the SAVANNAH would not be operated in the same manner as it has been operated in the past. To further confuse this issue, the budget message for Fiscal Year 1971 specifically states that \$1,700,000 has been provided for the initial phase of layup of the SAVANNAH.

In light of what appears to be conflicting statements of intent, a clarification of the plans for the N.S. SAVANNAH would seem to be in order and, accordingly, I would like you to answer the following questions.

1. Is the layup of the SAVANNAH intended to be implemented as indicated in the budget message?
2. If the layup is planned, will it be temporary or permanent?
3. If permanent, does this imply that the Maritime Administration is terminating its consideration of future nuclear ships?
4. Was the SAVANNAH operating budget requested by the Maritime Administration reduced by the Bureau of the Budget or was the Maritime Administration request limited to the \$1,700,000?
5. Does the \$1,700,000 represent the total amount required to fully deactivate the ship and transfer it to the reserve fleet?
6. Will the \$1,700,000 account for disposal of the nuclear servicing facility together with the spare and spent fuel assemblies and other support facilities?
7. What are the Maritime Administration's projected total costs for a temporary and permanent layup of the SAVANNAH?
8. Could the SAVANNAH be operated for less than \$3.4 million in some form of austerity program pending the completion of plans for advanced nuclear ships? If so, what are the details of such a program and its projected operating cost?
9. One American-flag operator is presently converting a number of ships that are similar to *Savannah* into containerships at a considerable expense. The government is funding about 50 per cent of these costs. Could the *Savannah* be converted in such a manner?
10. In your testimony before the Committee on Merchant Marine and Fisheries of the House of Representatives on November 6, 1969, you stated that you plan to use the forthcoming year to prepare for an ongoing nuclear merchant ship program. Consistent with such a program, what would be the projected costs of continuing the *Savannah* in operation during Fiscal Year 1971?

Your replies to the questions contained in this letter will assist the Committee in considering the funds to be authorized for the operation of the Maritime Administration and in considering the proposed new maritime program now pending before this Committee. Consequently, your earliest response would be appreciated.

Sincerely yours,

WARREN G. MAGNUSON,
Chairman.

U.S. DEPARTMENT OF COMMERCE,
MARITIME ADMINISTRATION,
Washington, D.C., March 20, 1970.

Hon. WARREN G. MAGNUSON,
Chairman, Committee of Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of February 9, 1970 requests information concerning the plans of the Maritime Administration for future utilization of the N.S. SAVANNAH. Answers to your numbered questions have been provided as an attachment to this letter.

In the 1971 Presidential budget document several program terminations and reforms were identified which resulted in a Governmentwide reduction in budget authority amounting to \$2.4 billion. One of the included items called for the layup of the N.S. SAVANNAH and resulted in a reduction of \$1.7 million for fiscal year 1971 below the 1970 rate of \$3.4 million.

We believe the operation of the SAVANNAH in commercial service over the past three years and the previous experience as an experimental vessel had fully proven the results which the SAVANNAH was designed and built to achieve. In this sense, the SAVANNAH has been a complete success. The SAVANNAH was not designed to compete in commercial service; therefore, we do not believe it worthwhile to continue the commercial operation of the SAVANNAH.

As indicated in our answer to question 3, we do not consider the deactivation of the SAVANNAH to represent a termination of the nuclear ship program. We fully intend to continue research that should yield a nuclear propulsion system which can be utilized in the future in the construction of nuclear merchant ships.

I am looking forward to discussing this matter with you and the Senate Commerce Committee at your earliest convenience.

Sincerely,

ROBERT J. BLACKWELL,
Acting Maritime Administrator.

ATTACHMENT

Reply to questions contained in letter from Honorable Warren Magnuson, Chairman, Senate Commerce Committee to Honorable Andrew E. Gibson, Maritime Administrator, dated February 9, 1970.

Question No. 1: Is the layup of the SAVANNAH intended to be implemented as indicated in the budget message?

Answer: Yes, however the present plan is to continue to operate the N. S. SAVANNAH through the remainder of this fiscal year.

Question No. 2: If the layup is planned, will it be temporary or permanent?

Answer: The \$1.7M allocated for this program will not permit the vessel to be fully deactivated in fiscal year 1971; however, a limited amount of preliminary planning for overall defueling and total deactivation can be expected within the limits of the fiscal year 1971 funding.

For the purposes of budget allocation, the Maritime Administration is projecting fiscal year 1972-fiscal year 1974 funding requirements that will include total deactivation, defueling and transfer of vessel to the reserve fleet.

Question No. 3: If permanent, does this imply that the Maritime Administration is terminating its consideration of future nuclear ships?

Answer: The Maritime Administration does not consider the deactivation of the Savannah to represent a termination of the nuclear ship program. There are presently two programs planned for fiscal year 1971 that will fully explore the potential advantages offered by nuclear propulsion. These programs will be expected to yield a nuclear propulsion system application consistent with the overall transport system requirements in each program to be considered.

Question No. 4: Was the Savannah operating budget requested by the Maritime Administration reduced by the Bureau of the Budget or was the Maritime Administration request limited to \$1,700,000?

Answer: The original Maritime Administration request was considerably higher than was finally allocated, however, a review of overall program goals dictated that the revised budget figure of \$1.7M would be in keeping with the total program objectives. Accordingly, the reduction to the present budgeted figure is consistent with the Maritime Administration nuclear ship program plan for fiscal year 1971.

Question No. 5: Does the \$1,700,000 represent the total amount required to fully deactivate the ship and transfer it to the reserve fleet?

Answer: The \$1.7M will provide sufficient funds to initiate the total deactivation of the vessel. The budget identifies these funds for the "initial phase of layup."

Additional funds will be requested for total layup and transfer to the reserve fleet of the vessel for the purpose of planning the fiscal year 1972 through fiscal year 1974 budget. The costs associated with a final program termination are presently being developed for further review.

Question No. 6: Will the \$1,700,000 account for disposal of the nuclear servicing facility together with the spare and spent fuel assemblies and other support facilities?

Answer: The \$1,700,000 allocated in the fiscal year 1971 budget will not provide for the disposal of the fuel that is presently on hand. Additional money will be required for removal of spent fuel, transfer and disposal. Further funds will be required for close-out of the present servicing facilities in Galveston, Texas.

Question No. 7: What are the Maritime Administration projected costs for a temporary and permanent layup of the SAVANNAH?

Answer: A temporary layup cost of the vessel is being considered and based on a 1-year and 3-year idle period. Preliminary cost indicates that a 1-year layup with operation being resumed at the beginning of the second year would require a first year cost of about \$1.7M with a second year cost of about \$4.0M. A 3-year

layup would require an estimated \$1.5M in the first year, about \$1.0M in the second year, increasing to \$3.8M in the third year.

Permanent layup with all radioactive material removed can be expected to run to a total cost of about \$9.0M over a 3-year period as a result of the requirements for disposal of all radioactive material and an appropriate decontamination of the ship prior to admission to the reserve fleet. This cost would also include disposal of the existing nuclear servicing facilities and support equipment.

Question No. 8: Could the SAVANNAH be operated for less than \$3.4M in some form of austerity program pending the completion of plans for advanced nuclear ships? If so, what are the details of such a program and its projected operating costs?

Answer: It might be possible to operate the SAVANNAH under direct sponsorship by the Maritime Administration which could afford a reduction in the overall program cost.

Question No. 9: One American flag operator is presently converting a number of ships that are similar to the SAVANNAH into containerships at a considerable expense. The government is funding about 50 percent of these costs. Could the SAVANNAH be converted in such a manner?

Answer: It would be technically feasible to convert the SAVANNAH to a containership in the manner presently being undertaken by the operators described. In order to undertake such a program, it would be necessary to have an operator who is interested in such an arrangement and who would be willing to assume a portion of the costs. To date there has been no interest expressed in any such arrangement.

Question No. 10: In your testimony before the Committee on Merchant Marine and Fisheries of the House of Representatives on November 6, 1969, you stated that you plan to use the forthcoming year to prepare for an ongoing nuclear merchant ship program. Consistent with such a program, what would be the projected costs of continuing the SAVANNAH in operation during fiscal year 1971?

Answer: Continued commercial operation of the N.S. SAVANNAH in fiscal year 1971 would involve funding in the amount of \$4.0M for another year of operation. This would involve an additional \$600,000 to be added to the current program cost of \$3.4M in order to prepare for refueling of the ship in 1971.

However, the operation of the SAVANNAH is not seen to be directly related to our ongoing program which will identify shipping systems best suited for the use of nuclear propulsion systems.

FIRST ATOMIC SHIP TRANSPORT, INC.,
April 1, 1970.

Mr. ROBERT J. BLACKWELL,
Deputy Maritime Administrator,
Maritime Administration, Washington, D.C.

DEAR MR. BLACKWELL: As you know, I have long advocated the continued operation of the NS SAVANNAH and the building now of second generation ships.

It has just come to my attention that, in connection with your recent appearance before the Senate Merchant Marine Sub-Committee, you were quoted in the March 24th issue of the Journal of Commerce as saying that FAST-AEIL "actually has been losing money operating the ship in the area of \$1.7 million per year." The "ship" referred to is of course SAVANNAH, and the words were said in the context that future appropriations for the continued operation of the ship would not be spent to keep the ship running.

The figure of \$1.7 million a year loss for FAST's operation of the ship is completely in error. While one agrees that the Administration can of course lay up the ship if it so elects, it is to be hoped that it would do so only for reasons which are relevant and valid.

With kindest personal regards,
Sincerely,

JOHN M. WILL



