AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 1977 FOR CERTAIN MARITIME PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON MERCHANT MARINE

OF THE

COMMITTEE ON COMMERCE
UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

S. 820

TO AUTHORIZE APPROPRIATIONS FOR THE FISCAL YEARS 1976 AND 1977 FOR CERTAIN MARITIME PROGRAMS OF THE DEPARTMENT OF COMMERCE, AND FOR OTHER PURPOSES

FEBRUARY 2, 1976

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AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 1977 FOR CERTAIN MARITIME PROGRAMS

MONDAY, FEBRUARY 2, 1976

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

The subcommittee met at 2:10 p.m., in room 5110, Dirksen Senate Office Building, Hon. J. Glenn Beall presiding.

Senator BEALL. The hearing will come to order.

This afternoon the Merchant Marine Subcommittee of the Senate Committee on Commerce will receive testimony on legislation to authorize appropriation of funds for the maritime programs of the Department of Commerce for fiscal year 1977, which begins on October 1, 1976.

The Congressional Budget and Impoundment Control Act of 1974 requires that all legislation authorizing appropriations of money must be reported to the Senate by May 15. Thus, this hearing is being held before the administration's request legislation has been sent to the Congress for introduction.

Last February, Chairman Magnuson introduced S. 820, the administration request for maritime authorizations for both fiscal years 1976 and 1977. This committee did not report that measure. Rather it sent an original bill S. 1542 to the Senate. That legislation authorized appropriations for fiscal year 1976 only. Thus, S. 820 is technically still before this subcommittee. Although I realize that the administration proposes to amend the fiscal 1977 request differing from the S. 820 amounts, we will use that bill as the vehicle for this hearing.

[The bill follows:]

Staff member assigned to this hearing: Richard J. Daschbach.

94TH CONGRESS
1ST SESSION

S. 820

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, FEBRUARY 21), 1975

Mr. MAGNUSON (by request) introduced the following bill; which was read twice and referred to the Committee on Commerce

A BILL

To authorize appropriations for the fiscal years 1976 and 1977 for certain maritime programs of the Department of Commerce, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That funds are hereby authorized to be appropriated without
4 fiscal year limitation as the appropriation Act may provide
5 for the use of the Department of Commerce, for the fiscal
6 years 1976 and 1977, as follows:
7 (a) acquisition, construction, or reconstruction of
8 vessels and construction-differential subsidy and cost of
9 national defense features incident to the construction,
10 reconstruction, or reconditioning of ships, $245,000,000

1 for fiscal year 1976, and $251,000,000 for fiscal year
2 1977;
3 (b) payment of obligations incurred for operating-
4 differential subsidy, $315,936,000 for fiscal year 1976,
5 and $334,000,000 for fiscal year 1977;
6 (c) expenses necessary for research and develop-
7 ment activities, $12,232,000 for fiscal year 1976, and
8 $18,000,000 for fiscal year 1977;
9 (d) reserve fleet expenses, $4,242,000 for fiscal
10 year 1976, and $4,437,000 for fiscal year 1977;
11 (e) maritime training at the Merchant Marine
12 Academy at Kings Point, New York, $11,500,000 for
13 fiscal year 1976, and $12,301,000 for fiscal year 1977;
14 and
15 (f) financial assistance to State marine schools
16 $4,708,000 for fiscal year 1976, and $3,658,000 for
17 fiscal year 1977.
18 SEC. 2. In addition to the amounts authorized by section
19 1 of this Act, there are authorized to be appropriated for the
20 fiscal years 1976 and 1977 such additional supplemental
21 amounts for the activities for which appropriations are au-
22 thorized under section 1 of this Act as may be necessary for
23 increases in salary, pay, retirement, or other employee bene-
24 fits authorized by law, and for increased costs for public
25 utilities, food service, and other expenses of the Merchant
26 Marine Academy at Kings Point, New York.

Senator BEALL. Our witnesses today will be Assistant Secretary of Commerce for Maritime Affairs, Robert J. Blackwell, and Shipbuilders Council of America president, Edwin M. Hood.

Mr. Blackwell, we have reviewed your statement. You may proceed in any way you wish.

STATEMENT OF HON. ROBERT J. BLACKWELL, ASSISTANT SECRETARY FOR MARITIME AFFAIRS, DEPARTMENT OF COMMERCE

Mr. BLACKWELL. Thank you, Mr. Chairman.

I will attempt to summarize my statement, Mr. Chairman, and with particular emphasis on those elements of the Maritime Administration budget for which we are seeking authorization authority.

Mr. Chairman, I am here today in support of the Maritime Administration request for authorizing legislation for fiscal years 1977 and 1978. The Maritime Administration request totals $444,782,000 in appropriations authority for 1977. This request is a decrease of $99,245,000 from fiscal year 1976 authority and consists of the following: $403,721,000 for operating-differential subsidies; $19,500,000 for research and development activities of the Maritime Administration; $4,560,000 for support of the National Defense Reserve Fleet; $13,260,000 for support of the Merchant Marine Academy; and $3,741,000 for the State marine schools.

No appropriations authority is requested for the 1977 subsidized ship construction program, since $247 million will be available in 1977 from existing funds. This compares with an estimated $202,011,000 program level for fiscal year 1976 and for the transition quarter. The budget request also includes a total of $659,061,000 in appropriations authority for fiscal year 1978.

Now, if I may, Mr. Chairman, I will turn to the specific authorization requests for 1977.

As I mentioned earlier, and as contained in my statement, no new appropriation authority is requested for the fiscal year 1977 ship construction program. The current projection for the remainder of 1976 through 1977 indicates that shipbuilding programs over the next 2 years can be contracted for with subsidy funds currently available. These funds total $449,011,000 and consist of $213,000,000 from appropriations for 1976 and the transition quarter, in addition to $236,011,000 from 1975 funds available to the Maritime Administration but which are unobligated at this time. Available funds will be distributed to provide program levels of $200,011,000 in 1976; $2,000,000 in the transition quarter; and $247,000,000 in 1977. This compares with an actual 1975 program level of $101,580,000. Therefore, it reflects some confidence in the recovery of commercial shipbuilding demand. Subsidized construction contracts in 1977 are provided for eight ships, comprising six LNG carriers and two containerships, as well as the conversion of two existing vessels.

The LNG carriers are expected to be ordered in connection with gas projects now under consideration by the Federal Power Commission. Final contracts for the purchase of LNG for these projects from Algeria and from Indonesia have already been signed. Our ship construction program includes funding for three of these ships in 1976, six in 1977, and the remainder in subsequent years. Contracts

for the construction of containerships are expected to result from an increasing interest of the industry in this type of vessel as their older ships require replacement.

The appropriation authority requested for our operating-differential subsidy program is $403,721,000, which is an increase of $57,550,000 over the revised 1976 requirements.

The existing 1976 appropriation authority for this program is $315,936,000. Draft legislation is being prepared to increase this authority by $30,235,000, to a revised total of $346,171,000. The increase is necessary for the support of the bulk carriers that will carry the U.S. share of the 1976 Soviet purchases of U.S. grain.

Subsidized U.S.-flagship operations planned for 1977 include 5.8 ship years of passenger and passenger/combination ships, 169.4 ship years of general cargo ships, and 34.8 ship years for bulk vessels. The total 1977 ship years for bulk ships include 13.6 ship years—a decrease of 17.9 from adjusted 1976 levels—for carriage of anticipated Soviet purchases of grain during the year. The 1977 purchases are estimated at a total of 6 million metric tons, the minimum purchase set forth in the current United States-U.S.S.R. grain purchase agreement.

Exclusive of this U.S.-flag carriage, the requested authority will provide for an increase of 15 ship years over 1976 levels. This is primarily the result of delivery of seven new bulk and two new cargo ships into the subsidized fleet during 1977 and the full operation in 1977 of ships which entered the subsidized fleet in 1976.

The primary factors contributing to the increase in subsidy in 1977 are: the escalation of U.S. foreign operating costs over 1976 costs which involves a total of $22,754,000; and the establishment of a new base period 1977 for wage subsidies, which will cost $20,918,000. The remainder of the increase is due, as I mentioned, to additional ship years and payments for prior ship year operations.

The appropriation authority requested for research and development in 1977 is $19,500,000. This includes an increase of $7,268,000 over appropriation authority enacted for 1976.

The total funding for 1976 R. & D. programs was $19,768,000, which consisted of an appropriation of $12 million and funding from deferrals of prior year appropriations totaling $7,768,000. The 1977 appropriation authority will provide for continuance of the 1976 program at essentially the same levels, with some adjustments for individual projects as they advance toward implementation or completion.

The appropriation authority requested for the National Defense Reserve Fleet totals $4,560,000, which is an increase of $318,000 over the 1976 program.

The increase is primarily associated with higher costs of supplies, utilities, and repair maintenance for the fleet's service craft. In addition, funds have been requested to institute a program for salvage of machinery items of ships scheduled for scraping. These items are intended for use as spare parts on the ships we retain in the fleet, principally victory vessels.

The 1977 appropriation authority requested for the Merchant Marine Academy is $13,276,000, which is an increase of $1,740,000 over the 1976 level.

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This level of appropriation will provide sufficient resources to meet significant increases in operating costs and continue the facilities modernization program and provide an increased level of funding for ongoing maintenance and repair programs at the Academy. The 1976 modernization program includes a major renovation of Bowditch Hall, one of the three principal academic buildings, which contains most of the classroom space on campus. Renovation will also be provided for classrooms, laboratories, and academic office space. The 1977 program also includes funds for design work for Fulton Hall, the third and final principal academic building to be renovated at the Academy. Five other smaller projects will also be funded. This program primarily represents renovation and modernization of buildings that are 34 years old and does not represent any significant expansion of facilities.

The appropriations authority requested for the State maritime schools in 1977 totals $3,741,000, a decrease of $967,000 from 1976 levels.

The requested funding level for State maritime school programs continues the 1976 program level, with a small increase in funds requested for increased costs of maintenance and repair of schoolships. A small increase in the number of cadets receiving allowances will also be provided for. This is offset by a decrease in funds associated with a one-time increase provided in 1976 for procurement and installation of pollution control systems on the schoolships.

Mr. Chairman, members of the committee, this completes my summary statement. I will be pleased to answer any questions that you might have.

Senator BEALL. Thank you, Mr. Blackwell. Because he has to leave, I will yield to Senator Inouye.

Senator INOUYE. Thank you very much, Mr. Chairman.

Mr. Secretary, in your testimony before the House Merchant Marine and Fisheries Committee last week you stated that the shipbuilding industry in the United States and throughout the world is a "disaster."

Does that mean that the 1970 act is no longer working?

Mr. BLACKWELL. No, I think the act is working rather well. Shipbuilding was not the only element of the 1970 act, Senator. We have built 58 new ships under that act and converted 20 existing vessels.

The ship construction subsidy program has put over a billion dollars in our shipyards, matched by over $2 billion of private capital. As a result of the 1970 act, which contained a 10-year commitment to revitalize the merchant marine, the private shipyard sector, by the end of the current calendar year, will have pumped in over a billion dollars to modernize their facilities.

The fact of the matter is we are not building ships today because of one significant factor, that is the downturn in oil consumption that followed the Arab or OPEC nations cutting off oil to the world, particularly the industrialized West and Japan.

As you know, countries all over the world were building up to a very significant increase in oil demand and oil movements in international trade. That has not only stopped, that is, the projected increase, but has actually declined somewhat.

Consequently there is tremendous overcapacity in the world fleets in every country, including this country. The shipbuilding demand all

over the world was largely sustained by tanker building, which has just about stopped. New orders have stopped; and there have been tremendous numbers of cancellations.

I think we should be honest and say we are not building as many ships as we thought we were going to build. I do not think it is the fault of the program; I do not think it is the fault of the shipyards. I think our shipyards have met the challenge that the 1970 act laid down to them, to modernize their facilities. They have done that. The fact of the matter is one very significant section of the market has just fallen out.

I think it is going to take a little time and I think that within a year or two we will be building at a reasonably significant pace in this country.

Senator INOUYE. Would you say that one of the causes is the lack of cargo for us?

Mr. BLACKWELL. There is a substantial amount of oil moving today all over the world. There happens to be in the tanker segment many more ships to carry that cargo. The cargo is there, we just have more ships than we need to carry the oil.

Senator INOUYE. What about the 35-percent construction subsidy guideline? Is that creating any problem?

Mr. BLACKWELL. Yes, it is, Senator. We are having a difficult time meeting that 35-percent guideline rate, which is prescribed in the statute for the rate of construction subsidy, that is, the limit on the amount of subsidy that the Maritime Administration can pay in the current fiscal year.

Another problem is that that authority to accept negotiated pricing runs out on June 30, 1976. The Maritime Administration will no longer be able to accept negotiated contracts for shipbuilding, regardless of whether the contract meets the prescribed 35-percent rate or is even below it, because our total authority for negotiated contracting runs out on June 30.

Senator INOUYE. Is the Administration submitting legislation to cure this?

Mr. BLACKWELL. The Maritime Administration has submitted a draft proposal which we believe would remedy the current dilemma we find ourselves in. The proposal is currently being processed through the executive branch.

Senator INOUYE. Do you have any thoughts on H.R. 11504, the bill introduced by Mrs. Sullivan?

Mr. BLACKWELL. I have not read the bill. It was introduced, I believe, the day before my testimony in the House last week. As I indicated to the chairman of the House Merchant Marine Subcommittee, I am not authorized to comment on the bill, because an administration position has not been formulated.

I did say, however, that it is extremely difficult, given the current low prices prevailing in Japan and Europe, and given the increasing strength of the dollar, to make the 35-percent CDS rate for this year on conventional vessels. By conventional vessels I mean tankers, container ships, product carriers, and dry bulk carriers. We can still make the 35-percent rate on LNG vessels and major conversions of ships in our yards. It is quite clear, Senator, that we should do something.

It would be tragic, in my opinion, if we do not allow the Government to have the flexibility of approving negotiated contracting for ships. Competitive procurement of vessels is extremely inefficient, time consuming, very cumbersome, and in fact in many respects it is the antithesis of the principles contained in the 1970 act for standardized ships in series construction which we, the administration and the Congress, thought would significantly lower the costs of building ships in our country.

So, while I am really not authorized to comment on the legislation, I did indicate that it would be the Maritime Administration's position to come up with something along the lines of the legislation that Mrs. Sullivan has introduced.

Senator INOUYE. When can we expect that bill, sir?

Mr. BLACKWELL. I do not know. All I know is we have done our job, and the bill has gone forward. I suppose we should do a little more pushing to see if we can break it loose.

Senator INOUYE. Mr. Secretary, when was the last MarAd contract executed for the construction of a new ship?

Mr. BLACKWELL. I believe it was last June.

Senator INOUYE. June 1975?

Mr. BLACKWELL. Yes.

Senator INOUYE. How many new ships were contracted in calendar year 1975?

Mr. BLACKWELL. Calendar year 1975?

Senator INOUYE. Or fiscal year 1975, whichever.

Mr. BLACKWELL. I think three or four.

Senator INOUYE. Three or four?

Mr. BLACKWELL. The last contracts we executed, Senator, were three ships for the Avondale shipyard. They were product carriers.

Senator INOUYE. If I recall, the 1970 act had some great dream of building 30 ships per year for 10 years.

Mr. BLACKWELL. Well, it was not a dream. It was a plan that quite honestly was not very well conceived, not by the Congress, but by the people who were the proponents of the legislation in the executive branch, which includes the Maritime Administration.

We simply underestimated the tanker demand that would be developing. The 1970 act was largely predicated on building dry cargo ships, both bulkers and liner vessels. As a matter of fact, if you look at the program, the progress that has been made, the emphasis of the 1970 act has almost been exclusively on energy carriers, which are much larger and much more expensive than the smaller ships that we contemplated building back in 1968 and 1969.

Senator INOUYE. How many U.S. ships built or converted since 1970 have been laid up?

Mr. BLACKWELL. We have 19 tankers in our laid-up fleet, with an aggregate deadweight tonnage of about 700,000 tons. It is about 11 percent of our tanker fleet.

As bad as that sounds, we have less tankers laid up in this country than any other major shipbuilding nation in the world on a deadweight basis, by numbers, or by a percent of the fleet.

There are several trades that U.S. tanker owners are capable of operating in that others cannot. One is the up-coast movements of oil, which, in weather like this today, helps, and those rates are the highest

they have been in many, many years. We have a number of U.S. ships in that trade. In addition, the Soviet grain movements in U.S. tankers is another area where our tankers have found employment.

But we do have ships laid up. We had 32 about 1 year ago; we are down to about 19. But quite honestly there is not much hope to get that number reduced significantly.

Senator INOUYE. When you consider the productivity and technical know-how, how would you rate our shipyards with the shipyards in the rest of the world?

Mr. BLACKWELL. I think you have to recognize that the amount of money that was poured into our yards was put into yards that were comparable to World War II yards. The devastation that was brought to Japan and Western Europe permitted those yards in those two areas to essentially start fresh. So, by the 1950's, they basically had very modern shipbuilding facilities. Many of our yards are approaching that today.

However, we are not getting the productivity out of the entire system from the workers to mechanization that I would like to see. But I think our yards have made a tremendous improvement. After all, you know, they have only been operating about 4 years under contracts in the Merchant Marine Act of 1970, and I think they have made remarkable progress.

The unfortunate thing is just as they were beginning to more or less make incremental progress in terms of efficiency, then you have this dearth of orders, and the problems of laying off manpower, retooling, starting up again, and losing qualified people, just compounds the problem we already have.

This is one of the reasons that the standardized ship was developed and the desire of the program to get series construction, so we could get the learning curve and the benefits of scale at the same time.

Senator INOUYE. Mr. Secretary, in your judgment, is price the only reason the Japanese are building 84 ships to our 0? Would you say that national cargo preference requirements or practices of other nations are a factor?

Mr. BLACKWELL. The ships the Japanese are building are for export. Now, they have a number of things going for them in Japan. First of all, they are very dedicated, and have an excellent work force. But today I think quite clearly the only thing that is causing people to build those ships in Japan is price.

I mean their prices are so below ours, and so below Western Europe's and are such bargains at today's prices that people who might otherwise have gone someplace else are literally forced to buy in Japan.

Now there are a number of other things the Japanese can do. They can make attractive financial requirements, can build for export and can have another element of the industrial complex provide a long-term charter for the foreign purchaser. That is what really finances the ship.

The Japanese are good in terms of keeping their word. There are many other pluses.

But right now it is price.

Senator INOUYE. I note that in our grain agreement with the Soviet Union we will be carrying one-third of the cargo.

Mr. BLACKWELL. Yes, sir.

Senator INOUYE. Why can't we make it one-half?

Mr. BLACKWELL. Well, because we negotiated one-third.

Senator INOUYE. I realize that. But do we have the ships to carry one-half?

Mr. BLACKWELL. One-half? On the assumption that they purchased say 18 million tons this year, we would have to carry 6 million tons. We have the capacity in our tanker fleet to carry 6 million tons.

Senator INOUYE. But not nine?

Mr. BLACKWELL. No, I do not think we could carry nine. We have other needs for the ships. It was felt at the time the original maritime agreement was negotiated in 1972, with negotiations commencing in late 1970, that it would not have been appropriate for the United States and the Soviet Union to execute an agreement which would monopolize the carriage of the trade between those two countries without giving other nations an opportunity to carry a portion of the cargo. It was felt there might be some recriminations. Some of the countries who would have been shut out of the Soviet grain traffic might have retaliated against American shipping.

Senator INOUYE. My final question, sir, and I thank you very much.

On the basis of numbers and tonnage, where would you rank the United States merchant fleet?

Mr. BLACKWELL. We are roughly tenth on the basis of total deadweight tonnage. If you include the Great Lakes fleet we are a little higher than that. We have about 600 ships in our fleet, which are very modern, very efficient.

In terms of deadweight capacity, I would think that with just the ships we have on the ways today—we have about 80 ships, fairly large size, that will be delivered over the next several years—I would think on the basis of that backlog, without new orders, the United States will rise to about seventh or eighth.

Senator INOUYE. Where is the Soviet Union?

Mr. BLACKWELL. Well, it depends on what kind of count you want to make. In terms of total vessels dedicated to liner service of some type, the Soviet Union would probably be No. 1. There would be included in that fleet a very, very large number of smaller vessels which have no ability other than to conduct services on the rivers of the Soviet Union or in their domestic commerce.

But regardless of how you would want to rank them, they are a very potent competitor in terms of building modern efficient container ships. They are building tankers, and they have an integrated maritime organization in which their shipbuilding industry, their navy, their oceanographic services and their merchant marine, as well as fishing, operate in terms of a common goal, which we do not always have here.

Senator INOUYE. We have been told the Soviets are now building 30 new container ships. How many container ships are being constructed in U.S. shipyards now?

Mr. BLACKWELL. Well, not too many. We have the largest container fleet in the world under the U.S. flag, numbering about 130 vessels. They are not all new; some of them were converted. But I think that is a fleet we can be very proud of. The Soviet Union's container fleet and the ones they are building do not come close to matching that.

But the fact is they are making great progress, and no one should stick their head in the sand about that. They are not building the high speed type vessels like Sealand has, the type of ships U.S. Lines has, the type of vessel Farrell Lines is attempting to get bids on at the current time. But that is not to say the Soviet Union is not a very potent threat, not only in trades that do not serve the United States, but in trades that do serve the United States.

They have a growing operation off the west coast, a very small portion of that operation serves the Soviet-Siberian area, but most of it is service to Japan, Malayasia, Indonesia, and the Philippines.

Senator INOUYE. Thank you very much. Thank you, Mr. Chairman.

Senator BEALL. Mr. Blackwell, a couple of years ago you suggested that the administration did not support the cargo preference legislation which I introduced in the Senate because it would be an admission that our maritime policy had failed.

Would you care to revise your thinking on cargo preference in view of what has happened to the shipbuilding or ship construction program in the last couple of years?

Mr. BLACKWELL. It was a comment based on the philosophy underlying the 1970 act, Senator Beall. The 1970 act was designed to try to encourage the Government to commit more funds to the industry over a longer period of time, thereby encouraging both ship owners and operators to become more efficient with less dependence on U.S. subsidies.

The point I made in terms of it being somewhat inconsistent was that a reservation of cargo is one thing; getting your fleet to the point where they can be efficient and competitive is another thing. It was the assumption back 2 or 3 years ago, when we testified, that if U.S.-flag ships could be truly competitive then there was no need for cargo preference.

What we see today is the result of basically a single act by the oil-producing countries in the Middle East that has so changed the competitive picture that even U.S.-flag ships today that can operate on a parity with foreign-flag ships, only have the opportunity of losing as much money as their foreign counterparts.

We can make, through the subsidy program, an American tanker owner as competitive today as his foreign counterpart. And, all he would be able to do would be to go out there and go into that service and lose about as much money as his foreign competitor. That is not the way to build up an American merchant marine.

Senator BEALL. In other words, you are saying that bidding for cargo is so intense that people are bidding it at a loss?

Mr. BLACKWELL. There is no question about it.

Senator BEALL. All right. If we had a cargo preference act in the United States, would not a percentage, say one-third, of our cargo have to be brought in in U.S. bottoms, and therefore would not that cargo be outside of the bidding process?

Mr. BLACKWELL. That is right.

Senator BEALL. Then it would be helpful now.

Mr. BLACKWELL. There is no question about it. As I understood the cargo preference proposals, there would be a certain amount of cargo reserved for U.S.-flag ships; and that the cargo would be reserved whether the ships were subsidized or not subsidized. If the ships were

not subsidized, then you obviously would have to have rates that were quite high.

The question was how much was it going to cost and who was going to pay the price. The administration position was that the cargo preference bill would have been inflationary. I think that would be their position today.

Senator BEALL. Today?

Mr. BLACKWELL. I would think so.

Senator BEALL. I am a little disturbed—a few minutes ago you indicated the bottom had fallen out of the oil market. Yet we are importing more of our oil needs today than we were 2 or 3 years ago when we got into difficulty. We were told a couple of years ago that we imported 36 to 37 percent of our crude oil needs, and now I believe we are up to 40 percent of our daily needs.

So we have more oil imported into the United States today than we did before, don't we?

Mr. BLACKWELL. That is probably true. There was a time when actual oil imports into the United States decreased. Now it seems to be going up somewhat.

Senator BEALL. How many of the oil-producing nations are enacting cargo preference policies of their own?

Mr. BLACKWELL. A number of the countries in the Middle East have cargo preference legislation on their books which appears to favor their own flags. But I am not sure that they actually have implemented that legislation. I am not saying they have not. There is no question that the OPEC countries are interested in building up their own fleets. I personally do not think they need cargo preference, because I think that in terms of selling their oil, they are going to obviously demand that transportation be tied in with the purchase. In other words, you can have x barrels of crude oil to carry from here to there, provided, however, that x amount of that oil is carried on Saudi or whatever country is selling that oil flag ships.

Senator BEALL. They would like to sell to the United States, too, wouldn't they?

Mr. BLACKWELL. Yes.

Senator BEALL. And they have to retain a market for their oil. So, conversely it would seem logical to me that if they like the U.S. market, they will bring their oil to this market in our ships, because they like U.S. dollars.

Mr. BLACKWELL. Well, they like hard currency.

Senator BEALL. We have that. Maybe not as much as we would like.

Wouldn't a national cargo policy—a broad national cargo policy—have some effect on ship construction in the United States?

Mr. BLACKWELL. I am not sure, in terms of tankers.

Senator BEALL. I am talking about a national cargo policy now, affecting everything we import or export.

Mr. BLACKWELL. It could have. One does not know, but it could have just the opposite effect.

Senator BEALL. Why?

Mr. BLACKWELL. Because we do reasonably well in our liner business. We carry roughly 30 percent by weight of all of the liner cargo that moves in and out of this country. And we have a higher percentage of the high valued cargo, if you look at it on the dollar basis. So

we have a very substantial stake and we have made tremendous inroads into that category of service. If we demand that U.S. ships carry a certain portion of our cargo, it may be that other countries would also demand their ships——

Senator BEALL. Don't they demand that now?

Mr. BLACKWELL. Not necessarily.

Senator BEALL. Some countries do, don't they?

Mr. BLACKWELL. Some countries do.

Senator BEALL. Japan?

Mr. BLACKWELL. You can not find it in Japanese law, Mr. Chairman. It seems to work that way, though.

Senator BEALL. How about Russia as a matter of policy?

Mr. BLACKWELL. Russia has executed a series of bilateral agreements, not similar to the agreement we have with them, on maritime matters. Most of the Soviet agreements with other countries are much more general and broad than the one we have, and the Soviets do extremely well in terms of their success in gathering a very significant amount of the cargo.

They basically control the amount of cargo going on Soviet ships by terms of carriage.

Senator BEALL. I understand that today 6 percent of our overall trade is carried in American bottoms.

Mr. BLACKWELL. That is about right, 6.4 percent.

Senator BEALL. I have a hard time following how on the one hand you can get much worse than 6 percent, but that a national cargo preference policy would be disadvantageous to us.

Mr. BLACKWELL. Well, we have 6 percent. We do not carry wood chips, for instance; the Japanese do. There are a number of cheap low-rated commodities in the bulk business that U.S. ships simply do not engage in.

Senator BEALL. We could exempt them from the cargo preference.

Mr. BLACKWELL. If you have a law that is successfully implemented that guarantees that U.S. ships will get x amount of some cargo that our trading partners are now carrying, and we are carrying and have a pretty good capacity on our ships, I think the answer is in that category of cargo, it would probably induce some shipbuilding. I think there is a possibility of losing some cargo by having trades in which we are now carrying 40 and 50 percent reduced by having our trading partner increase his share of the carriage.

Senator BEALL. Some of our trading partners are already doing that, aren't they?

Mr. BLACKWELL. Not really. There are really strong national shipping preferences in Europe. Here again you cannot find it on the statutes, but many of the European countries, particularly through their banking organizations and freight forwarders, which operate somewhat differently than our freight forwarders, have a strong national preference for their own flag. This is something that simply does not exist in the United States. They do have an advantage. I think that is clear.

Senator BEALL. It would seem to me it would be to our advantage, therefore, for the government to suggest, either by law or otherwise, that this same policy be adopted in the United States.

66–788—76——3

It seems to me if the European countries are showing this preference for their own ships, I would suspect that their governments are encouraging the private interests to do this, aren't they?

Mr. BLACKWELL. Yes, I would think so.

We have cargo reservation in this country, and where we have had it, it has been a disaster quite honestly. My job is basically to promote the American merchant marine. I have been called a knee-jerk maritime enthusiast. I am kind of proud of that.

We have a Public Law 480 program that is a disaster in my opinion. The Government has poured billions into a program which in 20 years has not built a ship. My attitude about national cargo preference is basically colored by things I know about in that program.

We have other programs that work rather well.

Senator BEALL. But nothing is working too well right now as far as ship construction is concerned.

Mr. BLACKWELL. No, as far as ship construction is concerned. Despite the fact that we still have the highest order book in the peacetime history of the United States, many shipyards in this country, even if they got orders tomorrow, would still have to lay people off. That is unfortunate.

Senator BEALL. I am familiar with some of those problems.

Mr. BLACKWELL. Yes, I know you are Senator.

Senator BEALL. And you do not think a national policy—assuming there are too many ships and not enough cargo—in view of the fact that other countries, directly or indirectly are practicing that, would be of assistance to us, whether we did it directly or were more subtle?

Mr. BLACKWELL. I do not know what a national cargo policy is. However, I think it is obvious that if there is a law that literally dictates that U.S. ships carry cargo that they are not now carrying, and if U.S. ships do not have the capacity to carry that cargo, ships will have to be built and that is good for the shipbuilding industry. I do not think anyone can deny that.

But there must be some other considerations—how much will it cost, how much cargo will be reserved, what type of cargo will be reserved. Until I really see those details spelled out much more clearly than I am familiar with now, I just could not say.

Quite honestly, I do not think the administration could say, because obviously there is a cost. And we have to determine what that cost is, whether it is worth paying, and who pays it.

Senator BEALL. To switch to another subject, you indicated that over the past 5 years the Merchant Marine Academy and the State marine schools have graduated about 2,500 persons qualified to serve as deck or engineering officers. Have the employment opportunities existing over the last 15 years been equal to that?

Mr. BLACKWELL. No. We have not been able to absorb but a fraction of those young men, and now soon to be women.

Senator BEALL. So what happens to them?

Mr. BLACKWELL. Some of them go into the military. They all have Naval Reserve commissions. Some go into NOAA, some go into the Coast Guard. Others go into graduate work. Many of them go into marine related activities ashore, in steamship companies, brokerage houses, insurance, and ship design.

Thirty to forty percent on a more or less long term basis find employment on seagoing vessels. But because of the problem, we have tried to induce the oil rig business, crew boat business, and people running ferries to look at these young men. Many of them have for example in the Great Lakes, found a more or less secondary source of maritime employment.

Senator BEALL. In view of the difficulties, is there justification to continue to have the same number of academy graudates and the same number of people receiving Federal allowances at the State schools?

Mr. BLACKWELL. Yes. I think so. I think we have been holding down at the State schools on the basis of limiting allowances. This program of training maritime personnel is not just for a short period of time. We are relying on these people in case of a national emergency, when we need skilled deck and engine officers to come to the aid of their country. And we think that whether they are going to sea or not, they still represent a very significant reservoir of marine-oriented talent that the country can use.

Senator BEALL. So you are going to increase the State schools, the number of State school people receiving allowances this year?

Mr. BLACKWELL. Just a limited number, particularly in Massachusetts.

Senator BEALL. Why?

Mr. BLACKWELL. They have a real problem at that school as a result of the Vietnam conflict. During that conflict there were heavy enrollments and tremendous amounts of money were put into a physical plant. They once had a school ship. They build very significant numbers of dormitories.

Senator BEALL. Is this a never-ending sort of thing? We are going to support the schools when the demand for their graduates is decreasing.

Mr. BLACKWELL. The support of the schools is essentially nominal. What you have is a $600 a year payment to certain cadets to defray expenses of uniforms and books. The sum hasn't changed in over 18 years that I am aware of.

I believe it is 18 years. So, what you are dealing with now is you are giving these cadets, despite the fact you keep the level at $600, you are really giving them about $280. As inflation impacts upon that payment, it is less and less of an inducement for the boy to come to that academy.

It seems to me that the law of supply and demand will eventually take effect. If there are no jobs, and the student has to pay a significant amount of tuition, and they pay very handsomely at some of these schools, then they will opt for something else. I think that is a better way of determining the level of manpower in that area than have the government, particularly the Maritime Administration, each year determine what is necessary, because it is very hard to do.

Senator BEALL. Senator Stevens.

Senator STEVENS. What is the leadtime now on LNG tankers?

Mr. BLACKWELL. If leadtime means from the time you sign the contract until the time you cut steel I would say about a year. If leadtime means from the time you sign the contract to the time of ultimate delivery I would say about 3 years. The main problem that we have been having is with the fabrication of the containment

systems—the tanks—and on the assumption, which I think is an appropriate one, that that probably will be ironed out I would think that it would be about 3 years from the date of signing to delivery.

Basically, the LNG is nothing more than a conventional ship with a lot more steel in it, plus tanks that carry the gas and what essentially is a refrigerated or a thermos bottle. There is no refrigerator on the vessel that just contains it within the cylinders.

Senator STEVENS. I am sure you are familiar with our preference for the Alaska route for our gas from Prudhoe Bay down to the LNG facilities.

Mr. BLACKWELL. That is my preference, too, Senator Stevens.

Senator STEVENS. Do you see any difficulty in our securing a sufficient number of tankers to carry that gas should we get the necessary authorization?

Mr. BLACKWELL. Absolutely not. No. I do not think you need an authorization. Those ships are not operating——

Senator STEVENS. I mean authorization for the pipeline. We need an authorization for that route for the pipeline.

Mr. BLACKWELL. Yes.

Senator STEVENS. You don't see any difficulty in acquiring tankers to serve that route if that is the decision?

Mr. BLACKWELL. Not a bit. I think we calculated 12 LNGs would be necessary, and by that time we will have debugged the 9 vessels we have built. They will very likely be one of the three designs we are currently building in this country. I think that building of those ships will be a piece of cake.

Senator STEVENS. They are very necessary and I hope you will keep up your support for them. We have many other areas in Alaska that have a potential for natural gas production, and with one exception, they are all tidewater areas.

We see no reason to pay for a pipeline that goes through Canada that will be of little use to us when these floating pipelines could serve almost any area of potential onshore or offshore gas production in Alaska.

Mr. BLACKWELL. There is another benefit, the maritime or marine benefit. As I understand the El Paso proposal, it really is an all American plan that just about everything associated with it will be bought in this country, including the pipe to bring the gas down the Prudhoe.

As you know, at the current time much of the oil pipeline was procured in Japan. But in terms of the amount of work that those LNG tankers would create in the shipyards, the amount of secondary work in the plants of the component manufacturers, it just makes a very attractive package, I believe, for this country.

Senator STEVENS. The only other question I have—I haven't heard any more about the shortage of anhydrous ammonia barges. Has that been taken care of?

Mr. BLACKWELL. Thank God. It should be taken care of. As you know, the barge sunk. There is a Norwegian LNG vessel or vessel capable of handling anhydrous ammonia in there.

The American vessel is being built——

Senator BEALL. A replacement is now being built?

Mr. BLACKWELL. Yes.

Senator BEALL. Do you know when it will be delivered?

Mr. BLACKWELL. I would say in about 18 months to 20 months. I do not know exactly, but I remember there was recently a request for the extension of the present waiver for the Norwegian vessel to the Secretary of the Treasury. My recollection is he granted it for 1 year based on the fact that the American vessel would very likely be ready by that time.

Senator STEVENS. Good.

Senator BEALL. Thank you Mr. Blackwell. Senator Griffin may have some questions on your testimony today. If so, he will submit the questions to you in writing and you can submit your answers for the record.

Mr. BLACKWELL. Perhaps I should apologize to Senator Griffin in advance. I deleted from the oral portion of my testimony a great deal I had to say about the Great Lakes.

Senator BEALL. We will include your entire testimony in the record. Thank you very much.

[The statement follows:]

STATEMENT OF ROBERT J. BLACKWELL, ASSISTANT SECRETARY FOR MARITIME AFFAIRS, DEPARTMENT OF COMMERCE

Mr. Chairman and Members of the Committee: I am appearing before your Committee today in support of the Maritime Administration requests for authorizing legislation for fiscal years 1977 and 1978.

The Maritime Administration requests a total of $444,782,000 in appropriations authority for 1977. This request is a decrease of $99,245,000 from fiscal year 1976 authority and consists of:

$403,721,000 for operating-differential subsidies. This program level provides for the continued competitive operation of U.S.-flag ships in 1977;

$19,500,000 for research and development activities. This amount will continue to support the practical application of innovations and new technology to U.S. shipbuilding and ship operations;

$4,560,000 for support of the National Defense Reserve fleet;

$13,260,000 for the Merchant Marine Academy; and,

$3,741,000 for State marine schools.

No appropriations authority is requested for the 1977 Ship construction program. $247,000,000 is estimated to be available in 1977 from existing funds. This compares with an estimated $202,011,000 program level for 1976 and the Transition Quarter.

The requested legislation also includes a total of $659,061,000 in appropriations authority for fiscal year 1978. My testimony will explain the 1977 amounts. I am prepared to address 1978 in response to any questions you may have.

Our request supports the Federal government's continued commitment to maintain a strong, competitive and productive American merchant marine and shipbuilding industry adequate for both the commercial and national security needs of our Nation. Before I turn to the specific authorization request for 1977, I would like to review briefly our progress under the Merchant Marine Act of 1970.

SHIPBUILDING

The Merchant Marine Act of 1970 added the maintenance of efficient facilities for shipbuilding and ship repair to the list of major national maritime objectives. There are 25 U.S. shipyards which have the facilities to build moderate-size commercial ships. These 25 yards currently have a total of about 98,000 plant employees as opposed to 79,000 prior to the 1970 Act. Subsidized shipbuilding accounts for 25 to 30 percent of the overall contract value in these yards; the Navy program accounts for about 50 percent; and private unsubsidized work currently provides 20 to 25 percent. However, the Maritime Administration ship construction program has been concentrated primarily in eight major U.S. shipyards since enactment of the 1970 Act. Among these eight yards, subsidized ship-

building represents 71 percent of the total contract value of work. Subsidized construction contracts since enactment of the 1970 Act have generated a total of about $3 billion in contract value of shipyard work, including $2 billion of private funds. These contracts cover the construction of 58 new ships, totaling 5.9 million deadweight tons, and the conversion of 20 existing ships.

As you know, there have been setbacks in the ship construction program. Contracts for nine tankers, valued at $385 million, were cancelled in U.S. shipyards in 1975. Of the eight major U.S. shipyards primarily dependent on subsidized construction, four need new contracts now. This situation may be traced directly to the 1973 oil crisis, which generated a downward trend in ship orders worldwide. However, there has been a continuing demand for bulk carriers, general cargo ships and some containerships, with new orders concentrated primarily in Japan. Still, available information indicates that for the nine months through September 1975, the U.S. ranked second (behind Japan) among the nine major shipbuilding nations in new orders for ships of 20,000 deadweight tons or more. Also, there are definite indications of interest in the subsidized U.S. construction of containerships and liquefied natural gas carriers during the 1976–77 time frame.

Current low prices in the world shipbuilding market—particularly in Japan—along with a strengthening of the dollar and some lessening of foreign inflation, are placing upward pressure on U.S. shipbuilding subsidies. All subsidized shipbuilding contracts since enactment of the 1970 Act have been awarded under negotiated contracting authority. The subsidy levels for these contracts have stayed within the guideline rates, which declined two percent annually from 45 percent in fiscal year 1971 to the current rate of 35 percent. Higher rates are permissible when the competitive bidding process is employed. The Department is currently studying whether rates in excess of 35 percent are needed for certain ship types or whether the current 35 percent rate is adequate. There will be no difficulty in maintaining subsidy rates below 35 percent for liquefied natural gas carriers and for ship conversions. Shipyard-ship purchaser negotiations will continue to be an integral part of contract development even if competitive bidding precedes negotiations. Such negotiations will contribute substantially to holding down subsidy levels.

OPERATING-DIFFERENTIAL SUBSIDIES

The operating-differential subsidy program provides subsidies to U.S.-flag ship operators where necessary to permit the operation of U.S.-flag ships at costs competitive with those of foreign-flag operators. This program assures continued U.S.-flag participation in essential foreign commerce.

U.S.-flag carriage in the liner trades has increased from 23 percent in 1970 to an estimated 29 percent in 1975. This means that last year U.S.-flag liner vessels topped their 1970 movement by about 3.5 million tons. In addition, with the operating subsidy assistance provided for the first time under the 1970 Act, the U.S.-flag tanker presence in the foreign trade is increasing despite the current market slump. However, in December 1975, 20 U.S.-flag tankers representing 11 percent of U.S. tanker tonnage, were in lay-up. This compares favorably with the current 17 percent worldwide lay-up level. U.S. lay-ups are down from 32 in September 1975, but we do not expect an appreciable further decrease.

The U.S. subsidized fleet is appreciably more modern and productive since enactment of the 1970 Act. The average age of the subsidized fleet declined from an average age of 12.7 years in 1970 to 10.4 years in 1975. Further, although the number of ships in the subsidized fleet has decreased from 215 ships in 1970 to 190 ships currently, the total deadweight tonnage has increased by almost 30 percent. Thus, the industry has attained greater utility to the Nation through increases in capacity, with a lesser number of ships requiring subsidy.

Even with these productivity improvements in the subsidized U.S.-flag fleet, subsidy requirements continue to increase. The dominant factor contributing to this is increasing wage subsidies. Subsidy for wages represents about 86 percent of total U.S. subsidy costs. Although foreign wages have been rising more rapidly than U.S. maritime wage levels, the foreign rates of increase apply to lower base costs. As a result, incremental increases in foreign wages produce smaller dollar amounts than U.S. incremental increases. The strengthening of the dollar relative to foreign currencies tends to magnify the difference between U.S. and foreign wage costs. Some increases in U.S. wage costs are also attributable to the requirement for more proficient—and, as a consequence, more highly paid—crews on the newer mechanized ships in the U.S.-flag fleet.

With the institution of a wage subsidy index system, the 1970 Act provided an effective method for minimizing subsidy increases for U.S. wage costs. This system also provides an incentive to U.S. ship operators to minimize wage increases reached in collective bargaining negotiations. This is accomplished through use of a wage index developed by the Bureau of Labor Statistics which is tied to collective bargaining increases for non-maritime wages. The system also provides for readjustment of the index every two to four years by establishment of new base wage costs. A readjustment will be made in 1977. Control over wage subsidy increases is also realized through review and approval by the Maritime Subsidy Board of manning schedules for new ships built with subsidy. Additional reductions in operating subsidies are being accomplished through the gradual elimination of subsidy for U.S. ship maintenance and repair and for hull and machinery insurance. U.S. costs for these items no longer appear to impose an appreciable competitive disadvantage on U.S. operators.

Two bilateral Agreements which will have a significant and beneficial impact on U.S.-flag shipping were negotiated last year. The U.S./U.S.S.R. Grain Purchase Agreement was negotiated primarily to assure reasonably predictable levels of U.S.S.R. purchases of U.S. grain, and, thereby, to avoid disruptions in the U.S. agricultural economy. This Agreement, which was signed on October 20, 1975, provides for annual Soviet purchases of six million metric tons of U.S. grain over the next five years beginning October 1976. In addition, a new six-year U.S./U.S.S.R. Maritime Agreement, effective January 1, 1976, was executed in December 1975. This Maritime Agreement provides for U.S.-flag carriage of one-third of commodities including Soviet grain purchases from the United States moving in the trade between the two Nations, or an amount equal to Soviet-flag carriage, whichever is greater. Together, these Agreements will assure the employment of U.S.-flag tankers and other bulk carriers in the carriage of at least two million metric tons of cargo per year over the next six years. While these Agreements will certainly benefit the U.S.-flag fleet, they will also provide significant benefits to the overall economy of the United States.

RESEARCH AND DEVELOPMENT

The Maritime Administration research and development program, conducted under cost-sharing agreements with private industry, supports the development and dissemination of information and technology intended to yield reductions in shipbuilding and ship operating costs and, hence, to minimize subsidy requirements. Industry cost-sharing in these activities has increased from zero before the 1970 Act to approximately 35 percent currently. Specific accomplishments in this program include—

Effective implementation in five shipyards of a shipbuilding automation system which improves and accelerates shipyard preparation of structural plans for new ships and provides for automated control in the cutting of steel;

Improved performance in propulsion systems, such as that provided by gas turbine engines, which require less ship space and entail lower operating costs than conventional systems;

Improvements in ship-to-ship and ship-to-shore communications for increased ship safety and utilization; and

Development of a marine simulation capability used to analyze and evaluate problems concerning ship design, operations and maneuverability.

Maritime research and development programs will be continued in 1977 at about current levels. Reductions have been made where possible as some program activities have been substantially completed and require only continuing support funding.

OPERATIONS AND TRAINING

Three activities within the operations and training appropriation require separate authorization; these are the National Defense Reserve Fleet, the Merchant Marine Academy, and the State Marine Schools programs. The remaining activities in Operations and training are authorized by Section 209(a) of the Merchant Marine Act, 1936, as amended.

The primary objective of the National Defense Reserve Fleet is to maintain a sufficient number of effectively preserved ships to supplement the active fleet in time of war or national emergency. In addition to about 100 ships that will be sold for scrap, the number of retention ships in the reserve fleet has now reached a fairly stable level of about 280. Merchant ships represent 144 of this total; the

rest are Navy ships. The merchant ships in the reserve fleet are an important national asset since they form a principal source of break-bulk shipping capacity to meet national emergency sealift requirements.

Through the authorizations and appropriations for the Merchant Marine Academy and State Marine Schools, the Maritime Administration continues to support quality education and training for the American Merchant Marine. Over the past five years, the Academy and the State Marine Schools have graduated a total of about 2,500 persons qualified for service as deck or engineering officers in the American Merchant Marine. Six States currently participate in the State Marine Schools program California, Maine, Massachusetts, Michigan, New York and Texas. These institutions and the Federal Academy provide the training necessary to maintain the high quality of the American Merchant Marine.

GREAT LAKES

At this point, I'd like to briefly review some specific actions that are being taken to assure that the Great Lakes area receives an equitable portion of Maritime Administration efforts. These actions will be elaborated in our report to you which is required by the fiscal year 1976 authorizing legislation.

In the construction differential subsidy program, an application was received in January 1975 for ships to be built for the Great Lakes-foreign trade. This application involves the construction of three multi-purpose bulk ships. The Maritime Administration has reviewed this application and is awaiting final financial arrangements by the prospective owners prior to completing the reviews. There are other indications of interest in shipbuilding for the Great Lakes trade, and we are looking forward to receiving more applications in this area.

A long-term operating-differential subsidy contract has been awarded to Lykes Bros. Steamship Co., Inc. to support its service between Great Lakes and Mediterranean ports. Farrell Lines Incorporated, in accordance with its existing operating-differential subsidy contract on an Atlantic to South and East Africa voyage, has also called at several Great Lakes ports. Additionally, a Great Lakes Region Office has been established with Headquarters in Cleveland, Ohio. The Office will be staffed with specialists in such areas as ship operations, domestic shipping, and port systems. There are also Maritime Administration field representatives in market development offices in Chicago and Detroit working to promote U.S.-flag service in the Great Lakes for the foreign and domestic commerce.

I would now like to turn to the specific authorization request for 1977.

No new appropriation authorization is requested for the 1977 ship construction program.

Current projections for the remainder of 1976 through 1977 indicate that shipbuilding programs over the next two years can be funded within amounts currently available. These amounts total $449,011,000 and consist of $213,000,000 from the appropriations for 1976 and the Transition Quarter and $236,011,000 from 1975 unobligated balances. The available funds will be distributed to provide program levels of $200,011,000 in 1976; $2,000,000 in the Transition Quarter; and $247,000,000 in 1977. This compares with an actual 1975 program level of $101,580,000 and therefore reflects substantial confidence in recovery of commercial shipbuilding demand. Subsidized construction in 1977 is projected for eight ships, including six liquefied natural gas carriers and two containerships. The conversion of two ships is also planned.

The liquefied natural gas carriers in the 1977 program are expected to be ordered in connection with liquefied natural gas projects now under consideration by the FPC. Two of these projects will involve the U.S. construction of a total of 11 ships. These projects have already achieved final contracts for the purchase of liquefied natural gas from Algeria and Indonesia. The ship construction program includes the funding for three of these ships in 1976, six in 1977 and the remainder in subsequent years. Contracts for the construction of containerships are expected to result from the increasing interest of the industry in this ship type as older ships require replacement.

The appropriation authorization requested for operating-differential subsidies is $403,721,000. This is an increase of $57,550,000 over revised 1976 requirements.

The existing 1976 appropriation authority for this program is $315,936,000. Draft legislation is being proposed to increase this authority by $30,235,000 to a revised total of $346,171,000. The increase in funds is necessary for support of the bulk carriers that will carry the U.S. share of 1976 Soviet purchases of U.S. grain.

Subsidized U.S.-flag ship operations planned for 1977 include 5.8 ship years for passenger and passenger/combo ships, 169.4 ship years for general cargo ships and 34.8 ship years for bulk ships. The total 1977 ship years for bulk ships include 13.6 ship years—a decrease of 17.9 from adjusted 1976 levels— for the carriage of anticipated U.S.S.R. purchases of grain during the year. The 1977 purchases are estimated at a total of 6.0 million metric tons—the minimum purchase set forth in the current U.S./U.S.S.R. Grain Purchase Agreement. Exclusive of this U.S.-flag carriage, the requested authority will provide for an increase of 15 ship years over 1976 levels. This is primarily the result of delivery of seven new bulk and two new cargo ships into the subsidized fleet during 1977 and the full year operation in 1977 of ships which entered the fleet in 1976.

The primary factors contributing to the increase in subsidy in 1977 are: (1) the escalation of U.S. and foreign operating costs over 1976 costs which involves a total of $22,754,000; and (2) the establishment of a new base period cost in 1977 for determining wage subsidy which will cost $20,918,000. The remainder of the increase is due to additional ship years and payments due for prior year ship operations.

Appropriation authority requested for research and development in 1977 totals $19,500,000. This includes an increase of $7,268,000 over the appropriation authority enacted for 1976.

Total funding for the 1976 research and development program was $19,768,000 consisting of an appropriation of $12,000,000 and funding from deferrals of prior year appropriations totaling $7,768,000. The 1977 appropriation authority will provide for the continuation of the 1976 program at essentially the same levels with some adjustments for individual projects as they advance toward implementation or completion.

The appropriation authority requested for National Defense Reserve Fleet expenses totals $4,560,000.

The increase of $318,000 over 1976 in this program is primarily associated with higher costs of supplies, utilities, and repair and maintenance for the fleet's service craft. Also, funds have been requested to institute a program for salvage of machinery items from ships scheduled for scrapping. These items are intended for use as spare parts on retention ships, principally the VICTORY ships.

The 1977 appropriation authority requested for the Merchant Marine Academy is $13,260,000. This represents an increase of $1,760,000 over the 1976 level.

This level of appropriation will provide sufficient resources to meet significant increases in operating costs, continue accomplishment of the facilities modernization program, and provide an increased level of funding for the ongoing maintenance and repair program.

The 1977 modernization program includes major renovation of Bowitch Hall. This building is one of three principal academic buildings and contains most of the general classroom space. Renovation will provide improved space for classrooms, laboratories, and academic office space; improve lighting to meet current standards of illumination; improve heating and ventilation; and replace deteriorated fenestrations, piping, wiring, and other facilities to bring the building up to current generally accepted standards for academic buildings. The 1977 program also includes funds for design work for Fulton Hall, the third and final principal academic building to be renovated. Five other smaller projects will also be funded. Accomplishment of the modernization program at the Academy has been planned to minimize disruption to the Academy's overall program. This program primarily funds renovation and modernization of buildings that are 34 years old and does not represent any significant expansion of facilities. Your Committee's support of this program is greatly appreciated.

Appropriation authority requested for State Marine Schools in 1977 totals $3,741,000. This is a decrease of $967,000 from 1976 levels.

The requested funding level for the State Marine Schools program continues the 1976 program level with a small increase in funds requested for increased costs of maintenance and repairs of the schoolships. A small increase in the number of cadets receiving allowances will also be provided for. This is offset by a decrease in funds associated with the one-time increase provided in 1976 for the procurement and installation of pollution control systems on the schoolships.

This completes my prepared statement. I will be pleased to address any questions you may have.

Senator BEALL. Our next witness is Mr. Edwin M. Hood, president of the Shipbuilders Council of America.

It is nice to see you, Mr. Hood. You may proceed as you wish.

STATEMENT OF EDWIN M. HOOD, PRESIDENT, SHIPBUILDERS COUNCIL OF AMERICA, WASHINGTON, D.C.

Mr. HOOD. I have a brief statement; it won't take very long.

Mr. Chairman, this opportunity to discuss the present posture of subsidized merchant shipbuilding in the United States within the framework of the proposed fiscal year 1977 Maritime Administration authorization bill (S. 820) is greatly appreciated. As you may recall, the Shipbuilders Council of America is composed of major shipbuilders, ship repairers, and ship component manufacturers in all sections of the country. On behalf of our membership involved in the construction of merchant vessels, I will try to put the current situation in timely perspective.

Section 2 of the Merchant Marine Act of 1970 states:

> That the Congress hereby finds and declares that the national policy set forth in section 101 of this act (the Merchant Marine Act of 1936) requires that there should be authorized and appropriated for fiscal years 1971 through 1980 such sums as may be necessary to construct 300 ships of such size, types and designs as the Secretary of Commerce may consider best suited to carry out the purposes and policies of this act.

The above language clearly mandates support for the construction of 300 merchant vessels over a 10-year period. It is the "law of the land" despite disclaimers suggesting that the Congress intended something else; a lesser total number of "national" or "equivalent" vessels of larger ship size is frequently mentioned in this context.

Nevertheless, by any criteria, it becomes increasingly evident that implementation of the 1970 act is falling far short of its statutorily enacted objectives for the construction of merchant ships for foreign trade operations.

Availability of CDS funding has not been the problem. The Congress has consistently authorized and appropriated sufficient money for this purpose: The sum of $187.5 million in fiscal year 1971, $229.7 million in fiscal year 1972, $425 million in fiscal year 1973, $305 million in fiscal year 1974, $275 million in fiscal year 1975, and $195 million in fiscal year 1976. Approximately $450 million from previous years' appropriations are still available and uncommitted.

At a CDS rate of 35 percent, $450 million would support the construction of merchant ships with a total value of nearly $1.3 billion. The comparable figure at a 40-percent CDS level would be more than $1.1 billion—and exactly $1 billion at a 45-percent rate.

But because of the current world shipping recession and global economic uncertainties, deriving principally from the 1973 Middle East oil embargo, the outlook for merchant shipbuilding is today unclear and unpredictable. Most shipowners and operators worldwide are hesitant about acquiring new ships at this time. In this country, administration spokesmen, as you have just heard, see new building prospects for no more than 15 vessels over the next 21 months—over the balance of fiscal year 1976 and through fiscal year 1977.

With a reserve of $450 million, one can easily rationalize the action of the administration in not asking for new CDS money as a part of the proposed fiscal year 1977 budget. But it would be truly tragic if an attitude of laissez-faire were to persist.

The Congress must take cognizance of the evidence that the enunciated policy goal of an average of 30 ships per year is not being met. From the standpoint of hindsight, as Mr. Blackwell suggested earlier, it might have been better to express shipbuilding goals in a different manner, but the statute specifically prescribes the construction of "300 ships of such sizes, types, and designs" as may be necessary over a 10-year period to enhance the purposes of the act. The number 300 is plain.

In this regard, reports of the Congress, after enactment of the 1970 act, initially emphasized the construction of 300 ships over a 10-year period and later switched to an emphasis on a 10-year program to improve shipyard efficiency.

In one instance (House Report 93–234), the program was described as envisioning "the construction of a substantial number of vessels equivalent to 300 so-called 'modern ship equivalents' over a 10-year period." However, the 1970 act was never amended accordingly.

Numbers of ships are the units by which shipbuilding production are measured, and it now seems clear that a goal of 300 ships by 1980, as intended by the Congress in enacting the 1970 act, will not be reached.

From 1971 through 1980 (10 years), the time frame of the shipbuilding program contemplated by the 1970 act, a total of 83 CDS subsidized ships will have been delivered by U.S. shipbuilders, for an average of about 8 ships per year; these include 40 tankers (oil and LNG), 2 oil/bulk/ore (OBO carriers), and 41 cargo vessels.

From 1960 through 1970 (11 years), under the then existing merchant ship replacement program, 156 CDS subsidized ships were delivered by U.S. yards for an average of about 14 ships per year. These were all cargo vessels (no tankers or bulk carriers).

From 1971 through 1980 (10 years), 102 nonsubsidized merchant ships, including 2 other vessels for Government account (icebreakers), will have been built and delivered by American yards, mostly for domestic operations.

On the basis of actual deliveries, the present outlook, and taking into account the possibility of contracts for 15 additional ships (mentioned earlier), the policy goal for 300 ships will not be achieved by 1980. Actual and projected "slippage" in the 1970 act program has to be placed at a total of 217 ships as of January 1, 1976.

These statistics, Mr. Chairman, are supported by the tabulation attached to my statement.

This pattern has regrettably been overshadowed by the dimensions of the short-term U.S. merchant shipbuilding backlog which, in turn, has tended to obscure the sharp slowdown in new contracts and the impact of that slowdown on the shipbuilding industry 2 to 3 years hence.

At the end of 1978, on the basis of today's outlook and delivery schedules, U.S. shipbuilders will have only seven merchant vessels

under construction. Employment in that portion of the U.S. shipbuilding industry devoted to the construction of merchant ships will therefore begin to drop sharply after mid-1977, perhaps sooner. Without new orders promptly, these shipyards, many of which are located in areas of chronic unemployment, will face an uncertain future. The consequences in real terms of retaining skilled workers, operational stability, utilization of new facilities, procurements from supporting industries and services, fiscal solvency, and tax revenues plus offsetting social expenditures by the public treasury could be significant.

Obviously, availability of CDS will not alone produce ship construction contracts. Other factors such as market conditions, availability of matching private capital, governmental policies, national interests, and cargo stimulation are involved. The last element is perhaps all important and has a distinct correlation with the others. Unfortunately, however, the 1970 act does not effectively address the issue of cargo stimulation. Nor does the prevailing laissez faire policy of the administration in this respect.

Nonetheless, without an increase in the volume of cargoes (exports and imports) carried by U.S.-flag shipping, opportunities for the construction of merchant ships in American shipyards will be severely circumscribed with a resulting serious erosion in the adequacy of merchant shipping and shipbuilding capabilities to serve urgent national security, national defense, and national interest requirements.

Of course, the 1970 act has produced benefits for the American merchant marine, not the least of which has been a significant volume of contracts for U.S. shipbuilders. Those benefits have been properly praised by all of us, and I can assure you our industry is truly grateful.

But on the other hand, the path of present trends that thwart congressional intentions as they involve merchant ship construction under Federal auspices should be a matter of abiding concern for the Congress, for all of us.

It must be recognized that the numbers and trends here cited are indicators of even more disturbing future developments unless effective countermeasures are promptly taken. For example, a national cargo policy, as you mentioned earlier, Mr. Chairman, envisioning programs to encourage not only the carriage of more U.S. exports but also the carriage of more imports of vital materials, bulk and liquid, exclusive of liner cargoes, in reasonable quantities, aboard U.S. flag, U.S. built ships could shape substantial merchant ship construction opportunities for American shipbuilders and provide some degree of long-term stability for shipyard operations and shipyard labor.

At the same time, the purposes of the Merchant Marine Act of 1970 would be enhanced.

[The table referred to follows:]

MERCHANT TYPE VESSELS DELIVERED BY U.S. PRIVATE SHIPYARDS (1,000 GROSS TONS AND OVER)

Year	Number	Gross tons	Built with construction subsidy		Built for Government account		For U.S. flag, no subsidy		For foreign registry	
			Number	Gross tons	Number	Gross tons	Number	Gross tons	Number	Gross tons
1960	25	404,200	9	90,500	1	2,700	13	255,000	2	56,000
1961	25	369,100	18	190,100			7	178,900		
1962	27	385,000	23	260,387	1	13,400	3	111,200		
1963	34	421,800	26	295,600			8	126,200		
1964	16	223,800	11	122,200			5	101,600		
1965	16	180,200	11	120,300			5	59,900		
1966	13	161,100	12	138,100			1	23,000		
1967	13	162,900	10	126,300	1	12,000	2	24,600		
1968	24	329,300	17	234,000			7	95,300		
1969	22	416,100	14	209,100			8	207,000		
1970	13	369,900	5	112,800			8	257,100		
1971	14	407,100	6	150,000			8	257,100		
1972	20	511,900	9	202,800			11	309,100		
1973	34	885,600	18	511,900			16	374,700		
1974	[1] 24	[2] 684,300	11	445,700			13	237,600		
1975	19	469,300	5	242,200	1	4,900	13	222,200		
1976 [2]	31	1,245,300	19	963,700	1	4,900	11	281,600		
1977 [2]	20	1,254,750	9	710,450			11	544,300		
1978 [2]	18	1,519,375	5	643,375			13	876,000		
1979 [2]	5	471,000	1	199,000			4	272,000		
1980 [2]	2	98,000					2	98,000		

[1] Includes 3 tankers for long-term charter to MSC totaling 46,500 gross tons.
[2] Estimated on basis of orderbook as of Jan. 1, 1976.

Note: MSC (MTST) construction included under "Built for Government Account".

Senator BEALL. Thank you, Mr. Hood. The thrust of your testimony is we can subsidize construction, but in the final analysis, if we don't need the ships to haul cargo, we aren't going to be able to build them, in spite of the subsidy?

Mr. HOOD. Absolutely correct.

Senator BEALL. You heard the arguments given in response to my inquiry about the national cargo preference policy, or specific cargo preference policy.

Mr. HOOD. Yes.

Senator BEALL. The principal objection appears to be the fear of retaliation. How do you respond to that argument, about possible retaliation?

Mr. HOOD. I believe there have been a number of reports issued over the past 2 years, Mr. Chairman, which dramatically demonstrate that most other maritime countries are, through either statute or osmosis, channeling more cargoes to this own flag fleets.

I don't think we should necessarily have to match every country in its actions in these respects. But I would suggest to you that a modest increase from the 6-percent figure you cited to something like 15 percent would promote and stimulate substantial benefits for American-flag shipping as well as for American shipbuilders.

Senator BEALL. It is my observation that the United States is inclined, as a matter of policy, to object to changes constantly out of the fear of retaliation. As a result we generally suffer because of this seeming phobia we have that someone is going to retaliate against us.

We just went through the legislation extending the U.S. fishery jurisdiction to 200 nautical miles and all we heard from the State Department is "Oh, you can't do that. Someone is going to retaliate."

Well, they are already retaliating, even before we have the legislation signed into law. I hope we can do something about this. It appears the policies under the United Nations may be changing a little bit in that respect under the new leadership and we may no longer have to follow that policy with regard to the merchant marine.

Mr. HOOD. In a little different vein, Mr. Chairman, about 10 years ago, Japan indicated a national direction to carry at least 75 percent of its exports and imports aboard Japanese-flag vessels.

At that time I am not aware that any country in the world, including the United States, threatened retaliation.

And, I would also remind you, that goal of 75 percent is moving rapidly toward achievement.

Senator BEALL. Thank you for your testimony.

Mr. HOOD. Thank you, Senator.

Senator BEALL. This concludes the hearing for today.

[Thereupon, at 3:25 p.m. the hearing was adjourned.]

[The following information was received for the record:]

LABOR-MANAGEMENT MARITIME COMMITTEE,
Washington, D.C., February 3, 1976.

Hon. RUSSELL B. LONG,
Chairman, Subcommittee on Merchant Marine, Committee on Commerce, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: The Labor-Management Maritime Committee composed of major U.S. flag steamship lines and maritime unions supports the proposals presented by the Assistant Secretary of Commerce for Maritime Affairs for authorization for funding maritime programs for fiscal year 1977. These proposals were the subject of hearings before your Committee on February 2, 1976 (S. 820).

We note that the total of $444,782,000 requested for fiscal year 1977 authorization provides some $99,245,000 less than for fiscal year 1976 due, in great measure, to the absence of any provision for new construction differential subsidy funds. This stems principally from changes in the international petroleum situation where prices and marketing conditions have brought about a worldwide decline in tanker operations with appreciable tanker layups. Worldwide over-tonnage in this area has also brought about cancellations in planned tanker construction. We note further that carry-over funds are considered adequate to proceed with other types of programmed ship construction without additional authorization and appropriations.

We have reviewed the requests submitted for other maritime funding requirements and believe the justifications submitted by the Assistant Secretary of Maritime Affairs are very valid. These requests include $403,721,000 for operating differential subsidy; $19,500,000 for research and development; $4,560,000 for the National Reserve Fleet; $13,260,000 for the Merchant Marine Academy, and $3,741,000 for the State marine schools.

We hold forth hopes for later expansion of U.S. flag tanker operations as conditions change but believe this can be greatly advanced by passage of cargo preference legislation such as is now proposed in H.R. 1071. We trust this legislation can be called up for hearings soon. Its enactment into law would greatly enhance tanker construction in U.S. shipyards.

Meanwhile, we give full support to the request of the Assistant Secretary of Commerce for new authorization for the appropriation of $444,782,000 broken down as above for fiscal year 1977.

We respectfully request that this statement be made a part of the record in the hearings on maritime appropriations for fiscal year 1977.

Respectfully,

EARL W. CLARK,
TALMAGE E. SIMPKINS,
Codirectors.

U.S. SENATE,
OFFICE OF THE ASSISTANT MINORITY LEADER,
Washington, D.C., February 10, 1976.

Hon. ROBERT J. BLACKWELL,
Assistant Secretary for Maritime Affairs,
Department of Commerce,
Washington, D.C.

DEAR MR. BLACKWELL: In connection with the recent Senate Commerce Committee hearings on the FY 1977 authorization bill for the Maritime Administration, I shall appreciate it if you will respond for the record, to the following questions:

(1) What has been the per student costs at each of the State maritime schools for each year since enactment of the Merchant Marine Academy Act of 1958? Please provide the percentage of each student's costs received from the Maritime Administration.

(2) What has been the Federal share of the total costs of each school for each year since 1958?

(3) Please indicate the Federal cost on a per student basis for the U.S. Merchant Marine Academy at Kings Point, for each year since 1958.

(4) If possible, provide for the most recent 5-year period, the number of graduates from each school, and the percentage of those graduates who subsequently found jobs in maritime related fields. To the extent possible, could you provide a breakdown of the types of jobs involved?

(5) Could you provide a comparison of the type and amount of Federal support for other maritime related schools as well as the amount of assistance for students in other specialized schools, such as ROTC? Please indicate the Federal share of student costs.

If you have any questions, please contact David Clanton of my staff at 224–2708.

With best wishes, I am

Sincerely,

ROBERT P. GRIFFIN,
U.S. Senator.

MARCH 9, 1976.

Hon. ROBERT P. GRIFFIN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GRIFFIN: This is in response to your letter of February 10, 1976, requesting information on the Federal and State Academies. For your convenience we have listed your questions and our responses on the attached pages.

We trust that this information will be of assistance to you and will be glad to assist you further should you require any additional information.

Sincerely,

HOWARD P. CASEY,
ROBERT J. BLACKWELL,
Assistant Secretary for Maritime Affairs.

Attachments.

Question 1. What has been the per student cost at each of the State maritime schools for each year since the enactment of the Maritime Academy Act of 1958? Please provide the percentage of each student's costs received from the Maritime Administration.

Answer. The following table shows our estimates of the total cost per student per year at each school and what percentage of that cost was defrayed by Maritime Administration funds.

STATE MARITIME SCHOOLS

[In dollars]

Fiscal year	California		Maine		Massachusetts		Michigan		New York		Texas	
	Estimated total cost [1]	Marad, percent [2]	Estimated total cost [1]	Marad, percent [2]	Estimated total cost [1]	Marad, percent [2]	Estimated total cost [1]	Marad, percent [2]	Estimated total cost [1]	Marad, percent [2]	Estimated total cost [1]	Marad, percent [2]
1959	(3)	(2)	(3)	(3)	(3)	(3)	----------	----------	(3)	(3)	----------	----------
1960	2,697	41	3,183	31	2,768	45	----------	----------	3,077	25	----------	----------
1961	2,938	39	2,901	34	3,421	39	----------	----------	3,087	26	----------	----------
1962	3,657	32	3,171	33	3,452	39	----------	----------	3,519	24	----------	----------
1963	3,408	34	3,182	35	3,404	40	----------	----------	3,412	26	[4] 9,502	[4] 43
1964	4,169	30	2,897	31	3,754	38	----------	----------	4,741	18	8,811	33
1965	4,398	29	2,892	33	3,823	37	----------	----------	4,532	19	6,693	28
1966	4,435	28	3,032	31	4,904	31	----------	----------	4,834	17	7,056	32
1967	4,549	26	3,082	29	4,083	33	----------	----------	5,057	16	5,589	33
1968	4,750	28	3,296	29	4,464	34	----------	----------	5,325	15	5,634	37
1969	5,161	28	3,725	28	4,246	33	----------	----------	5,741	15	6,636	41
1970	5,790	24	4,370	23	4,665	34	[5] 8,393	[5] 48	5,652	21	7,305	30
1971	6,623	34	4,485	27	5,649	38	7,106	38	5,865	15	7,809	25
1972	6,691	32	5,073	21	4,511	24	7,342	28	6,131	13	8,091	24
1973	7,069	27	5,769	17	4,644	20	8,777	32	6,382	14	9,913	31
1974	7,786	20	7,176	20	4,872	24	7,701	36	7,020	17	14,379	25
1975	8,405	21	7,957	21	5,230	21	7,306	40	7,708	18	13,165	23

[1] Includes Marad, State, student, and miscellaneous funds.
[2] Reflects costs for maintenance and repair of the schoolship, grant to the school and student allowance payments, as a percent of total, without differentiating subsidy status of cadets.
[3] The Maritime Academy Act was approved on Aug. 18, 1958. Information for fiscal year 1959 is not readily available.
[4] School commenced operating in June 1962.
[5] School enrolled its first class in January 1970.

Question 2. What has been the Federal share of the total costs of each school for each year since 1958?

Answer. Please refer to the table provided in answer No. 1 which shows the percent of the total cost per student per year defrayed by Maritime Administration funds. Information on Federal funds the schools may have received from other Federal sources is not readily available.

Question 3. Please inidcate the Federal cost on a per student basis for the U.S. Merchant Marine Academy at Kings Point, for each year since 1958.

Answer. The following table shows our estimates of the net Federal cost per student per year at the U.S. Merchant Marine Academy.

Net Federal cost per student per year [1]

Fiscal Year:	
1958	$2,453
1959	2,472
1960	3,030
1961	3,005
1962	3,148
1963	3,291
1964	3,449
1965	3,538
1966	3,769
1967	4,597
1968	4,783
1969	5,192
1970	5,873
1971	6,151
1972	6,875
1973	7,497
1974	7,703
1975	8,300

[1] These costs do not include expenditures for modernization and major repairs.

Question 4. If possible, provide for the most recent 5-year period, the number of graduates from each school and the percentage of those graduates who subsequently found jobs in maritime related fields. To the extent possible, could you provide a breakdown of the types of jobs involved?

Answer. Based on information furnished us by each of the schools we have prepared the table below on the number of graduates from each school and the percentage of graduates who found employment in maritime related fields. Information on the specific types of jobs involved is not readily available on a consistent basis for all the Academies.

Schools	Class of—				
	1971	1972	1973	1974	1975
U.S. Merchant Marine Academy:					
Number of graduates	214	211	196	183	201
Percent maritime related [1]	62	84	74	88	85
California Maritime Academy:					
Number of graduates	71	61	61	52	56
Percent maritime related [1]	56	93	92	100	91
Maine Maritime Academy:					
Number of graduates	117	95	110	116	80
Percent maritime related [1]	50	80	90	85	87
Massachusetts Maritime Academy:					
Number of graduates	74	72	(2)	69	102
Percent maritime related [1]	49	68	(2)	81	75
Great Lakes Maritime Academy:					
Number of graduates		6	9	13	15
Percent maritime related [1]		83	89	85	87
State University of New York Maritime College:					
Number of graduates	109	108	124	127	130
Percent maritime related [1]	45	88	87	68	76
Texas Maritime Academy:					
Number of graduates	30	15	14	16	18
Percent maritime related [1]	90	100	100	100	100

[1] Includes graduates who were employed in deep sea and domestic shipping, Navy, Coast Guard, and maritime related areas ashore.
[2] No graduating class due to a change in curriculum from a 3- to 4-year program.

Question 5. Could you provide a comparison of the type and amount of Federal support for other maritime related schools as well as the amount of assistance for students in other specialized schools, such as ROTC? Please indicate the Federal share of student costs.

Answer. Under the provisions of section 603 of the Merchant Marine Act, 1936 (as amended), the Maritime Administration makes operating differential subsidy (ODS) payments to specific companies. The U.S. cost elements on which the calculation of ODS is based include all items of expense required through collective bargaining agreements. The estimated portion of ODS payments made to subsidized steamship companies, which can be directly related to company contributions to industry training operations in fiscal year 1975, was $3,727,000. Sufficient information is not available to compute the estimated Federal cost per student.

With regard to Federal assistance for students in ROTC programs our information is limited to the Naval Reserve Officer Training Corps programs. We understand that the Navy has a NROTC scholarship program which offers the following benefits: all tuition paid, all books furnished, $100 per month subsistence allowance during the school year and a $1,000 uniform allowance. The NROTC college program offers students not selected to receive a scholarship an opportunity to participate in NROTC. The monetary benefits of the college program include a $1,000 uniform allowance and $100 per month subsistence allowance during the junior and senior years.

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