Calendar No. 292

110TH CONGRESS
1st Session

SENATE

REPORT
110–139

NAVAL VESSEL TRANSFER ACT OF 2007

JULY 31, 2007.—Ordered to be printed

Mr. BIDEN, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 1565]

The Committee on Foreign Relations, having had under consideration a bill (S. 1565) to provide for the transfer of naval vessels to certain foreign recipients, reports favorably thereon and recommends that the bill do pass.

CONTENTS

I. PURPOSE

This bill authorizes the transfer of a total of eight excess naval vessels—two Oliver Hazard Perry class guided missile frigates and six Osprey class coastal minehunters—to Turkey, Lithuania, and Taiwan.

II. COMMITTEE ACTION

S. 1565 was introduced by Senator Biden on June 7, 2007. Senator Lugar was an original cosponsor, and Senator Hagel joined as a cosponsor on June 27, 2007. On June 27, 2007, the Committee ordered the bill reported favorably by voice vote.

III. DISCUSSION

Section 824(b) of the National Defense Authorization Act for Fiscal Year 1994, as amended (10 U.S.C. 7307(a)), requires that a naval vessel that is in excess of 3,000 tons or that is less than 20 years of age may not be disposed of to another nation unless the disposition of that vessel is approved by law enacted after August 5, 1974. Accordingly, section 2(a) of S. 1565 authorizes a grant of two guided missile frigates to Turkey, one coastal minehunter ship

59–010

to Turkey, and two coastal minehunter ships to Lithuania. Section 2(b) authorizes the sale and transfer of two coastal minehunter ships to Taiwan, and one coastal minehunter ship to Turkey.

The U.S. Navy, with the approval of the Office of Management and Budget, requested the authority to transfer the ships named in the bill and assured the Committee on Foreign Relations that the transfer of these excess defense articles would not degrade the capabilities of the U.S. Navy and would enable three allies to carry out important naval security missions. The U.S. Navy estimates (using a formula in which the original acquisition value of each ship is multiplied by a coefficient based upon the condition of the ship) that the sale of three coastal minehunter ships will result in payments of $52.7 million by Taiwan and Turkey.

The bill also contains other provisions that are traditionally included in ship transfer bills. Section 2(c) provides that the value of any vessels transferred on a grant basis will not count against the annual cap on transfers of excess defense articles contained in Section 516 the Foreign Assistance Act of 1961. Section 2(d) requires that the recipient country pay for any costs incurred by the United States in connection with the transfer. Section 2(e) directs that, to the maximum extent possible, any repairs required for one of these vessels before being transferred should be carried out at a shipyard within the United States. Finally, section 2(f) provides that authority for ships to be transferred under this Act shall be available for two years after the date of enactment of this Act.

IV. COST ESTIMATE

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 10, 2007.

Hon. JOSEPH R. BIDEN, JR.,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1565, the Naval Vessels Transfer Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sam Papenfuss.

Sincerely,

PETER R. ORSZAG

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 10, 2007.

S. 1565

S. 1565 would authorize the transfer of eight naval vessels to foreign countries: five by grant and three by sale. In each case, the bill identifies the vessel, the type of transfer, and the recipient country. The authority to transfer those vessels would expire two years after enactment. Under the bill, any cost of refurbishment and transfer must be paid by the recipient country and is typically paid directly to the private shipyard that does the work.

Based on information from the Navy regarding the value of those ships and recent experience with actual sales and grants, CBO estimates that the sales would increase offsetting receipts by a total of $53 million—$12 million in 2008 and $41 million in 2009. (Asset sales are a credit against direct spending.) Implementing the bill would not have a significant effect on spending subject to appropriation.

S. 1565 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandate Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Sam Papenfuss. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the committee notes that no changes to existing law are made by this bill.

○