

the time, the city expressed concern about the cost and viability of the gates. Prior to the placement of the gates in North Dakota, no testing on the gates had been conducted at any location in a northern climate. Unfortunately, this significant oversight proved fatal for the gates. In 1982, shortly after the start of operations of the bascule gates, a large block of ice caused excessive pressure on the hydraulic system causing it to fail. These damages added additional costs to the project and a financial burden on the city as modifications to the gate hydraulic system were made and a de-icing system installed.

Today, the city of Dickinson no longer benefits from the additional water capacity of Lake Patterson. The city of Dickinson now received their water through the Southwest Pipeline which was made possible through the Garrison Diversion Unit, another Bureau of Reclamation Project. The pipeline provides a high quality and more reliable water supply than the city's previous supply from Lake Patterson. To date, the city has repaid more than \$1.2 million for the bascule gates despite the fact that they no longer provide any significant benefit to the city.

In addition to allowing a lump sum payment, the bill also requires the city of Dickinson to pay annual operation and maintenance costs for the bascule gates, up to a maximum of \$15,000. Annual O&M costs to date have averaged about \$9,000 over the past 10 years. Any annual O&M costs beyond \$15,000 would be the responsibility of the federal government. Finally, the bill permits the Secretary of the Interior to enter into appropriate water service contracts with the city for any beneficial use of the water in Patterson Lake.

Mr. Speaker, I believe that the legislation represents a fair and appropriate resolution for the federal government and the city of Dickinson to this longstanding issue.

THE ALL AMERICAN CRUISE ACT OF 1999

HON. DUNCAN HUNTER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, November 16, 1999

Mr. HUNTER. Mr. Speaker, today I am introducing a bill critical to the future of our domestic shipbuilding industry. This bill, aptly named the "All American Cruise Act of 1999," takes steps that are long overdue to promote the construction of cruise ships by U.S. shipbuilders. My bill is a prime example of a "Made in the USA" initiative.

The United States is the largest cruise ship market in the world. In 1998, 120 foreign-built, foreign-registered cruise ships serviced the American market, which consists of nearly seven million passengers annually. Experts anticipate that by 2003 there will be 10 million passengers and 160 foreign-built and operated ships servicing North America. American shipbuilding firms have been placed at a decisive disadvantage in the global shipbuilding market due to U.S. tax laws and European subsidy policies. European builders of cruise ships receive numerous tax incentives and other assistance from their governments to reduce the price of their ships. Foreign cruise companies operating from U.S. ports pay no U.S. income tax, an immediate price advantage for the for-

eight competitor. For example, Carnival Cruise Lines, a Libyan registered company, is reported to have earned \$652 million in tax-free income during 1998, yet 90 percent of their passengers are Americans.

The All American Cruise Act is designed to bring this industry back to our shores through tax parity desperately needed to encourage our domestic industry. My bill, among other recommended changes, would implement the following: tax credits to U.S. builders of cruise ships of 20,000 gross tons and greater; U.S. cruise ship owners will be exempt from paying U.S. corporate income tax; cruise ship owners will be able to depreciate their ships over a five-year period rather than the current 10-year period; the current \$2,500 business tax deduction limit for a convention on a cruise ship would be repealed to give the same unlimited tax deductions for business conventions held at shore-side hotels; and a 20 percent tax credit will be granted to U.S. companies which operate ships using environmentally clean burning engines manufactured in the United States.

While some of these tax provisions may at first glance seem costly to the U.S. Treasury, it should be noted that, since cruise ships are not presently built domestically nor operated as U.S. companies, current tax revenues will not be impacted. In fact, when this bill is passed, hundreds of thousands of high technology and high skill manufacturing jobs will be created. Although my bill has not yet been scored by the Joint Tax Committee or the Congressional Budget Office, I am confident that it will actually contribute to the U.S. Treasury as well as to the U.S. manufacturing base.

In addition, the All American Cruise Act has national security implications. At this time there are only six private-sector shipyards in the United States. These shipyards are located in California, Connecticut and Rhode Island, Louisiana, Maine, Mississippi, and Virginia. Taking legislative action to ensure a robust domestic ship building industry will ensure that U.S. taxpayers have access to competitive prices, technology, and a ready supply of ships and labor in time of conflict. A recent Congressional Research Service Report (RL 30251) stated, ". . . competition in defense acquisition can generate benefits for the government and taxpayers by restraining acquisition costs, improving product quality, encouraging adherence to scheduled delivery dates, and promoting innovation." Further, "achieving effective competition in Navy ship construction has become more difficult in recent years due to the relatively low rate of Navy ship procurement . . ." It is in our best interest as a nation to do all we can to ensure that there is a viable and productive United States shipbuilding industry that will meet our national security, cargo and recreational needs long into the future.

The All American Cruise Act will also stimulate revenue for our nation's ports. With U.S. built and operated cruise ships in operation, American cruise lines will be able to dock at more than one U.S. port per trip. This will ultimately benefit both passengers and local ports.

It is also important to emphasize that ships built in the United States and operated by Americans adhere to the highest construction, labor, and environmental standards, unlike ships that are neither built nor operated to

America's high safety standards. Our citizens deserve better. My bill will give American tourists the safety they deserve when vacationing at sea.

The All American Cruise Act is supported by both industry and labor. In fact, I am submitting letters in support of this legislation from the following organizations: the American Shipbuilding Association, the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, the American Maritime Officers, and the American Maritime Officers Service.

I urge all of my colleagues to join me in sponsoring this legislation. Throughout our history, seafaring vessels have played a critical role in our military, cargo movement and entertainment. The time has come to bring the cruise industry back to America's shores. Support the All American Cruise Act of 1999.

AMERICAN SHIPBUILDING ASSOCIATION
November 9, 1999.

Hon. DUNCAN HUNTER,
Rayburn House Office Building, Washington, DC.

DEAR CONGRESSMAN HUNTER: On behalf of the shipbuilding industry, the American Shipbuilding Association (ASA) would like to express to you its strong support of your legislation, entitled the "All American Cruise Act of 1999". This bill will provide American shipbuilders, owners, and crews with tax parity with foreign builders and owners of cruise ships that operate almost exclusively from U.S. ports and derive over 90 percent of their income from U.S. citizens.

As you have recognized, American shipbuilders, ship owners, and crews have been placed at a severe competitive disadvantage in the American cruise ship market because of the U.S. tax code that rewards companies that build and register their ships in foreign countries while penalizing American companies who wish to build and register their ships in the United States. For example, the 120 cruise ships that serve the North American market depart U.S. ports with vacation tours bought by U.S. citizens. These ships, however, are built in foreign countries where governments provide tax credits and other assistance that equates to as much as a 50 percent reduction in the price of these ships. The ships in turn are operated by companies that register them in foreign countries to avoid U.S. corporate income tax. By building and operating these ships foreign, these companies avoid America's high environmental, labor, and safety standards in the construction and operation of their ships, and jeopardize the lives of American tourists.

Some in Congress would propose that the United States just surrender the U.S. cruise ship market to these foreign entities by repealing the American Passenger Vessel Services Act, which requires ships carrying passengers between two U.S. ports to be U.S.-built, owned, and crewed. Our industry believes there is a better way—your way—which would create an All American industry built by Americans for Americans. Your legislation would retain U.S. high safety standards in the construction and operation of cruise ships, while providing American builders and owners tax parity with foreign builders and owners of cruise ships that operate from U.S. shores.

Your bill would create hundreds of thousands of high technology, high skilled manufacturing and seagoing jobs for Americans; strengthen the American defense shipbuilding industrial base; and ignite a powerful engine that would propel all segments of the U.S. economy toward strong growth and prosperity into the 21st Century. Furthermore, American tourists would be assured

that they would be vacationing on the safest constructed and operated ships in the world.

The American Shipbuilding Association commends you for your legislation and urges your colleagues to support the All American Cruise Act of 1999.

Sincerely,

CYNTHIA L. BROWN,
President.

AMERICAN MARITIME
OFFICERS SERVICE,

Washington, DC, November 9, 1999.

Hon. DUNCAN HUNTER,

U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN HUNTER: We understand that you are considering introducing legislation to address the inequities facing the creation of a domestic U.S.-flag, U.S.-built cruise industry. We have reviewed the draft bill and on behalf of the American Maritime Officers Service, we would like to express our strong support for your effort.

As you know, the United States is the largest cruise ship market in the world and represents one of the largest growth markets. Yet all of the large oceangoing cruise ships serving the American market are built and operated by foreign companies to avoid U.S. tax laws. This anomaly has created a market barrier to U.S. companies are to have an opportunity to develop an American cruise industry to serve our market. Your legislation will provide American companies tax parity with their foreign competitors and create hundreds of thousands of high technology jobs, highly skilled manufacturing and seagoing jobs. In addition, your legislation will increase port revenues in the United States.

Again, we wish to commend you for your efforts and urge you to introduce the "All-American Cruise Act of 1999" at the earliest possible date. Please do not hesitate to call me if I can be of any assistance in gaining support for your efforts.

Sincerely,

GORDON W. SPENCER,
Legislative Director.

AMERICAN MARITIME OFFICERS, A
NATIONAL UNION CELEBRATING 50
YEARS,

Washington, DC, November 9, 1999.

Hon. DUNCAN HUNTER,

U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN HUNTER: We understand that you are considering introducing legislation to address the inequities facing the creation of a domestic U.S. flag, U.S. built cruise industry. On behalf of the American Maritime Officers, the largest seagoing officer's union in the United States, we want to take this opportunity to commend you for your efforts. This proposed legislation is critical if Americans are to reenter a market currently being dominated by foreign built and foreign-crewed ships.

The United States is the largest cruise ship market in the world and represents one of the largest growth markets. All of the large oceangoing cruise ships serving the American market are built and operated by foreign companies to avoid U.S. tax law. This anomaly has created a market barrier to U.S. companies which pay U.S. taxes.

Tax parity must be provided if U.S. companies are to have an opportunity to develop an American cruise industry. Your legislation will provide tax parity in a number of very critical ways including tax credits to U.S. builders of cruise ships over 20,000 tons, accelerated depreciation for ships build in U.S. shipyards, elimination of the current \$2,500 limit for the cost of conventions on cruise ships, and exemption from U.S. corporate income tax for U.S. cruise operators. Changes such as these are critical if Americans are to enter a market now dominated by foreign companies that pay no taxes.

Again we wish to commend you for your efforts and urge you to introduce the "All-American Cruise Act of 1999" at the earliest possible date. Please do not hesitate to call me if I can be of any assistance in gaining the support for your effort.

CHARLES T. CRANGLE,
Executive Director,

*Congressional and Legislative Affairs
American Maritime Officers.*

INTERNATIONAL BROTHERHOOD OF
BOILERMAKERS, IRON SHIP BUILD-
ERS, BLACKSMITHS, FORGERS &
HELPERS,

November 8, 1999.

HON. DUNCAN HUNTER,

U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN HUNTER: We understand that you are considering introducing legislation to address the inequities facing the creation of a domestic U.S. flag, U.S. built cruise industry. We have reviewed the draft bill and on behalf of the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers, we would like to express our strong support for your effort.

As you know the United States is the largest cruise ship market in the world and represents one of the largest growth markets. Yet all of the large oceangoing cruise ships serving the American market are built and operated by foreign companies to avoid U.S. tax law. This is a huge market—120 foreign-built cruise ships serve the American market today. The number is expected to grow to 160 by 2003. Unless U.S. tax laws are amended to allow the entry of American companies into this market, these ships will continue to be built by European shipyards and be owned and operated by foreign companies. Your legislation will provide American companies the needed tax parity with their foreign competitors and create hundreds of thousands of highly skilled manufacturing jobs in the United States. It is a given that European builders of cruise ships receive numerous tax incentives and other assistance from their governments to reduce the price of their cruise ships. It is only fair that our shipyards and our skilled workers be given the same breaks as those provided to our competitors.

Again we wish to commend you for your efforts and urge you to introduce the "All-American Cruise Act of 1999" at the earliest possible date. Please do not hesitate to call me if I can be of any assistance in gaining the support for your effort.

Sincerely,

ANDE M. ABBOTT,
Assistant to the International President.