

CONFERENCE REPORT ON H.R. 3210,  
TERRORISM RISK PROTECTION  
ACT

Mr. OXLEY. Mr. Speaker, pursuant to House Resolution 607, I call up the conference report on the bill (H.R. 3210) to ensure the continued financial capacity of insurers to provide coverage for risks from terrorism.

The clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to the rule, the conference report is considered as having been read.

(For conference report and statement, see proceedings of the House of November 13, 2002, at page H8722).

The SPEAKER pro tempore. The gentleman from Ohio (Mr. OXLEY) and the gentleman from New York (Mr. LAFALCE) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio (Mr. OXLEY).

GENERAL LEAVE

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the conference report.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. OXLEY. Mr. Speaker, I yield myself 6 minutes.

September 11, 2001, will go down in history as one of the most tragic days in American history as a foreign terrorist network unleashed a devastating attack against our Nation, killing or injuring thousands and causing greater insured losses than all recent natural disasters combined. This attack not only destroyed the lives of innumerable innocent people from all corners of the world, but it was also intended to disrupt the very center of America's financial infrastructure.

Fortunately, the American people and our economy proved stronger and more resilient than anyone could have imagined. Under the leadership of our President, we have fought back, destroyed the terrorist launching pad, and fortified our borders and financial infrastructure security. We absorbed the terrorists' best hit, and our financial system and our will remain as strong as ever.

In the insurance industry not a single American firm was rendered insolvent and insurers were able to expedite claims payments to rush aid to those most in need.

The one weak link in our comeback has been the foreign reinsurance market, which since 9/11 has been understandably uncomfortable with providing further coverage for terrorist attacks. An effective insurance industry relies on spreading risk as broadly as possible, in the case of reinsurance across the entire globe. American insurers rely on foreign reinsurance to protect their solvency against truly catastrophic events. Insurers simply cannot responsibly provide protection

for American businesses without some sort of financial backstop, and where the foreign private sector can no longer fill that role we must step in to protect our economy against the threat of future attacks.

A recent Real Estate Roundtable survey cited more than \$15 billion in real estate projects across the U.S. being delayed or canceled because of their terrorism exposure. If the building projects do not go forward, it means that the architects, engineers, construction workers, and realtors do not work. Our economy will continue to be impaired and thousands of American jobs will continue to be lost. We cannot afford to allow the terrorists this victory. We must act.

Another survey found that 84 percent of responding American businesses do not believe their companies have sufficient coverage in the face of another terrorist attack and 71 percent find it difficult or impossible to obtain adequate coverage. We survived 9/11, but without a reinsurance backstop for terrorism, another attack could force thousands of companies into bankruptcy with no protection or recourse. At a time when we are preparing for war in the Middle East and facing repeated terrorism security warnings in the United States, we cannot afford not to have a Federal backstop in place.

President Bush immediately realized the significance of this economic problem and called on the Congress to pass legislation soon after 9/11 and has been tirelessly pressing Congress for legislation ever since. The House quickly answered this call with passage of legislation last November 1 a year ago and now stands ready to deliver. We have worked closely with the President and the Senate to draft strong bipartisan legislation that is pro-consumer, pro-taxpayer and pro-business. This legislation, the Terrorism Risk Insurance Act, will provide a Federal backstop for Americans to protect against future catastrophic terrorist attacks. We provide American businesses with immediate protection upon enactment while long-term contracts are being negotiated. The Federal backstop then phases out over time with insurers paying a steadily increasing deductible of 7 to 15 percent of their premiums before the Federal catastrophic protection kicks in.

□ 2100

As the reinsurance market flows back in, the Federal involvement would phase out in 3 years.

We also provide full protection for the American taxpayers. The conference report provides for full payback of any Federal assistance, with the first 10 to \$15 billion of losses required to ultimately be borne by the insurance industry as mandatory retention and payback. The remainder will be recouped based on economic conditions.

Consumers are provided with mandatory availability of terrorism coverage and with a significant disclosure to improve their competitive options.

This bill is absolutely necessary to the well-being of the American economy to protect U.S. jobs and against future terrorist attacks. We need this backstop in place now.

I would be remiss if I did not point out the considerable contributions made by my colleague and subcommittee chairman, the gentleman from Louisiana (Mr. BAKER). Without his hard work and dedication, this legislation would not have been possible. Also I recognize the important contributions to protect Americans by our full committee ranking member, the gentleman from New York (Mr. LAFALCE), and our subcommittee ranking member, the gentleman from Pennsylvania (Mr. KANJORSKI), here in the House, as well as Senators DODD, SARBANES and GRAMM.

Our House conference report was signed by every single conferee on our committee, and its bipartisan support is a testament to the work of the President and these Members.

I just want to take this opportunity to thank my good friend, JOHN LAFALCE. I think he is probably handling his last bill in his role as ranking member on the committee. But I want to personally thank him for his dedication and service to our Nation, and particularly his hard work on this very, very important legislation on terrorism insurance. We have worked continuously for the last 2 years, and I just cannot say enough about his dedication and hard work. We are going to miss you, John, and all of the opportunities we have had to work together on numerous issues; and we wish you the very best in your retirement.

Mr. LAFALCE. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LAFALCE asked and was given permission to revise and extend his remarks.)

Mr. LAFALCE. Mr. Speaker, I thank the gentleman from Ohio very, very much for his very kind comments. It, too, has been a pleasure working with him, especially the past 2 years during his chairmanship of the Committee on Financial Services.

Mr. Speaker, after very many fits and starts, the terrorism reinsurance package will finally become a reality, despite persistent opposition by many in this body who stalled passage of this bill for almost a year by seeking to unfairly limit the rights of victims resulting from a terrorist attack.

Our Nation has been faced with numerous economic dislocations as a result of the September 11 attacks as it continues to prepare for the specter of future attacks. A case in point is the legitimate concern raised that the market relating to terrorism coverage has evaporated, forcing primary insurers to increase prices or withdraw coverage, so we have had both an unavailability and an affordability problem.

This is not an insurance industry problem, because if the insurance industry cannot reinsure the risk of future terrorist attacks, or will not, it

will either not offer terrorism coverage or will price it out of the reach of most consumers and leave areas of the country particularly susceptible to terrorist attacks without coverage, and, most importantly, stall or scuttle future building projects. The consequences of such action for our economy and for consumers, should this continue, could be devastating.

The conference report achieves what I believe is an acceptable balance. The bill makes insurance available by constructing a short-term Federal backstop with minimal government intrusion into the insurance market by ending 3 years after a private sector mechanism emerges. In addition, it requires significant contributions by industry that keeps industry on the hook for substantial losses, thereby protecting the American taxpayer.

More importantly, the bill also avoids making this important economic package a Trojan horse for tort reform, a favorite of many in this body and many in the White House, some of whom worked long and hard for over a year to derail this bill in order to advance what I consider to be an ideological agenda at the expense of economic growth and the protection of American businesses.

Rather, the bill before us tonight provides for prudent measures that protect the interests of taxpayers and maintains the legitimate rights of victims by, one, creating an exclusive Federal cause of action governed by applicable state law for all suits for property loss, personal injury or death arising out of a terrorist event; secondly, consolidating claims into a single Federal district court; and, third, ensuring that the Federal Government will not be directly or indirectly responsible in its role as a reinsurer for any punitive damages.

I support this important response to mitigate the economic fallout from the threat of future attacks on this Nation, and I urge my colleagues to support this conference report, as I have and all the Democratic conferees have, and then I would urge the President to sign it into law swiftly.

Mr. Speaker, I reserve the balance of my time.

Mr. OXLEY. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from New Jersey (Mr. FERGUSON), a valuable member of the committee, as well as the conference committee.

Mr. FERGUSON. Mr. Speaker, I thank the chairman for yielding me time.

Mr. Speaker, I rise today in strong support of this terrorism insurance legislation that is crucial to our economic security in this Nation. This year alone the lack of terrorism insurance has terminated or delayed billions of dollars' worth of commercial property financing. Across this country we have seen hospitals, office buildings, malls, stadiums and museums among the many facilities that are having difficulty finding terrorism coverage.

With commercial development stalling, workers are also missing out on jobs. That is why it is imperative that we pass this terrorism insurance legislation to protect American jobs and strengthen our economy as we protect ourselves against future terrorist attacks.

Without coverage, the economic impact of another terrorist attack would indeed be devastating. The U.S. could face a string of bankruptcies, loan defaults and layoffs that would intensify the blow of the attack. As a conferee on this legislation, I am proud to say that we have produced legislation that is a direct response to the uncertainty in the insurance market that is hindering the economy and costing American jobs.

Under this legislation, private insurance would pay for damages up to a certain amount, and the Federal Government would guarantee against catastrophic losses. By establishing a temporary risk-spreading program to shore up the insurance market, it will help provide much-needed confidence and certainty, while also minimizing government regulation, which would only go into effect if a terrorist attack occurred. It will also effectively limit market disruptions, encourage economic stabilization, and facilitate the transition to a viable private market for terrorism risk insurance.

Most importantly, we have carefully crafted a package with much-needed taxpayer protections, including mandatory payback and recoupment. This ensures the availability and affordability of terrorism insurance in the market, while also maintaining the flexibility to protect taxpayers and policyholders.

I applaud President Bush and the gentleman from Ohio (Chairman OXLEY) for their determination and leadership in moving this legislation that will strengthen our economic security. I urge my colleagues to support this terrorism insurance legislation to help create jobs, strengthen economic growth, and reduce the impact of any future terrorist attack.

Mr. LAFALCE. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania (Mr. KANJORSKI), the distinguished ranking member of the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises responsible for the terrorist insurance bill.

Mr. KANJORSKI. Mr. Speaker, I rise in support of the conference report on the Terrorism Risk Insurance Act. We need this economic stabilization to provide an inoculation for our ailing economy.

Since last year's terrorist attacks, insurance rates for businesses have risen significantly across the country. One recent report by the Insurance Information Institute found that insurance rates have increased by 30 percent or more after last year's terrorist attacks. One of the primary factors contributing to these dramatic increases is the lack of terrorism insurance.

The failure to create a Federal terrorism insurance backstop has also had serious implications for our economy. As the report of the Joint Economic Committee found, the problems associated with terrorism reinsurance pose a significant threat to sustained economic growth. The Real Estate Roundtable found that the lack of terrorism insurance availability for commercial properties has resulted in the cancellation or delay of \$15 billion in real estate deals, resulting in the loss of potentially 300,000 fewer good-paying construction jobs.

Terrorism insurance is critical to protecting jobs and promoting America's economic security, whether in Wilkes-Barre, Scranton, or Hazleton, Pennsylvania, or in New York City. The issue of terrorism insurance may also affect our national economy more immediately and more drastically than any tax or spending issue that Congress has considered in recent years. Without Federal intervention in the insurance marketplace, our already-sluggish economy will likely experience increased instability in the near future.

The conference report before us today is workable; it is an effective compromise, one that provides substantial financial protection. I am pleased that the conference report contains a number of provisions which I advocated. For example, the legislation designates the Secretary of the Treasury as the administrator of the program and clearly authorizes auditing powers and penalties.

Additionally, I worked to ensure that this conference report allows the Treasury Secretary to consider the effect of payback surcharges on urban, smaller commercial, and rural areas and on different lines of insurance. These considerations are important because they will ensure that the individual policyholders will be treated fairly and a small business, a farmer or other rural policy holder will not be asked to disproportionately subsidize losses associated with national symbols like a skyscraper or large manufacturing plant.

Moreover, through the process of considering this bill, I have worked to adapt the simplest, cleanest bill to get us through the period of uncertainty until the private sector can price the terrorism reinsurance.

Mr. Speaker, this bill should have been before the Congress a year ago. We worked diligently in the subcommittee; and if the report of the subcommittee had been presented to this floor a year ago, I am convinced in my own mind there would have been well over 420 votes to support it. Unfortunately, as the ranking member of the committee indicated, this got caught up in ideology and other factors, trying to make it a locomotive, if you will, to handle tort reform.

I think this is a perfect example of how we could start the new year and the new Congress in recognizing that partisanship and special interests or

ideologies should not be made part of public policy. We can start by looking at this case as a case in chief as to how legislation can be accomplished and how it cannot be accomplished and why 1 year lost of construction time and investment is not worth the attempt to win some political point or political benefit.

I compliment the chairman of the committee and the chairman of my subcommittee; and particularly I want to compliment, pay respect to, the ranking member from western New York. Without his diligence and without their diligence, we probably could be arguing until the cows come home.

Fortunately, everybody realized that America needs this bill. The insurance industry, which is probably the least likely industry that wants Federal involvement, recognized that this is a role government should play. But most of all, Mr. Speaker, the American people and the American economy need this bill.

I urge my colleagues to support this conference report to their fullest extent.

Mr. OXLEY. Mr. Speaker, I am pleased to yield 3 minutes to the gentleman from Texas (Mr. DELAY), the majority whip, soon to be majority leader.

Mr. DELAY. Mr. Speaker, I thank the chairman for yielding me time.

Mr. Speaker, the chairman has done a lot of hard work on this bill, and I rise today to support the terrorism insurance legislation before us and to highlight the important work still to be done on this issue.

I had my doubts about this legislation from the very beginning. The most accurate assessment of the risk to Americans is developed by the private marketplace, free from government interference. However, terrorism insurance is not always available, and sometimes it is available only at prices people cannot pay. But the most troubling aspect of this bill is the flaw that leaves American taxpayers holding the bag and trial lawyers running away with the loot.

□ 2115

The House passed a bill containing strong liability protections. The most important was an outright ban on punitive damages. We now have a conference report that lacks this ban.

Mr. Speaker, President Bush's top four economic advisers explained it best in a June 10 letter. They said very directly, "Punitive damages are designed to punish criminal or near criminal wrongdoing. American companies that are attacked by terrorists should not be subject to predatory lawsuits. The availability of punitive damages in terrorism cases would result in inequitable relief for injured parties, and threaten bankruptcies for American companies."

I wish these were the only problems with this bill. But the most troublesome aspect is the prospect that tax-

payer dollars may be negotiated away in an out of court settlement. There is no sufficient mechanism in this bill to protect a raid on the Treasury by predatory trial lawyers.

Unfortunately, there is an industry in America today that profits from tragedy and suffering. Businesses and property owners and victims who have lost their lives are innocent bystanders in terrorist attacks. My concern is that we are handing this industry additional tools to take advantage and compound these tragedies.

President Bush repeatedly said during this election that we need to stand with the "hard hats" and not the trial lawyers, and I agree with that.

However, this bill falls very short of the President's intent. The Wall Street Journal described its weaknesses as a "bonanza for trial lawyers."

I raised these concerns with President Bush. He agreed that there is more work left to protect victims of terrorism and the Federal Treasury, and he pledged to work with us next year to resolve these flaws.

I want to thank President Bush for that pledge to protect the taxpayers.

As long as I have been in Congress I have guarded the taxpayers, and we are working to fix the problems with this bill.

We are going to lock the doors of the Federal Treasury against trial lawyers who would exploit flaws in this new law to soak the taxpayers.

I am going to stand with hard-working Americans. I am going to stand with those "hard hats," and I am going to oppose anyone who seeks to plunder the Federal Treasury.

Mr. LAFALCE. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Manhattan (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Speaker, I thank the gentleman for yielding me this time and for his fine leadership on this committee and on this legislation.

I rise in strong support of the conference report for the Terrorism Risk Protection Act, which provides a Federal safety net in the form of a loan program to the insurance industry in the event of another terrorist attack.

September 11 cost the insurance industry more than \$40 billion and many insurers have since dropped terror insurance completely or hiked premiums to extreme levels.

The lack of comprehensive and affordable terrorism insurance has blocked billions in development deals, halting construction and costing jobs.

The bill provides loans to insurers for 90 percent of damages over a deductible and can apply to terrorist events over \$5 million. Very importantly, it sunsets 3 years after passage.

This is an economic stimulus bill for New York City and the country.

Cathy Wylde of New York City Partnership estimates that passage of this bill will add 1 percent to the GDP of New York City, and some economists

believe it will have the same impact for the Nation. It is extremely important to get our economy moving again. It is about jobs, putting people to work, and not letting terrorists cut off credit.

One example of the impact of the lack of terror insurance is the situation facing the managers of the Conde Nast building in Times Square. This 48-story property is a New York City landmark that houses a publishing empire and the famous NASDAQ market site from which the TV networks broadcast updates on the stock market.

While the building's owners have always carried insurance to cover the \$430 million mortgage, after September 11 terrorism coverage insurance alone for the building skyrocketed to \$5 million a year. The building's owners were unable to pay this high amount while the bank holding the mortgage demanded that they carry full coverage. As my colleagues might expect, this situation has led to prolonged litigation.

Passage of this legislation will resolve the situation for the Conde Nast building and for many other properties like it across the Nation.

Importantly, this is not just a New York City or New York State problem.

According to a recent report by the Mortgage Bankers Association, the lack of terrorist insurance has led to downgrades by the rating agencies of commercial real estate property around the country. The MBA alone believes the downgrades have cost its industry \$8 billion in canceled or delayed projects.

I am very pleased that today's bill contains a compromise on the tort reform issue.

Finally, I want to thank the chairman of the committee, and to the Democratic leader of the Committee on Financial Services, I want to thank very much the gentleman from New York (Mr. LAFALCE) for his tireless work on this issue and so many others. He stood for principle throughout consideration of the debate on this bill and, I would say, all legislation before the committee. We will truly miss his contributions to the Committee on Financial Services and to this Congress. I believe this will probably be the last bill that the gentleman will manage on the floor and we appreciate very much the gentleman's wonderful leadership and all of his fine work for his district, New York State, and I would say for the country.

Mr. OXLEY. Mr. Speaker, I am pleased to yield 4 minutes to the gentleman from Louisiana (Mr. BAKER), the chairman of the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises.

Mr. BAKER. Mr. Speaker, I appreciate the chairman yielding me this time and certainly want to compliment his leadership on this most important matter, and certainly the gentleman from New York (Mr. LAFALCE) and the

gentleman from Pennsylvania (Mr. KANJORSKI), who have worked tirelessly with us to propound a resolution to this most difficult problem.

The important point I wish to speak to tonight is the significance of the mechanism by which we assist the industry while requiring repayment of taxpayer dollars. When one of these tragic events occurs, certainly the most important thing we can do is to keep our economy working and not have the tragic event of terrorism which takes the lives of innocent human beings, which causes the destruction of properties, to extend into the workforce and cause people to lose their employment by the loss of construction jobs or other opportunities. Without the passage of this act, should there be another unfortunate event, which all of us hope never occurs, we would face very uncertain times.

The industry was able to respond, gratefully, to the horrific events in New York, but capital is depleted and we do not know what ability they may have if we suffer an event on such a grand scale again.

Tonight we are responding to those eventualities by saying yes, we will help industry, we will help you in times of short-term liquidity, when your bank account is low, when you have paid out the claims and you cannot meet the next obligation, but we are going to require that industry to put their money up first; we do not go to the taxpayer as the first stop. But then we say to those companies, here is the taxpayer loan and it is in fact a loan where we are going to enable you to continue to operate by extending credit to you during this time of crisis, but we are going to expect you to pay it back.

That is a unique standard. This House has acted in other areas of concern relating to business operation in times of terrorist attack and we have not required the extension of taxpayer funds to be repaid. Tonight, we establish a new standard. Yes, we are willing to help big business; yes, we are willing to do what is necessary to keep our economy going, but when the economy returns and the industry is enjoying a profit, we are going to expect to get our money back. I think that is not only entirely appropriate, but the highest standard of conduct for this committee to have exercised. We should not ever open the taxpayer checkbook to industry of any sort without demanding a high standard of conduct. Tonight we are setting it: You are going to give us the money back.

Now, the Secretary of the Treasury does have the discretion, should we be in desperate economic circumstance where the imposition of the repayment would not be wise, meaning it would raise the premiums on homeowners, on business owners, or that the industry simply could not generate the resources to pay the money back. So we have a balanced approach. We say yes, we will help in times of crisis and we

expect you to pay us back, but if economic conditions do not warrant it, the Secretary of the Treasury shall report to this Congress why he believes that the repayment should not occur. I think this is an excellent balance utilizing common sense and taxpayer resources to do that which we all are driven to do: to ensure that our economy functions, that terrorists do not win, that innocent working people are not harmed, and that at the end of the day our economic interests are protected.

I wish to commend all of the parties who have contributed mightily to this effort and say, job well done.

With regard to those issues concerning punitive damages, I agree with our whip. I do believe that we should be very careful in opening the doors to allow those who choose to file unwarranted litigation and suits and take 30 or 40 or 50 percent of the award that is granted, particularly in the area of punitive damages, for no apparent public policy reason, and I hope it is an area that with the President's leadership we can return to next year and resolve in the favor of the American taxpayer.

Mr. LAFALCE. Mr. Speaker, I yield 4 minutes to the gentleman from Texas (Mr. BENTSEN), a departing Member of Congress and a very distinguished representative who is here with his lovely daughter to witness what I think will probably be his final remarks in Congress.

Mr. BENTSEN. Mr. Speaker, I thank the gentleman for yielding me this time, and I want to say at the outset what a pleasure it has been to serve with the gentleman from New York (Mr. LAFALCE) on the Committee on Financial Services.

I rise in strong support of the conference report. I want to echo the comments of my colleague from Louisiana, because I think he does understand the prudent nature of this legislation. I for one have been one who is concerned about the extension of government credit where markets already exist which can provide for that. What we learned in the aftermath of the despicable attacks of September 11 was that in addition to the human carnage there was also an economic fallout, particularly as it related to the insurance market. In effect, the insurance market for terrorism which heretofore had been a very narrow and inexpensive market basically was unpriceable. One could not buy it at any price. And as such, not only were existing loans on commercial structures out of compliance with their loan documents, but innumerable new projects were halted because lenders were not able to, or were not comfortable to provide credit where the risk of terrorism would not be covered by the insurance market.

So it became necessary for the Congress to act.

We started looking at this issue shortly after September 11, 2001, and as the gentleman from New York and the gentlemen from Ohio and Louisiana

will recall, we had a number of issues that were thrown on the table. We had the reinsurers who were here, hat in hand, and wanted a program much like what Great Britain has done with the City of London and expanded across the entire nation; we had the Treasury Secretary and the administration that was here with a proposal which, quite frankly, would have put the taxpayers I think, and I think the majority of the committee felt, a little bit too much on the hook than we felt was the appropriate way to go. Actually, over time, a pretty sensible bill was crafted, bipartisan bill was crafted, primarily with the leadership of the gentleman from Ohio and the gentleman from Louisiana, and I was proud to join them on that legislation, along with the senior Senator from the State of Maryland.

As we went forward, the principle that the gentleman from Louisiana espoused became very clear, and it was that the government would provide a backstop using the credit of the American taxpayer, but that we would not do it forever, that it would have a sunset, and that there would have to be some payback mechanism; that if we were going to extend the credit, we needed a way that we could recoup the losses to the taxpayer.

□ 2130

As the gentleman said, that was a rather unprecedented approach. It has survived in this legislation, and it was not supported across the board by a number of Republicans and Democrats, but it did survive. I think a lot of credit goes particularly to the gentleman from Louisiana (Mr. BAKER), because he was quite adamant in that regard.

In addition, I want to address the question of tort, because we discussed that in the committee when we first moved the bill on this side of the street. I have to take issue with the comments of my dear colleague, the gentleman from Texas (Mr. DELAY), my neighbor in Texas, the majority whip, soon to be majority leader. As I see the final conference report, there are a number of changes that are designed to protect the taxpayers from excessive litigation: number one, all tort claims are consolidated; number two, they are all Federal claims and not State claims; number three, if I read it properly, no claims can be made against Federal taxpayer dollars.

There are some who, unfortunately, sought to use this bill as a proxy for the issue of tort reform. Yet I do not think that was what the gentleman from Ohio, the chairman, wanted to do; and quite frankly I do not think that is what the gentleman from Louisiana wanted to do, because they understood what the core problem was.

Over the last year and a half, almost, that we have been working on this legislation, I have yet to meet one business leader, one commercial developer, one insurance person who has said that the tort issue is an issue that must be

addressed. The concern they had was that there was no insurance market available and that development had come to a screeching halt.

Tonight, we finally have a product which is prudent for the American taxpayer, which sets a very fine precedent going forward for future Congresses as they look at the extension of Federal credit. I hope our colleagues will adopt this package. I wish we could have done it sooner, but thank goodness we are doing it now. I commend the chairman and the chairman of the subcommittee, and my colleague, the gentleman from New York, and the ranking member for the work they have done.

Mr. OXLEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me recognize my good friend, the gentleman from Texas (Mr. EDWARDS), who also is involved in his last bill on the floor, at least for a while. He has been a principled member of our committee and has provided reasoned judgment throughout a number of the issues that the committee has dealt with over the last 2 years. I want him to know he has my personal thanks and recognition for his excellent work.

Mr. Speaker, I yield 3 minutes to the gentlewoman from New York (Mrs. KELLY), chairman of the Subcommittee on Oversight and Investigations.

Mrs. KELLY. Mr. Speaker, I thank the gentleman from Ohio for yielding time to me.

Mr. Speaker, on September 11, our world fundamentally changed with the cowardly act of a handful of terrorists. Passage of this bill represents another significant step in our efforts to address the new realities we confront.

This bill addresses the fact that one of the key objectives of the terrorist networks is to disrupt our economy. The losses of September 11 and the continued terrorist threat demonstrate that we must provide basic protections for our economy.

The September 11 attacks resulted in the largest single hit to our insurance industry in history. Since then, businesses and insurance markets have faced a new reality. Insurers are being asked to insure terrorism risk when they have no realistic way to determine the fair price for that risk, or, in the vast majority of cases, being able to obtain any reinsurance for it.

Moreover, no one can presently calculate the proper odds for where or when the next attack will occur. We do know, however, that our government officials believe that we should expect additional attacks. Consequently, the vast majority of insurers have been reluctant to cover terrorism, especially for major buildings, factories, or gathering places.

Where terrorism insurance is available or is required by law, insurers are now charging high premiums for it and offering very limited capacity to protect against the risk of insolvency. I believe that the GAO put it best when

they testified before my oversight committee that "large companies, businesses of any size perceived to be in or near a target location, or those with some concentration of personnel or facilities, are unlikely to be able to obtain a meaningful level of terrorism coverage at an economically viable price."

Hospitals have been especially hard hit by this terrorism insurance crisis. Representatives of some of the New York hospitals testified before my subcommittee that they have seen a 256 percent increase in their coverage of their insurance rates for only one-third of the previous coverage. It is only one example of the crisis. I have many, many more and will insert letters into the RECORD which demonstrate this.

It is clear that the current lack of terrorism coverage acts as a chill factor, restraining our economy. We heard that businesses, particularly in cities and near potential targets, wanting to build are being required to carry terrorism insurance. However, there is little or no terrorism coverage available, so some new construction is being stopped before it can even start. This is causing the loss of new jobs at a time when creating jobs should be one of our highest priorities.

In short, the failure to act quickly on terrorism insurance legislation is imposing a fear tax on America, costing real jobs when the country is trying to pull out of a recession.

In addition, the administration says that another terrorist attack is extremely likely, and we must plan now for how the government should react to an attack; now, not after another attack. We have learned countless lessons from September 11 on homeland security, and the need for this legislation is one of them.

This conference report is a good solution to the problem and deserves our full support. I ask my colleagues on both sides of the aisle to join me in support of jobs by voting for this conference report.

I thank the gentleman from Ohio (Chairman OXLEY) for his leadership, and I thank his wonderful staff for their work on this issue.

Mr. Speaker, I include for the RECORD the following letters regarding terrorism insurance:

JULY 8, 2002.

Hon. SUE KELLY,  
*House of Representatives, Longworth House Office Building, Washington, DC.*

DEAR CONGRESSWOMAN KELLY: Our members, the owners, institutional investors and others in real estate in New York City, appreciate the leadership you have provided in dealing with the critical problem of the absence of adequate terrorism insurance coverage.

I understand from a recent conversation with one of our members, Douglas Durst, that you are interested in having some specific examples of the problems the absence of terrorism insurance coverage has created. Those examples follow:

4 Times Square, also known as the Conde Nast building, is in litigation with its lender due to the absence of terrorism insurance

coverage. The lender, La Salle Bank and CIGNA has threatened to invade the "lock box" into which rents are deposited in order to buy \$430 million in terrorism insurance, the amount of the mortgage. The insurer for the portfolio held by the owners of 4 Times Square has refused to write coverage for this building claiming it is "high profile." The owners have recently obtained \$100 million in terrorism insurance but without no coverage for biological or chemical events. As for the remaining \$330 million dollars in coverage the lenders require, the courts will resolve whether the money to buy such coverage, if available, can be claimed from the cash flow of the property. Should the courts determine that the cash flow can be invaded for this purpose, the full interest due to the investors holding certificates will not be paid, the rating services will downgrade the securities which are already on the Moody's watchlist, and the individuals who invested will see their investment eroded. Meanwhile, the owner-builder of 4 Times Square has equity of \$450 million invested in this \$880 million building and no coverage. That owner, who typically would be investing in the construction of a new building is stymied.

A lending officer at HypoVereinsbank, the major construction lender in the nation, has advised us that at least 5 major construction projects in his portfolio are not going forward until the terrorism insurance situation is resolved. HypoVereinsbank wants full terrorism coverage including biological and chemical causes as well as certainty that for the duration of construction the insurance will be available. Four of these projects are in New York, the fifth in Chicago. Andy Veith, the lending officer will try to reach you later this week either by phone or e-mail.

Downtown, a one million square foot office building owner could not obtain refinancing for the underlying mortgage of approximately \$200 million because terrorism insurance was unavailable. Finally, a lender agreed to go forward if the owner committed to pay \$41 per square foot for stand alone terrorism insurance coverage. At the same time that the owner faced that \$1 million additional drain on the cash flow of the building, he also had to absorb an increase of from \$110,000 to \$550,00 over the prior year's cost of insurance. This additional cost, in addition to excluding terrorism risk, does not cover mold or biological, nuclear or chemical events whether terrorist generated or otherwise. The owner now has \$1,440,000 additional insurance expenses with less comprehensive coverage on the environmental risk side than before, and has to self-insure for the equity that he has invested in the property.

A REIT portfolio, which includes major office complexes in Boston, San Francisco, D.C. as well as a trophy midtown Manhattan building, can get only \$250 million in terrorism coverage for the entire portfolio worth several billion. If there is one more terrorism incident, it is likely that even this limited coverage will be lost given its not uncommon 30-day cancellation clause.

Other examples from across the country, including hospitals, stadiums, major transportation centers and other vital private and public investments that are not covered by terrorism insurance, along with a vivid description of the ripple effect this problem is having on the overall economy, appear in the May 23rd Joint Economic Committee report to Congress.

It is most important that enactment of some form of government temporary back up for terrorism insurance coverage occur quickly.

We appreciate your efforts to resolve this critical problem.

Sincerely,

DEBORAH B. BECK,  
*Executive Vice President.*

WIEN & MALKIN LLP,  
*New York, NY, July 9, 2002.*

Re insurance.

Hon. SUSAN KELLY,  
*Longworth House Office Building,  
Washington, DC.*

DEAR CONGRESSWOMAN KELLY: Thank you for your efforts to date to highlight the extremely difficult insurance market for commercial real estate owners and developers in New York City and other major cities across the United States.

Our firm represents a portfolio of over 8,000,000 square feet of office space located in Manhattan, including the Empire State Building that as a result of the events of September 11th, is once again the tallest building in New York City. I feel that our recent experience trying to renew the insurance for these buildings underscores the problems that Congress needs to address.

The maximum amount of property insurance that we have been able to obtain at any price is \$200 million dollars for this portfolio, less than half of our coverage of the \$550 million maintained for the past 12 months. This level of insurance is significantly below replacement cost of any one of our properties, leaving our investors with significant risk.

Of even greater concern, this \$200 million dollar program does not cover any loss between \$75 million and \$100 million. This "hole" in coverage further places our investors at risk and limits our ability to obtain future financing.

The program outlined above specifically excludes any act of terrorism. We have only managed to secure a \$25 million dollar terrorism program because of insurance providers' general unwillingness to issue coverage in New York City. We also found it necessary to purchase a \$50 million pollution liability program in the event of a chemical or biological attack because such an attack is excluded from the terrorism program noted above. Despite the drastic reduction of coverage, the premium for this program has increased an astonishing 500%.

In summary, it is clear that the insurance industry has opted to limit its exposure in major cities, resulting in reduced capacity, limited competition, and exorbitant pricing. The insurance industry's unwillingness to provide adequate levels of coverage at reasonable rates will translate into higher rents for tenants (to whom increased operating expenses are generally passed under typical lease clauses), fewer new construction projects and a general depression in the real estate market as the inability to shift certain risks historically assumed by the insurance industry drives people from the market.

I hope this information will help you in your continuing efforts to persuade your colleagues to rectify this situation.

Very truly yours,

PETER L. MALKIN.

Mr. LAFALCE. Mr. Speaker, I reserve the balance of my time.

Mr. OXLEY. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from California (Mr. COX).

Mr. COX. Mr. Speaker, I thank the gentleman for yielding time to me.

I rise in support of this legislation, which is urgently needed and has been urgently needed since September 11, and particularly since November of 2001, when this House first passed it.

By backstopping the market's provision of terrorism insurance, this legis-

lation will be a boon for new construction everywhere in America. But construction cannot get completed in America because financing is not available, and the reason financing is not available is that terrorism insurance is not available. This bill will fix that. By taking a huge, unquantifiable risk out of the equation, we will make writing terrorism insurance feasible again and will help Americans get back to work and start growing the economy.

We are dealing with this bill much later than we should be, many months after it should have been completed, because there has been a disagreement about protections against abusive litigation. This bill that we are voting on tonight is imperfect in that respect. Several of the protections of taxpayers' interests and the national interest that were built into this legislation in the original House-passed version have been deleted. These differences are not minor.

From the original House bill, we have eliminated a prohibition on punitive damages. We have eliminated fair-share liability for noneconomic damages, such as pain and suffering, and a requirement that attorneys' fees be reasonable. I do not believe that any of these provisions should be eliminated; but in the very brief time that I have remaining, Mr. Speaker, I will address just one of them: fair-share liability for noneconomic damages.

When the U.S. Government certifies that the terrorists were responsible, it should not be possible for lawyers to come in and assert, because of 1 percent liability found or prospectively that might be found for another party, that 100 percent of the obligation should rest there, particularly when we are talking about noneconomic damages; that is to say, completely notional damages like pain and suffering, things that lawyers can gin up by asserting it, merely by asserting it in a complaint. In each of these circumstances, the taxpayers will be made liable.

Mr. Speaker, we need to fix these flaws in the bill immediately when the 108th Congress convenes. On that understanding, I am supporting this bill because it is so desperately needed to put America back to work.

Mr. OXLEY. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from Connecticut (Mr. SHAYS), a valuable member of the committee and a member of the conference committee.

Mr. SHAYS. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, following the terrorist attacks of September 11, the Committee on Financial Services moved quickly to study the lack of availability of terrorism insurance. Under the leadership of the gentleman from Ohio (Chairman OXLEY) and the subcommittee chairman, the gentleman from Louisiana (Mr. BAKER), we held hearings, met with financial experts, and alternately passed legislation to

create a Federal insurance backstop to cover losses in the event of future terrorist attacks.

The legislation we are considering today is consistent with the bill passed by the House last November. Like its predecessor, it addresses the availability and affordability of terrorism insurance while protecting taxpayers and policyholders. It gives insurance companies the assistance they sought without giving them a blank check.

Mr. Speaker, the economy may be growing, but it sure does not feel that way. This bill is truly one of the keys to getting our economy back on track, spurring development, and creating jobs. I urge all of my colleagues to approve this measure and send it to the President, because it is not a question of if but when, where, and what magnitude we will face a terrorist attack using conventional weapons or, just as likely, weapons of mass destruction. The casualties could be large and the liability beyond comprehension.

Mr. LAFALCE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I support this bill; and I encourage everyone to vote for it. It is a shame we were not able to pass it a year ago, about the time we reported our bill out of committee and passed it on the floor of the House; but I do think this is a much better bill now than the one we passed earlier.

Mr. Speaker, I yield back the balance of my time.

Mr. OXLEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this, as I indicated in my opening remarks, is a very, very important piece of legislation. It is critical that the Congress act. The President has called for us to act.

Let me cite from an article today in The Washington Post regarding the threat of attack that "terrorist groups may be planning a new wave of attacks on Western targets. Even before the purported bin Laden tape surfaced on the al-Jazeera satellite network on Tuesday, the CIA, FBI, and National Security Agency had detected a significant spike in intelligence chatter over the previous 10 days that strongly indicated new assaults are being planned, officials in U.S. intelligence agencies said."

In congressional testimony last month, CIA Director George Tenet warned that recent attacks in Yemen, Kuwait, and Bali signal an escalation in terrorist activity which he characterized as "as bad as it was last summer, before the airliner hijacking assaults on the World Trade Center and the Pentagon."

"That threat environment level was high then and it has not lessened," a senior administration official said yesterday. "Bin Laden's appearances have always been carefully orchestrated, and unfortunately, they have often presaged a major al Qaeda attack or development."

Mr. Speaker, it is time that this Congress act. I appreciate the strong bipartisan support that this legislation has



entertained over the last several months. This is a good example of Congress at its best, but it is even more important that we provide this framework for protection of the American economy. This bill does exactly that. I ask my colleagues for strong support for this conference report.

Ms. JACKSON-LEE of Texas. Mr. Speaker, the September 11 terrorist attacks have devastated many industries and sectors changing the landscape of the American economy, including the insurance industry.

The legislation before us today, H.R. 3210, is a reasonable piece of legislation and I am particularly pleased that the majority has shown the wisdom of removing the tort liability limitation provisions of the legislation. I joined my colleagues on the Judiciary Committee and those on the Financial Services Committee who worked hard to eliminate Section 15, a tort reform provision, which would effectively have banned punitive damages in terrorism-related cases. This provision was absolutely unnecessary.

This passage of this measure is important because the insurance industry has stated that, while it will be able to cover the estimated \$40 billion in claims resulting from the Sept. 11 terrorist attacks, any new and renewed policies will not cover terrorist-inflicted damage unless the government helps cover that unknown liability. This is an issue of great concern to Congress and to the nation.

This legislation can make a great difference. Earlier this year, we acted swiftly and deliberately assisting the Airlines industry in the amount of \$15 billion to save this important industry which was so severely devastated by the September 11 attacks. I am glad that we have come to an agreement that will allow us to act with bi-partisan sensibility to help this important sector of our economy as well.

This is not just an insurance industry problem. Rather, it is a national issue because if the insurance industry cannot reinsure the risk of further terrorist attacks, it will either increase premiums to the detriment of consumers, or simply stop offering terrorism coverage altogether. Furthermore, without adequate insurance coverage, lenders will not be able to lend and new investments will not be made, creating a credit crunch that could further devastate our economy.

Under this bill "each insurer will be responsible for paying out a certain amount in claims a deductible—before Federal assistance becomes available. This deductible is based on a percentage of direct earned premiums from the previous calendar year, and rises from 7 percent during the first year to 10 in year 2 and 15 percent in year 3. For losses above an insurer's deductible, the Federal government will cover 90 percent, while the company pays 10 percent."

"If the Federal government pays for insured losses during the course of a year, the Treasury Secretary will be required to recoup the difference between total industry costs (individual insurers' losses up to their deductibles, plus the industry's 10 percent cost share above the deductibles) and the following fixed dollar amounts per year: \$10 billion for year 1, plus the last few months of 2002; \$12.5 billion for year 2; and \$15 billion for year 3. The recoupment will be accomplished through a surcharge on policyholders. The Secretary has discretion on the timing of

the surcharge, but the surcharge cannot be more than 3 percent of the premium paid for a policy in a given year. Losses covered by the program will be capped at \$100 billion; above this amount, Congress is to determine the procedures for and the source of any payments. The Secretary may assess civil penalties on participating insurance companies for submission of false or misleading information or failure to repay the Secretary for any amount required to be repaid."

I lend my support to this bill. Congress can and must act to protect the most vulnerable sectors of our economy, and those who most need assistance. The underlying bill holds the promise of protecting the insurance industry and the millions of Americans dependent on it. The version of the bill before us today goes a long way toward restoring confidence to our nations lenders and should help bolster our struggling economy. As such, I urge my colleagues to support the measure before us tonight.

Mr. NEY. Mr. Speaker, I just want to take a quick moment to comment on an important part of this legislation, group life insurance. H.R. 3210 contains a study of group life insurance and I would like to clarify that it was the intent of the House that the term "group life insurance," as it appears in the text, is used in its typical and customary sense to mean "an insurance contract that provides life insurance coverage, accidental death coverage, or a combination of both for a number of persons under a single contract and that provides such coverage on the basis of a group selection of risks."

Mr. BEREUTER. Mr. Speaker, this Member rises today to express his support for the conference report of the Terrorism Risk Protection Act (H.R. 3210). This conference report will help ensure that businesses are able to acquire property and casualty insurance while still providing taxpayer protection against terrorist losses. This Member is pleased that the House and Senate conferees have reached an agreement on terrorism insurance which President George W. Bush is expected to sign. This Member is a cosponsor of H.R. 3210, which the House first passed on November 29, 2001, by a vote of 227–193.

This Member would first like to thank the distinguished gentleman from Ohio (Mr. OXLEY), the Chairman of the House Financial Services committee, for both introducing this legislation and for his efforts in bringing this conference report to the House Floor. Additional appreciation is expressed to the distinguished gentleman from Louisiana (Mr. BAKER) who also played a crucial role in crafting the conference report on H.R. 3210. Moreover, this Member would also like to thank the distinguished gentleman from New York (Mr. LAFALCE), the Ranking Minority Member of the Financial Services Committee, for his bipartisan cooperation and assistance on this conference report.

The uncertainty caused by the terrorist events on September 11, 2001, has resulted in the possibility of serious problems for the insurance industry and the insured from additional severe terrorist attacks. To illustrate this, reinsurance companies provide insure against massive losses for insurance companies. Since this terrorist attack, many primary companies, because they cannot receive reinsurance, have sent notice cancellations to businesses indicating that they will not receive

coverage for losses caused by terrorist activities. If both small and large businesses continue to be unable to receive insurance, it will contribute to the further instability of the American economy. Insurance provides a very important element of the stability needed by businesses to continue functioning and investing and for bankers to continue lending to businesses.

As a Member of the House Financial Services Committee, which has jurisdiction over the important elements of the limited Federal role in commercial insurance, this Member supports this conference report for the following two reasons. First, obviously it helps ensure that commercial insurance continues to be available for businesses—and available at affordable costs. Second, it provides necessary taxpayer protections against possible severe terrorist losses to businesses.

Under this conference report, a temporary Federal terrorism insurance program would be established within the Treasury Department. Under this program, Federal funds would be provided to property and casualty insurance companies when losses reach the "trigger" level. In particular, Federal funds would pay 90 percent of the terrorism-related losses of insurance companies that exceed 7 percent of the company's premiums in 2003; 10 percent of a company's premiums in 2004; and 15 percent of a company's premiums in 2005. Each insurance company would pay for 100 percent of insured losses up to those thresholds and 10 percent of the losses above those levels. This Federal terrorism insurance program would cover industry-wide losses up to \$100 billion per year.

It is also very important to note that this conference report provides for the mandatory repayment of some of the Federal funds used to cover insured losses. Under this conference report, for 2003, the insurance industry must repay the Federal assistance which is the difference between the sum of all insured losses paid by the industry and \$10 billion. For 2004 and 2005, these repayments would be made for the difference between the sum of all insured losses and \$12.5 billion and \$15 billion, respectively. These repayments would be collected through a surcharge on the policies of all commercial insurance policyholders. Therefore, this conference report is not an insurance company bailout; it protects the American taxpayer against a big hit while continuing to maintain insurability against terrorist attacks.

Furthermore, this conference report also provides taxpayer protection from punitive damages in lawsuits which claim terror-related losses or injuries. To illustrate this, this conference report requires all terror-related lawsuits to be considered in Federal court, rather than in state courts. Moreover, this conference report does not set a Federal standard for awarding punitive damages in terror-related lawsuits. However, it instead allows the state law in which the terrorist act occurred to prevail with respect to punitive damages. Most importantly, the conference report requires that punitive damages awarded through these lawsuits will not be paid for by Federal funds used to cover losses from terrorism. For my Nebraska constituents, it is important to note that punitive damages are not allowed under Nebraska state law in Nebraska state courts.

In conclusion, Mr. Speaker, this conference report balances the need of businesses to continue to receive commercial insurance

against terrorist acts at affordable costs, with taxpayer liability protection. As a result, this Member urges his colleagues to support the conference report of H.R. 3210.

Mr. OXLEY. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). Without objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER pro tempore. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

#### GENERAL LEAVE

Mr. GIBBONS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the bill, H.R. 3758.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nevada?

There was no objection.

#### CONFERENCE REPORT ON H.R. 4628, INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 2003

Mr. GIBBONS submitted the conference report and statement on the bill (H.R. 4628) to authorize appropriations for the fiscal year 2003 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes.

□ 2145

#### CONFERENCE REPORT ON S. 1214, MARITIME TRANSPORTATION SECURITY ACT OF 2002

Mr. LOBIONDO. Pursuant to House Resolution 605, I call up the conference report on the Senate bill (S. 1214) to amend the Merchant Marine Act, 1936, to establish a program to ensure greater security for United States seaports, and for other purposes, and ask for its consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 605, the conference report is considered as having been read.

(For conference report and statement, see proceedings of the House of November 13, 2002, at page H8561.)

The SPEAKER pro tempore. The gentleman from New Jersey (Mr. LOBIONDO) and the gentlewoman from Florida (Ms. BROWN) each will control 30 minutes.

The Chair recognizes the gentleman from New Jersey (Mr. LOBIONDO).

Mr. LOBIONDO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of the Maritime Transportation Security

Act of 2002. I would first like to thank the members of the conference committee who have provided the leadership and vision to create this landmark legislation, especially the gentleman from Alaska (Chairman YOUNG), the ranking member, the gentleman from Minnesota (Mr. OBERSTAR), Senator HOLLINGS, and Senator MCCAIN and Senator LOTT.

The Maritime Transportation Security Act of 2002 establishes a comprehensive national system to increase transportation security for our ports and waterways. This legislation was developed to prevent a terrorist attack along our Nation's largest and perhaps most vulnerable border, consisting of 95,000 miles of coastline with hundreds of ports. The United States maritime industry contributes \$742 billion to the gross domestic product each year, and a ripple effect of an attack on an American port would be absolutely devastating.

The goal of S. 1214 is to deter terrorist attacks against ocean shipping without adversely affecting the flow of U.S. commerce through our ports. Striking this balance has been a key and essential element of my approach to this issue, and I believe that this bill achieves this goal.

S. 1214 requires the Coast Guard to conduct vulnerability assessments of our United States ports. The results of the assessments will be used to implement a national maritime transportation security planning system, consisting of a comprehensive national plan, specific area plans, and local vessel and marine facility plans.

S. 1214 also establishes a requirement for the Coast Guard to assess the effectiveness of security systems in certain foreign ports and to deny entry to vessels from ports that do not maintain effective security. Under S. 1214 individuals who enter secure areas on vessels or facilities will be required to have background checks and transportation security cards that will be issued by the Federal Government.

The Maritime Transportation Security Act authorizes grants for enhanced facilities security at U.S. ports for the next 6 fiscal years. These grants will help cover the costs of port security improvements and fund research and development projects to determine which technologies will best improve port security.

I have personally visited ports located in and around my home State of New Jersey and have seen the security challenges facing these facilities. Securing our ports is a critical Federal responsibility and the grant program is helping ports around America increase security and deter any would-be attackers.

Shipping containers are particularly adaptable to use by a terrorist, and S. 1214 contains several provisions to improve the securities of our containers. The bill requires the Secretary of the Department in which the Coast Guard is operating to maintain a cargo track-

ing, identification and screening system for shipping containers shipped to and from the United States.

Finally, the bill requires the establishment of performance standards to enhance the physical security of shipping containers, including standards for container seals and locks.

Mr. Speaker, this bill contains other important security enhancements concerning enhanced vessel crew member identification, Coast Guard sea marshals and vessel transponders to track the movement of vessels in United States waters.

Equally significant, the bill contains several additional security enhancements and other Coast Guard provisions previously passed by the House. The Coast Guard, as one of the Nation's five armed services, has a key role in homeland security, particularly as it relates to port security and defense readiness. These provisions strengthen the authority of the Coast Guard to confront the terrorist threat facing us today. Strong maritime homeland security requires a strong Coast Guard with the resources it needs to protect the country from a terrorist attack.

During my chairmanship of the Subcommittee on Coast Guard and Maritime Transportation, I have long said that the Coast Guard needs three things, essentially, to be successful: More money, more manpower, and more modern assets. Fortunately, this measure addresses all three needs and will help the Coast Guard to keep serving America both proudly and successfully. The bill authorizes expenditures for the United States Coast Guard for fiscal year 2003. Title V of the bill authorizes approximately \$6 billion for Coast Guard programs and operations for fiscal year 2003. The bill funds the Coast Guard at levels requested by the President of the United States. An injection of \$550 million in additional operating resources will also allow the Coast Guard to address chronic budget shortfalls. The bill fully embraces the President's call for an additional 2,000 Coast Guard personnel.

Many of the Coast Guard's most urgent needs are similar to those experienced by the Department of Defense, including spare parts shortages and personnel training deficits. Title V authorizes \$725 million for Coast Guard acquisitions. This funding will help support the recapitalization of the Coast Guard's vital assets, especially the Coast Guard's deep water program, which is so long overdue.

Immediately following the events of September 11, 2001, the Coast Guard launched the largest home port security operation since World War II. And as part of operation Noble Eagle and Operation Enduring Freedom, the Coast Guard established ports and coast line patrols with 55 cutters, 42 aircraft, and hundreds of small boats. Over 2,800 Coast Guard reservists were called to active duty to support maritime homeland security operations in 350 of our Nation's ports. The Coast