The original documents are located in Box 19, folder "1/2/75 HR12427 Amend Merchant Marine Act" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

APPROVED
JAN 2 - 1975

THE WHITE HOUSE

WASHINGTON

ACTION

Last Day: January 4

December 31, 1974

Posted
1/3

To archives
1/3

MEMORANDUM FOR THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 12427
Amend Merchant Marine Act

Attached for your consideration is H.R. 12427, sponsored by Representatives Sullivan and Grover, which would upgrade the National Defense Reserve Fleet by authorizing the Secretary of Commerce to acquire, within two years after its enactment, Mariner vessels in exchange for obsolete vessels in that fleet scheduled for scrapping.

OMB recommends approval and provides additional background information in its enrolled bill report (Tab A).

Max Friedersdorf (Loen) and Phil Areeda both recommend approval. The NSC has no objection to approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 12427 (Tab B).

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 27 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 12427 - Amend Merchant Marine Act
Sponsors - Rep. Sullivan (D) Missouri and Rep. Grover (R) New York

Last Day for Action

January 4, 1975 - Saturday

Purpose

To modernize the National Defense Reserve Fleet and to resolve an FMC/ICC jurisdictional dispute.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Defense	Approval
Interstate Commerce Commission	No objection (Informally)
Federal Maritime Commission	No objection (Informally)

Discussion

National Defense Reserve Fleet

The Maritime Administration of the Department of Commerce maintains a National Defense Reserve Fleet of merchant vessels for use in time of war or national emergency. At present, most of the fleet is comprised of obsolete World War II vessels.

The commercial U.S. Merchant Marine fleet includes 24 vessels of the Mariner class that are relatively modern vessels built for Korean War needs. While they are more efficient than the vessels presently in the National Defense Reserve Fleet, they are soon to be scrapped by their commercial owners because they have been superseded by ships of more advanced design.

The enrolled bill would authorize the Secretary of Commerce, within two years after enactment, to acquire as many as possible of the 24 eligible Mariner class vessels presently owned by U.S. flag operators and about to be scrapped in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping.

The scrap value of the traded-in Mariner class vessels and the traded-out Reserve Fleet would, under the enrolled bill, be determined by the Secretary of Commerce. In the debate on the House floor, the procedure for exchange was described. Essentially, Mariner owners would trade Mariners they planned to scrap for scrap value equivalent of presently mothballed Reserve Fleet ships which the Mariner owner would then scrap. The Reserve Fleet would acquire Mariners at no cost -- the Mariner owner would similarly incur no cost or gain. Any amount the commercial operator realized from the scrapping of Reserve Fleet ships over the scrap value of the Mariners, he would be required to return to the Secretary of Commerce. The Mariner class vessel which would be incorporated into the fleet would be mothballed at a cost of approximately $200,000 per vessel. The bill authorizes the Secretary of Commerce to pay mothballing costs from an existing Vessel Operation Revolving Fund. Any excess in the scrap value of Reserve Fleet ships scrapped which would be repaid by the commercial operator would be deposited in that Fund.

It is expected that about half of the 24 Mariner class vessels in the U.S. Merchant Fleet will be traded-in at a total cost of $2.4 million for mothballing.

FMC-ICC Jurisdiction

The enrolled bill also includes a provision which would resolve a jurisdictional dispute between the Interstate Commerce Commission and the Federal Maritime Commission concerning certain barge services for containerized cargo between the ports of San Francisco and Sacramento, California.

The Port of Sacramento has developed a "Container Barge Service" to move containers from San Francisco to Sacramento so that a shipper pays ocean freight costs from Sacramento to destination even though containers are barged between San Francisco and Sacramento. This generally results in a saving over moving a large container vessel to Sacramento. Because the containers are off-loaded in San Francisco and barged to Sacramento, ICC has jurisdiction over the barge traffic on the inland waterway. This bill would give FMC jurisdiction over the entire container shipment to and from Sacramento.

In the floor debate on the enrolled bill, Senator Tunney indicated that ICC does not oppose the bill and acknowledges that the Container Barge Service has a de-minimus impact on ICC's responsibilities.

Wilfred H Rommel
Assistant Director for
Legislative Reference

Enclosures

Interstate Commerce Commission

Washington, D.C. 20423

OFFICE OF THE CHAIRMAN

December 27, 1974

Mr. William V. Skidmore
Office of the Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, DC 20503

Dear Mr. Skidmore:

This replies to your request for our comments on enrolled bill, H.R. 12427. Section 2 of that bill confers upon the Federal Maritime Commission exclusive jurisdiction over certain types of barge movements which are deemed to be substituted service in lieu of direct vessel call at a port.

Section 2 of the enrolled bill is similar to legislation recommended by us in No. W-C-21, Sacramento-Yolo Port District, Petition for Declaratory Order. It differs in only two aspects from two bills (H.R. 736 and H.R. 4009) which were endorsed by us in testimony before the Subcommittee on Merchant Marine of the House Committee on Merchant Marine and Fisheries on June 15, 1973 (copy enclosed). These differences are both restrictive in nature and, consequently, do not affect our position on this legislation.

You will note in our enclosed testimony at page 4 that we indicated the necessity of enacting a conforming amendment to section 303(f) of the Interstate Commerce Act. This was not done; therefore, it will have to be done in the near future. However, that omission does not warrant Presidential veto.

Thank you for the opportunity to comment on this enrolled bill.

Sincerely yours,

George M. Stafford

George M. Stafford
Chairman

Enclosure

Federal Maritime Commission
Washington, D.C. 20573

Office of the Chairman

January 2, 1975

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Ash:

This refers to your request for the views of the Federal Maritime Commission with respect to the enrolled bill H.R. 12427, a bill

To amend section 510 of the Merchant Marine Act, 1936.

Section 3 of this bill to which we will confine our comments, would vest in the Federal Maritime Commission exclusive regulatory jurisdiction over the transportation of containers or containerized cargo moving by barge between points in the United States, provided the following conditions are met:

(a) The cargo is moving between a point in a foreign country or a noncontiguous State, territory or possession and a point in the United States.

(b) The transportation by barge between points in the United States is furnished by a terminal operator as a service substituted in lieu of a direct vessel call by the common carrier by water transporting the containers or containerized cargo under a through bill of lading.

(c) The terminal operator is a Pacific Slope State, municipality, or other public body or agency subject to the jurisdiction of the Federal Maritime Commission, and the only one furnishing the particular barge service in question as of the date of enactment of H.R. 12427.

(d) The terminal operator is in compliance with the rules and regulations of the Federal Maritime Commission for the operation of the barge service, and

(e) The Federal Maritime Commission shall promulgate rules and regulations for the barge operations described in the amendment made by the first section of this bill. These rules will provide that the rates charged will be based upon factors normally considered by a regular commercial operator in the same service.

The Federal Maritime Commission is the agency charged by the Congress with the responsibility of regulating, among other things, the waterborne foreign and domestic offshore commerce of the United States. In the discharge of these responsibilities the Commission has jurisdiction over common carriers by water serving these trades and persons carrying on the business of forwarding or furnishing wharfage, dock, warehouse, or other terminal facilities in connection with such common carriers by water. Common carriers are required by the shipping statutes to file with the Commission tariffs setting forth rates and charges pertaining to the transportation of property and rules and regulations affecting such rates and charges, and to comply with the Shipping Act, 1916, and other pertinent shipping statutes and the Commission's rules and regulations issued pursuant to such statutes. By General Order 15, the Commission has issued regulations requiring "terminal operators" to file with it and to keep open to public inspection schedules or tariffs showing all rates, charges, rules and regulations relating to or connected with the receiving, handling, storing and/or delivering of property at their terminal facilities.

The Interstate Commerce Commission has jurisdiction over the domestic movement of property in interstate commerce and in the foreign or domestic offshore commerce but only insofar as such transportation takes place within the United States. Where the movement between points in the United States is by water, that portion which precedes transshipment on an outbound movement or follows transshipment on an inbound movement is subject to Interstate Commerce Commission regulation. This results in some cases in subjecting the movement to unnecessary and fragmented duplication of regulation. Thus, in a through shipment from a point in California to a foreign country the cargo may be transported by motor carrier to the Port of Sacramento where it is loaded on a barge, transported downstream to the Port of San Francisco where it is transferred to an ocean-going common carrier and thence overseas to final destination. Under the present regulatory scheme, in accordance with interpretation of the Interstate Commerce Act, that movement is first subject to Interstate Commerce Commission regulation, thence Federal Maritime Commission jurisdiction (over the port of Sacramento as a terminal operator) -- upon being loaded on the barge and transported to San Francisco the movement would again be subject to Interstate Commerce Commission jurisdiction. At San Francisco the Federal Maritime Commission once again would take over and the balance of the transportation would then be governed by the

shipping statutes. An inbound movement between the same two points would reverse this procedure.

This fragmentation would be avoided under H.R. 12427. The Interstate Commerce Commission would relinquish jurisdiction at the Port of Sacramento and the entire movement beyond the port would be subject to the exclusive jurisdiction of the Federal Maritime Commission in those instances where the conditions heretofore specified are met, thereby removing unnecessary obstacles to newly developing water services.

It is our understanding that the Interstate Commerce Commission endorsed an identical measure, H.R. 9128, during the 92nd Congress.

H.R. 12427 would clarify FMC/ICC jurisdiction over a barge service provided by the Port of Sacramento as a substitute service between the Port of Sacramento and the San Francisco Bay area in lieu of a direct vessel call at Sacramento. The service offered by the Port of Sacramento is unique. We are not aware of other similar services. Accordingly, enactment of this bill should result in no additional cost to the Federal Government.

Therefore, the Commission urges Presidential approval of H.R. 12427.

Sincerely,

Helen Delich Bentley

Helen Delich Bentley
Chairman

THE UNDER SECRETARY OF COMMERCE
Washington, D.C. 20230

DEC 26 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning H.R. 12427, an enrolled enactment

"To amend section 510 of the Merchant Marine Act, 1936."

Section 1 of H.R. 12427 amends the Merchant Marine Act, 1936 so as to authorize the Secretary of Commerce to acquire, within two years after its enactment, mariner class vessels in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping.

Section 2 amends the Shipping Act, 1916 so as to confer exclusive jurisdiction on the Federal Maritime Commission over certain movements of merchandise by barge in foreign and domestic commerce.

This Department would have no objection to approval by the President of H.R. 12427.

Enactment of this legislation will not involve any increase in the budgetary requirements of this Department.

Sincerely,

John K Tabor

John K. Tabor

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350

December 24, 1974

Dear Mr. Ash:

Your transmittal sheet dated December 23, 1974, enclosing a facsimile of an enrolled enactment of Congress, H.R. 12427, "To amend section 510 of the Merchant Marine Act, 1936," and requesting the comment of the Department of Defense has been received. The Department of the Navy has been assigned the responsiblity for expressing the views of the Department of Defense.

This bill amends section 510 of the Merchant Marine Act of 1936, to authorize the Secretary of Commerce to acquire mariner class vessels constructed under title VII of the Merchant Marine Act, 1936, and legislation in Public Law 911, 81st Congress in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping. In addition, the Act will allow the Federal Maritime Commission to regulate containerized or barged cargo between points in the United States where (a) the cargo is moving between a point in a foreign country or a non-contiguous State, territory, or possession and a point in the United States, (b) barge transport between U.S. points is furnished by a terminal operator in lieu of direct vessel call, (c) such terminal operator is a public entity subject to the jurisdiction of the Federal Maritime Commission, and (d) such terminal operator is in compliance with the rules and regulations of the Federal Maritime Commission.

The Department of the Navy, on behalf of the Department of Defense, supports enactment of H.R. 12427.

Sincerely yours,

D. S. Potter
Under Secretary of the Navy

Honorable Roy L. Ash
Director, Office of Management and Budget
Washington, D. C. 20350

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: WARREN HENDRIKS

FROM: MAX L. FRIEDERSDORF

SUBJECT: Action Memorandum - Log No. 881
Enrolled Bill H.R. 12427

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

To H Hendricks 12-27-74

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 27 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 12427 - Amend Merchant Marine Act
Sponsors - Rep. Sullivan (D) Missouri and Rep. Grover (R) New York

Last Day for Action

January 4, 1975 - Saturday

Purpose

To modernize the National Defense Reserve Fleet and to resolve an FMC/ICC jurisdictional dispute.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Defense	Approval
Interstate Commerce Commission	No objection (Informally)
Federal Maritime Commission	No objection (Informally)

Discussion

National Defense Reserve Fleet

The Maritime Administration of the Department of Commerce maintains a National Defense Reserve Fleet of merchant vessels for use in time of war or national emergency. At present, most of the fleet is comprised of obsolete World War II vessels.

The commercial U.S. Merchant Marine fleet includes 24 vessels of the Mariner class that are relatively modern vessels built for Korean War needs. While they are more efficient than the vessels presently in the National Defense Reserve Fleet, they are soon to be scrapped by their commercial owners because they have been superseded by ships of more advanced design.

The enrolled bill would authorize the Secretary of Commerce, within two years after enactment, to acquire as many as possible of the 24 eligible Mariner class vessels presently owned by U.S. flag operators and about to be scrapped in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping.

The scrap value of the traded-in Mariner class vessels and the traded-out Reserve Fleet would, under the enrolled bill, be determined by the Secretary of Commerce. In the debate on the House floor, the procedure for exchange was described. Essentially, Mariner owners would trade Mariners they planned to scrap for scrap value equivalent of presently mothballed Reserve Fleet ships which the Mariner owner would then scrap. The Reserve Fleet would acquire Mariners at no cost -- the Mariner owner would similarly incur no cost or gain. Any amount the commercial operator realized from the scrapping of Reserve Fleet ships over the scrap value of the Mariners, he would be required to return to the Secretary of Commerce. The Mariner class vessel which would be incorporated into the fleet would be mothballed at a cost of approximately $200,000 per vessel. The bill authorizes the Secretary of Commerce to pay mothballing costs from an existing Vessel Operation Revolving Fund. Any excess in the scrap value of Reserve Fleet ships scrapped which would be repaid by the commercial operator would be deposited in that Fund.

It is expected that about half of the 24 Mariner class vessels in the U.S. Merchant Fleet will be traded-in at a total cost of $2.4 million for mothballing.

FMC-ICC Jurisdiction

The enrolled bill also includes a provision which would resolve a jurisdictional dispute between the Interstate Commerce Commission and the Federal Maritime Commission concerning certain barge services for containerized cargo between the ports of San Francisco and Sacramento, California.

The Port of Sacramento has developed a "Container Barge Service" to move containers from San Francisco to Sacramento so that a shipper pays ocean freight costs from Sacramento to destination even though containers are barged between San Francisco and Sacramento. This generally results in a saving over moving a large container vessel to Sacramento. Because the containers are off-loaded in San Francisco and barged to Sacramento, ICC has jurisdiction over the barge traffic on the inland waterway. This bill would give FMC jurisdiction over the entire container shipment to and from Sacramento.

In the floor debate on the enrolled bill, Senator Tunney indicated that ICC does not oppose the bill and acknowledges that the Container Barge Service has a de-minimus impact on ICC's responsibilities.

(signed) Wilfred H. Rommel

Assistant Director for
Legislative Reference

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 881

Date: December 28, 1974 Time: 9:00 a.m.

FOR ACTION: Geoff Shepard ok
Max Friedersdorf ok
Phil Areeda no obj
NSC/S no obj
Mike ok

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30 Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H.R. 12427 - Amend Merchant Marine Act

ACTION REQUESTED:

____ For Necessary Action ____ For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

__x__ For Your Comments ____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 881

Date: December 28, 1974 Time: 9:00 a.m.

FOR ACTION: Geoff Shepard
Max Friedersdorf
Phil Areeda
NSC/S

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ACTION REQUESTED:

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____ Prepare Agenda and Brief ____ Draft Reply

__x__ For Your Comments ____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection OK
P Areeda

GERALD R. FORD LIBRARY

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

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Date: December 28, 1974 Time: 9:00 a.m.

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Max Friedersdorf
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ACTION REQUESTED:

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REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

O K Mike Duval
Approval
J.C.S.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

93D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 93-1073

MARINER VESSELS TRADED INTO NATIONAL DEFENSE RESERVE FLEET

MAY 31, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mrs. SULLIVAN, from the Committee on Merchant Marine and Fisheries, submitted the following

REPORT

[To accompany H.R. 12427]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 12427) to amend section 510 of the Merchant Marine Act, 1936, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows: After the period on page 2, line 13, insert the following words:

> This excess shall be deposited into the Vessel Operations Revolving Fund and all costs incident to the lay-up of vessels acquired under this Act may be paid from balances in the Fund.

PURPOSE OF THE BILL

The purpose of the bill, H.R. 12427, is to upgrade the National Defense Reserve Fleet, by authorizing the Secretary of Commerce to acquire, within two years after its enactment, Mariner vessels in exchange for obsolete vessels in that fleet scheduled for scrapping.

BACKGROUND AND NEED FOR THE LEGISLATION

The Maritime Administration, of the Department of Commerce, maintains a National Defense Reserve Fleet of merchant vessels for use in augmenting sealift capacity in times of emergency. Since it was established after World War II, these ships have repeatedly been called upon to provide additional shipping capacity. Most recently, 172 ships were activated for Vietnam sealift support and the National Defense Reserve Fleet capability remains a principal source of sealift for United States reinforcement of N.A.T.O.

For some time now, the condition of the World War II vessels in the National Defense Reserve Fleet has been a source of grave concern to your Committee. Recently, the Honorable Frank M. Clark, Chairman of the Subcommittee on Merchant Marine, inspected the National Defense Reserve Fleet and found that it now consists of 332 old merchant vessels. Of these, 194 are of no further use and are generally scheduled for scrapping. Of the remaining vessels, five are old war-built vessels converted to carry containers, and 134 are so-called Victory ships. Victory ships are slow, small, war-built ships which have seen substantial service in World War II, the Korean War and the Vietnam War. The further utility of these vessels in times of national emergency is questionable.

It is clear to your Committee that as the old merchant vessels in the National Defense Reserve Fleet are scrapped, they must be replaced by more modern vessels that can efficiently meet military transport requirements. However, evolutionary changes have caused the United States-flag merchant marine to become increasingly oriented to sophisticated container, Roll-on/Roll-off, and barge carrying ships. These vessels do not readily lend themselves to military cargoes, such as helicopters, construction equipment, vehicles of varied types and sizes, and many types of ammunition. Such cargoes are handled best by the traditional merchant vessel, with its capability to load and off-load itself with booms and winches. The Victory ships in the National Defense Reserve Fleet provide this capability, but are now about 30 years old and would be of limited value in the future.

The most recent class of conventional merchant vessels constructed in the United States are the so-called Mariner vessels. These vessels were constructed specifically for national defense purposes. On December 16, 1950, the President declared a national emergency in connection with the outbreak of the Korean War. Public Law 911, 81st Congress, approved January 6, 1951, made funds available "without regard to the provisions of the Merchant Marine Act of 1936 with respect to essential trade routes, for the construction of such additional dry-cargo vessels as the Secretary of Commerce, with the approval of the President, shall find necessary for national security".

Thirty-five Mariners were built by the Government under this legislation during the early 1950's. These are 20 knot vessels, of 13,400 deadweight tons. They were by far the most efficient and productive dry cargo vessels that had ever been built anywhere up to that time. Five of these vessels were turned over to the Navy and the remaining 30 were sold to private United States-flag operators. Two have been lost at sea. Two have been sold foreign; one for scrapping and one for operation.

The United States-flag merchant marine has the most modern and efficient vessels in the world. However, because of the development of newer and more efficient ships, such as sophisticated container ships, Roll-on/Roll-off vessels, LASH ships, and Sea Barge ships, the Mariners are commercially obsolete and surplus to the needs of the operators, with no ready buyers in the market. Unless legislation is enacted, these vessels will be scrapped and the National Defense Reserve Fleet deprived of desperately needed modern, efficient vessels, for use by the military during times of national emergency. Therefore,

H.R. 12427 was introduced on January 30, 1974 by the Honorable Leonor K. Sullivan, Chairman of your Committee, and the Honorable James R. Grover, ranking Minority Member.

Section 510(i) of the Merchant Marine Act of 1936 expired on July 5, 1972. The language contained in H.R. 12427, as amended by your Committee, would become the new provisions of Section 510(i).

H.R. 12427 would authorize the Secretary of Commerce to acquire, within two years after its enactment, Mariner class vessels constructed pursuant to the 1951 legislation in exchange for vessels in the National Defense Reserve Fleet that are scheduled for scrapping. The bill provides that the traded-in and traded-out vessels would be valued at the higher of their scrap value in the domestic or foreign markets on the date of exchange, and that the traded-in and traded-out vessels would both be valued on the same basis. The bill would further require that the value of the traded-out vessels be as nearly as possible equal to the value of the traded-in vessels plus the fair value of the cost of towing the traded-out vessels to the place of scrapping. If the value of the traded-out vessels exceeds this amount, the owner of the traded-in vessels would be required to pay the excess to the Government in cash at the time of the exchange. No payment could be made by the Secretary of Commerce to the owner of any traded-in vessel in connection with any exchange under this bill. Finally, the bill provides that, notwithstanding the provisions of Sections 9 and 37 of the Shipping Act of 1916 (which prohibits the transfer of American-flag vessels to foreign ownership without the consent of the Secretary of Commerce), vessels traded-out under the bill may be scrapped in approved foreign markets.

Hearing

Hearings were held before the Subcommittee on Merchant Marine on February 25, 1974. Witnesses for the Department of Commerce, Department of Defense and the American Institute of Merchant Shipping testified in strong support of H.R. 12427. In addition, your Committee received a substantial amount of information with respect to the proposed legislation.

The witness for the Department of Defense confirmed that the availability of active United States-flag vessels suitable for military requirements has been severely reduced, so that the National Defense Reserve Fleet has become more important than ever for emergency requirements. However, the age and condition of the remaining Victory ships in the National Defense Reserve Fleet is such that they must be scrapped in the very near future. The witness for the Department of Defense stressed that the opportunity afforded by H.R. 12427 to rejuvinate our National Defense Reserve Fleet by the acquisition of relatively modern cargo ships must not be lost, as such vessels are particularly well suited to the Department of Defense requirements in wartime.

The witness for the Department of Commerce confirmed the age and condition of vessels in the National Defense Reserve Fleet, and that the Mariner vessels are newer, more carefully constructed than war-built ships, and have greater speed, deadweight and cubic capacities. Such vessels would be a most helpful addition to the National

Defense Reserve Fleet. With respect to the provision in the bill for towing costs, it was pointed out that if the owners of the Mariners were to scrap them abroad, they would be able to carry cargo to an area near where the vessel would be scrapped. The transportation of the vessel to the foreign market, therefore, would be at no cost to them. The bill recognizes this by combining the fair cost of towing the traded-out vessels to the place of scrapping with the value of the traded-in Mariner vessels as the value that shall as nearly as possible equal the value of the traded-out scrap vessel. However, as the bill does not provide funding for laying up traded-in vessels, the witness for the Department of Commerce recommended that the bill be amended to authorize the Secretary of Commerce to pay such costs from the Vessel Operations Revolving Fund. This is discussed under the heading Committee Amendments in the Report.

The witness for the American Institute of Merchant Shipping, representing owners and operators of about two-thirds of the merchant ships registered under the United States-flag, confirmed that due to the advent of the so-called Container Revolution and other sophisticated United States-flag vessels, such as Lash ships and Roll-on/Roll-off vessels, some of the Mariner vessels are on longer economically viable. Therefore, the choice would appear to be either scrapping such Mariners or exchanging them for obsolete vessels in the National Defense Reserve Fleet that would be scrapped pursuant to the provisions of the bill.

At the hearing, your Committee called one unscheduled witness because the combination passenger/cargo vessels SS *Mariposa* and SS *Monterey*, owned by Pacific Far East Line, Inc., were originally Mariner vessels and would fall within the purview of the bill. The witness for Pacific Far East Line, Inc., confirmed that it is not their intention that the SS *Mariposa* and SS *Monterey* should be so included.

Committee Amendments

As introduced, H.R. 12427 was silent as to funding the cost of laying up traded-in Mariner vessels. In this regard, the witness for the Department of Commerce recommended that the bill be amended to authorize the Secretary of Commerce to pay such costs from the Vessel Operations Revolving Fund. That fund was created by Public Law 45, 82nd Congress, approved June 2, 1951 (46 U.S.C. 1241a) to finance the break-out, operation and lay-up of vessels by the Secretary of Commerce for national defense purposes. As of December 31, 1973, there was a balance of $16.3 million in the Vessel Operations Revolving Fund. Since the lay-up of the traded-in Mariner vessels will be for national defense purposes, the Vessels Operations Revolving Fund would appear to be a suitable depository for the excess of value of the traded-out scrap vessels over that of the traded-in Mariner vessels, plus the fair value of the towing costs, which the owner of the traded-in Mariner vessel is required by the proposed legislation to pay the Secretary of Commerce. Therefore, your Committee amended the bill by inserting after the period on page 2, line 13, the following words: "This excess shall be deposited into the Vessel Operations Revolving

Fund and all costs incident to the lay-up of vessels acquired under this Act may be paid from balances in the Fund".

General Statement

As reported by your Committee, H.R. 12427 would authorize the Secretary of Commerce, within two years after enactment, to acquire some or all of the 24 eligible Mariner vessels for lay-up in the National Defense Reserve Fleet in exchange for scrap vessels in that Fleet. The scrap value of the traded-in Mariner vessel and the traded-out scrap vessels would be determined by the Secretary of Commerce on the date of the exchange.

Title to the traded-in Mariner vessel would pass to the Government concurrently with the Bill of Sale for the vessel by the owner. The Mariner vessel would then be delivered to the National Defense Reserve Fleet, preservation measures performed and laid-up at an estimated cost of about $200,000 per vessel. The bill would authorize the Secretary of Commerce to pay such amounts from the Vessel Operations Revolving Fund.

Title to the traded-out scrap vessel would pass to the party acquiring the vessel at the National Defense Reserve Fleet site at which it is located. Your Committee understands that the value of two traded-out scrap vessels would approximately equal or exceed the value of each traded-in Mariner vessel, plus the cost of towing the two traded-out vessels to the place of scrapping. The cost of towing two vessels in tandem to a Far East scrap yard is estimated to be about $150,000.

The excess of the value of the traded-in Mariner vessel over the value of the traded-out scrap vessels, plus the cost of towing, would be paid at the time of the exchange. The reported bill would require that any such excess be deposited in the Vessel Operations Revolving Fund.

The witness for the Department of Defense stressed that the opportunity afforded by H.R. 12427 to rejuvenate our National Defense Reserve Fleet by the acquisition of relatively modern cargo ships must not be lost, as such vessels are particularly well suited to the Department of Defense in wartime. Your Committee concurs, and concludes that the reported bill would provide for a most efficient method of accomplishing this objective with adequate safeguards for the Government.

Cost of the Legislation

Enactment of this legislation will involve a direct cost to the Federal Government of approximately $200,000 for each Mariner vessel traded in to the National Defense Reserve Fleet. This represents the cost of lay-up paid out of the Vessel Operations Revolving Fund. This amount may be reduced by deposits into the Fund, should the value of traded-out vessels exceed the value of Mariners traded in. Your Committee notes that obviously when the Government opts to trade out two hulks from the Reserve Fleet in exchange for the traded in Mariner vessel it will not realize the scrap value of the traded out vessels. On the basis of 24 eligible Mariners, the cost would total

$4.8 million. Your Committee hopes that all 24 vessels will be traded in, as the present status of the National Defense Reserve Fleet is a cause of grave concern. However, it is doubtful if half this number will be traded in during the two year period provided by the bill. When consideration is given to the modern, efficient Mariner vessel as compared to the old Victory ships now in the National Defense Reserve Fleet, $200,000 per vessel is an excellent investment.

Departmental Reports

H.R. 12427 was the subject of reports from the Departments of Defense and Transportation and follow herewith:

Office of the Secretary of Transportation,
Washington, D.C., April 2, 1974.

Hon. Leonor K. Sullivan,
Chairman, Committee on Merchant Marine and Fisheries, U.S. House of Representatives, Washington, D.C.

Dear Madam Chairman: This is in response to your request for Departmental comments on H.R. 12427, a bill to amend section 510 of the Merchant Marine Act, 1936.

This bill would amend section 510(i) of the Act to authorize the Secretary of Commerce, within two years of enactment, to acquire certain mariner class vessels in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping.

This bill will permit the Secretary of Commerce to acquire more modern ships for the National Defense Reserve Fleet. Since this bill is of immediate concern to the Department of Commerce in its implementation, we defer in our views on H.R. 12427 to that agency.

The Office of Management and Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this report for the consideration of the Congress.

Sincerely,

Rodney E. Eyster,
General Counsel.

Department of the Navy,
Office of Legislative Affairs,
Washington, D.C., February 22, 1974.

Hon. Leonor K. Sullivan,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

Dear Madam Chairman: Your request for comment on H.R. 12427, a bill "To amend section 510 of the Merchant Marine Act, 1936," has been assigned to this Department by the Secretary of Defense for the preparation of a report expressing the views of the Department of Defense.

The bill would amend section 510 of the Merchant Marine Act, 1936, to authorize the Secretary of Commerce to acquire mariner class vessels

constructed under title VII of the Merchant Marine Act, 1936, and legislation in Public Law 911, 81st Congress, in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping.

The Department of the Navy, on behalf of the Department of Defense, strongly supports enactment of H.R. 12427.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this report on H.R. 12427 for the consideration of the Committee.

For the Secretary of the Navy.

Sincerely yours,

T. J. BALL.
Deputy Chief, Acting.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, as amended, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 510(i) OF THE MERCHANT MARINE ACT, 1936, AS AMENDED (46 U.S.C. 1160(i))

SEC. 510. * * *

(g) An obsolete vessel acquired by the Commission under this section which is or becomes twenty-five years old or more, and vessels presently in the Commission's laid-up fleet which are or become twenty-five years old or more, shall in no case be used for commercial operation, except that any such obsolete vessel, or any such vessel in the laid-up fleet may be used during any period in which vessels may be requisitioned under section 902 of this Act, as amended, and except as otherwise provided in this Act for the employment of the Commission's vessels in steamship lines on trade routes exclusively serving the foreign trade of the United States.

[Subsection (h) expired by its terms on July 1, 1958.]

[(i) In order to improve the type and suitability of vessels operating in the domestic and foreign commerce of the United States, and to further the policies of this Act, the Secretary of Commerce is authorized (subject to the provisions of this subsection) to acquire at any time before July 5, 1972, vessels of one thousand five hundred gross tons or over which were constructed in the United States, in exchange for more modern or efficient oceangoing vessels of one thousand five hundred gross tons or over owned by the United States. Such exchanges shall be subject to the following conditions:

[(1) The traded-in vessels shall have been owned by a citizen or citizens of the United States, documented under the laws of the United

States, and shall not have been operated with operating-differential subsidy under title VI of this Act by the applicant or any affiliate of the applicant for at least three years immediately prior to the date of the exchange.

[(2) The fair and reasonable value of the trade-in and traded-out vessels shall be determined, as of the date of the exchange, pursuant to subsection (d) of this section. The value of a vessel when traded out shall be calculated in the same manner as its value was determined when it was traded in, except that vessels traded in prior to October 1, 1960, shall be valued on the basis yielding the highest fair return to the Government commensurate with the purposes of this subsection. In each exchange of vessels under this subsection, the value of the vessel traded-in, unless based on scrap value, and the value of the vessel traded-out shall be calculated in the same manner.

[(3) In determining said fair and reasonable value the Secretary shall consider the cost of placing the vessels in class with respect to hull and machinery, and, with respect to any traded-out vessels of the military type, the cost of reconverting and restoring such vessels for normal operation in commercial service. The Secretary of Commerce shall consult with and obtain the approval of the Defense Department before any vessel of a miltary type is traded out under the provisions of this subsection. In determining the value of the traded-in vessel or vessels the Secretary may take into consideration the cost to the owner of compliance with subparagraph (8), clauses (A) and (B), of this subsection.

[(4) The value of the traded-out vessel which is in excess of the value of the traded-in vessel or vessels shall be paid in cash at the time of the exchange. No payments shall be made by the United States to the owner of a traded-in vessel in connection with an exchange under this subsection.

[(5) A contract shall be entered into under this subsection by any person acquiring a traded-out vessel which shall provide (A) that in the revent the United States shall, through purchase or requisition or otherwise, reacquire ownership of said vessel, at any time within twenty years of the date of construction thereof, the owner shall be paid therefor the value thereof, but in no event shall such payment exceed the fair and reasonable exchange value determined under this subsection (together with the actual cost of capital improvements thereon) depreciated to the date of such purchase or acquisition, or the fair and reasonable scrap value of such vessel, as determined by the Secretary of Commerce, whichever is the greater; (B) that such determination shall be final; (C) that in computing the depreciated exchange value of such vessel, the depreciation shall be computed on the vessel on the schedule adopted or accepted by the Secretary of the Treasury for Federal income tax purposes as applicable to such vessel; (D) that such vessel shall remain documented under the laws of the United States for a period of at least five years after the date of the exchange, or twenty years from the date of its construction, whichever is the later date; and (E) that the foregoing conditions respecting requisition or acquisition of ownership by the United States and documentation shall run with the title to such vessel and be binding

on all owners thereof. Any other conditions respecting purchase or requisition by the United States heretofore applicable by statute to any traded-out vessel are hereby made inapplicable to such vessel.

[(6) Neither subsection (e) of this section, nor the nontaxable exchange provisions of the International Revenue Code, shall apply to the exchange of vessels under this subsection.

[(7) Any repairs or reconversion necessary at the time of the exchange to place the traded-out vessel in class and prepare it for commercial operation shall be performed in a shipyard within the continental United States.

[(8) The owner of the traded-in vessel, at his own expense and in a manner satisfactory to the Secretary of Commerce, shall (A) effect deactivation and preparation of the traded-in vessel and its equipment for storage or layup; (B) make delivery of such vessel and its equipment at a location designated by the Secretary of Commerce; and (C) execute a bond, with one or more approved sureties, conditioned upon indemnifying the United States from all loss resulting from any lien against such vessel existing at the time of the exchange.

[(9) Except where traded out for use exclusively in trade and commerce on the Great Lakes, including the Saint Lawrence River and Gulf, tanker vessels may be traded out under the provisions of this subsection only for major conversions into dry cargo carriers or liquid bulk carriers, including natural gas carriers but excluding bulk petroleum carriers.]

(i) The Secretary of Commerce is authorized, within two years after enactment of this subsection, to acquire mariner class vessels constructed under title VII of the Merchant Marine Act, 1936, and legislation in Public Law 911, Eighty-first Congress, in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping. For purposes of this subsection, the traded-in and traded-out vessels shall be valued at the higher of their scrap value in domestic or foreign markets as of the date of the exchange: Provided, That in any exchange transactions the value assigned to the traded-in and traded-out vessels will be determined on the same basis. The value of the traded-out vessel[s] shall be as nearly as possible equal to the value of the traded-in vessel[s] plus the fair value of the cost of towing the traded-out vessel[s] to the place of scrapping. To the extent the value of the traded-out vessel[s] exceeds the value of the traded-in vessel[s] plus the fair value of the cost of towing, the owner of the traded-in vessel[s] shall pay the excess to the Secretary of Commerce in cash at the time of the exchange. This excess shall be deposited into the Vessel Operations Revolving Fund and all costs incident to the layup of vessels acquired under this Act may be paid from balances in the Fund. No payments shall be made by the Secretary of Commerce to the owner of any traded-in vessel[s] in connection with any exchange under this subsection. Notwithstanding the provisions of sections 9 and 37 of the Shipping Act, 1961, vessels traded out under this subsection may be scrapped in approved foreign markets. The provision of this subsection (i) as it read prior to this amendment shall govern all transactions made thereunder prior to this amendment.

(j) Any vessel heretofore or hereafter acquired under this section, or otherwise acquired by the Secretary of Commerce under any other authority shall be placed in the national defense reserve fleet established under authority of section 11 of the Merchant Ship Sales Act of 1946 (50 U.S.C. App. 1744), and shall not be traded out or sold from such reserve fleet, except as provided for in subsections (g) and (i) of this section. This limitation shall not affect the rights of the Secretary of Commerce to dispose of a vessel as provided in other sections of this title or in titles VII or XI of this Act.

○

Calendar No. 1273

93D CONGRESS
2d Session

SENATE

REPORT
No. 93-1346

NATIONAL DEFENSE RESERVE FLEET MODERNIZATION

DECEMBER 13, 1974.—Ordered to be printed

Mr. LONG, from the Committee on Commerce, submitted the following

REPORT

[To accompany H.R. 12427]

The Committee on Commerce, to which was referred the bill (H.R. 12427) to amend section 510 of the Merchant Marine Act, 1936, having considered the same, reports favorably thereon with amendments and recommends that the bill do pass.

PURPOSE

The purpose of the bill is to modernize the National Defense Reserve Fleet, by authorizing the Secretary of Commerce to accept Mariner-class vessels for trade-in to the Reserve Fleet in exchange for ships of equal scrap value that are scheduled for scrapping.

BACKGROUND

The Maritime Administration, in the Department of Commerce, maintains the National Defense Reserve Fleet in order to supplement our active merchant fleet in time of war or national emergency. This reserve capacity was established following World War II with Liberty and Victory ships. These war-built ships have been in active service in World War II and the Korean and Vietnam crises. However, their present age and condition make their future use very unlikely. The majority of the ships in the Reserve Fleet are there awaiting scrapping.

The Mariner class vessels which would be brought into the Reserve Fleet in exchange for the obsolete, worn out vessels were built for the Federal Government for national defense use in the early 1950's. They are relatively fast, capable of 20 knots, nearly double the speed of the typical World War II vessel now in Reserve Fleet. The Mariners

also have nearly 30% greater cargo-carrying capacity and are equipped with their own loading and off-loading rigging which is required for the varied type of military cargo. Twenty-four of these Mariner vessels are now owned by U.S.-flag operators and would be eligible for acquisition by the Secretary of Commerce under this legislation.

Because of the technological advances in the maritime industry, such as container ships, barge carriers, and roll-on/roll-off ships the majority of the Mariners now in service are commercially obsolete and surplus to the requirements of the operators. It is most likely that in the absence of this legislation, most of these vessels will be scrapped and the opportunity to rejuvenate the Reserve Fleet with relatively modern conventional break-bulk cargo ships will be lost.

H. R. 12427 was introduced in the House of Representatives on January 30, 1974. Hearings were held before the House Committee on Merchant Marine and Fisheries, Subcommittee on Merchant Marine on February 25, 1974. Favorable testimony was presented by witnesses from the Departments of Commerce, and Defense, and the shipping industry. No opposition was raised against the legislation. On June 4, 1974, the House of Representatives passed the bill without amendment.

On July 11, 1974, the committee gave public notice that it was considering H. R. 12427 and invited intersted parties to submit written statements on the bill. A single statement supporting enactment of the legislation was received; no comments in opposition were received.

On December 12, 1974, the committee unanimously approved the bill after adopting several amendments related to the drafting of the legislation.

Summary

The bill authorizes the Secretary of Commerce, within two years after enactment, to acquire Mariner class vessels for the National Defense Reserve Fleet, in exchange for obsolete vessels in the Fleet. The traded-in and traded-out vessels would be valued at the higher of their scrap values in the domestic or foreign markets on the date of the exchange and both vessels would be valued on the same basis. The value of the traded-out vessels must be as nearly as possible equal to the value of the traded-in vessels plus the fair value of the cost of towing the traded-out vessels to the place of scrapping. Since it is most likely that if the private owners of the Mariners were to scrap them abroad, they would be able to carry a cargo to a port near the scrapping sites and thereby avoid a towing cost to the scrapping area. The bill thus combines the fair cost of towing the traded-out vessels to the place of scrapping with the value of the traded-in vessels.

If the value of the traded-out vessels exceeds this amount, the owner of the traded-in vessels would be required to pay the excess to the Secretary of Commerce in cash at the time of the exchange. Such payments shall be deposited in the Vessel Operations Revolving Fund, which was created by Public Law 82–45, to finance the break-out, operation and lay-up of National Defense Reserve Fleet vessels. The bill also provides that all lay-up costs of traded-in vessels may be paid from balances in this Fund. These costs are estimated to be about $200,000 per Mariner vessel. On June 30, 1974, the balance in the Vessel Operation Revolving Fund was $16.6 million.

The bill provides that no payments shall be made by the Secretary of Commerce to the owner of any traded-in vessel in connection with any exchange authorized by this legislation.

The bill permits vessels traded out of the Reserve Fleet under this authority to be scrapped in approved foreign markets, notwithstanding the provisions of section 9 and 37 of the Shipping Act, 1916 (46 U.S.C. 808, 835).

Estimated Costs

Pursuant to section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91–510), the Committee has estimated the cost of the legislation as follows: the lay-up cost for each Mariner vessel is estimated to be $200,000. Twenty-four (24) such vessels are eligible for trade-in under the bill; thus the maximum cost would total $4.8 million. This cost may be paid from the Vessel Operations Revolving Fund so the legislation requires no new authorization of funds.

Text of H.R. 12427, as Reported

To amend section 510 of the Merchant Marine Act, 1936

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection 510 (i) of the Merchant Marine Act, 1936 (46 U.S.C. 1160(i)) is amended to read as follows:

"(i) The Secretary of Commerce is authorized, within two years after enactment of this subsection, to acquire mariner class vessels constructed under title VII of this Act and Public Law 911, Eighty-first Congress, in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping. For purposes of this subsection, the traded-in and traded-out vessels shall be valued at the higher of their scrap value in domestic or foreign markets as of the date of the exchange: *Provided*, That in any exchange transactions the value assigned to the traded-in and traded-out vessels will be determined on the same basis. The value of the traded-out vessel shall be as nearly as possible equal to the value of the traded-in vessel plus the fair value of the cost of towing the traded-out vessel to the place of scrapping. To the extent the value of the traded-out vessel exceeds the value of the traded-in vessel plus the fair value of the cost of towing, the owner of the traded-in vessel shall pay the excess to the Secretary of Commerce in cash at the time of the exchange. This excess shall be deposited into the Vessel Operations Revolving Fund and all costs incident to the lay-up of vessels acquired under this Act may be paid from balances in the Fund. No payments shall be made by the Secretary of Commerce to the owner of any traded-in vessel in connection with any exchange under this subsection. Notwithstanding the provisions of sections 9 and 37 of the Shipping Act, 1961, vessels traded out under this subsection may be scrapped in approved foreign markets. The provision of this subsection (i) as it read prior to this amendment shall govern all transactions made thereunder prior to this amendment.".

Agency Comments

General Counsel of the Department of Commerce,
Washington, D.C., July 12, 1974.

Hon. Warren G. Magnuson,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: This is in reply to your request for the views of this Department concerning H.R. 12427, an act "to amend section 510 of the Merchant Marine Act, 1936."

The act was passed by the House of Representatives on June 4, 1974. It would authorize the Secretary of Commerce to acquire, within two years after its enactment, Mariner-class vessels that were constructed under title VII of the Merchant Marine Act, 1936, and legislation in Public Law 911, Eighty-first Congress, approved January 6, 1951, in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping. The act provides that the trade-in and traded-out vessels would be valued at the higher of their scrap values in the domestic or foreign markets on the date of the exchange, and that the traded-in and traded-out vessels in any exchange would be valued on the same basis. Under the act the value of the traded-out vessels is required to be as nearly as possible equal to the value of the traded-in vessels plus the fair value of the cost of towing the traded-out vessels to the place of scrapping. If the value of the traded-out vessels exceeds this amount, the owner of the traded-in vessels would be required to pay the excess to the government in cash at the time of the exchange.

No payment would be made by the Secretary of Commerce to the owner of any traded-in vessel in connection with any exchange under the bill. The act further provides that notwithstanding the provisions of sections 9 and 37 of the Shipping Act, 1916 (which prohibits the transfer of U.S.-flag vessels to foreign ownership without the consent of the Secretary of Commerce) vessels traded-out under the act may be scrapped in approved foreign markets. A further provision of the act that was added to the introduced bill by the House of Representatives at the suggestion of this Department would require that any excess value that is paid to the government by the owner of a traded-in vessel shall be deposited in the Vessel Operations Revolving Fund (VORF); all costs incident to the lay-up of vessels traded in under the act are authorized to be paid from the VORF.

The Department of Commerce recommends passage of the act.

The Mariner-class vessels that would be traded in under the act were built for national defense purposes. On December 16, 1950, the President declared a national emergency in connection with the outbreak of the Korean War. Public Law 911, 81st Congress, approved January 6, 1951, made funds available "without regard to the provisions of the Merchant Marine Act of 1936 with respect to essential trade routes, for the construction of such additional dry-cargo vessels as the Secretary of Commerce, with the approval of the President, shall find necessary for national security." Thirty-five Mariners were

built by the government under this legislation. These were 20-knot vessels, of 13,400 deadweight tons. They were by far the most efficient and productive dry cargo vessels that had ever been built anywhere up to that time.

Five of these vessels were turned over to the Navy and the remaining 30 were sold to private operators. Two of these have been lost. Two have been sold foreign, one for scrapping and one for operation. Of the ships remaining under United States flag, two are combination ships, eight are container ships, 16 are break bulk ships and five are under Navy control.

As a result of the introduction of newer and more efficient ships, such as container ships, Ro/Ro ships, LASH ships and Sea Barge ships, some of the Mariners are surplus to the needs of the operators. There are no ready buyers in the market, and unless this legislation is enacted, the surplus Mariners will be scrapped.

There are now 488 ships in the National Defense Reserve Fleet, which is maintained by the Department's Maritime Administration. 329 of these are retention vessels and the remaining 159 are scrap candidates of miscellaneous types. Of the retention vessels only 138 are merchant type vessels. 134 of these are Victory ships and the other 4 are container ships. The remaining 191 are military type vessels that are being retained for Navy use.

Victory ships have a speed of 15 knots and a deadweight of 10,000 tons. These were war-built ships which have seen substantial service in World War II, the Korean War and the Vietnam War. The Mariners are newer, were more carefully built than the war-built ships, and have greater speed and deadweight and cubic capacities. They would be a most helpful addition to the National Defense Reserve Fleet.

If the owners of the Mariners were to scrap them abroad, they would be able to carry a cargo to an area where the vessel would be scrapped. The transportation of the vessel to the foreign market, therefore, would be at no cost to them. The act recognizes this by combining the fair cost of towing the traded-out vessels to the place of scrapping with the value of the traded-in vessels as the value that shall as nearly as possible equal the value of the traded-out vessel.

The act also provides a means of funding the cost of laying up the traded-in vessels. Public Law 45, 82d Congress, approved June 2, 1951 (46 U.S.C. 1241a) established the VORF to finance the break-out, operation and lay-up of vessels by the Secretary of Commerce for national defense purposes. Since the lay-up of the traded-in Mariners will be for national defense purposes, the act appropriately provides that the excess of value of the trade-out vessels over that of the traded-in vessels plus the fair value of the owing charges, which the owner of the traded-in vessel must pay under the act, shall be deposited in the VORF and authorizes the Secretary of Commerce to pay for the lay-up of the traded-in vessels from the VORF. As of April 30, 1974, there was a cash balance of $16 million in the fund. It is estimated that the lay-up cost of each traded-in vessel would be about $200,000.

Passage of this act would enable the government to acquire sound vessels for the National Defense Reserve Fleet in exchange for scrap vessels. If the act becomes law, this Department will control the program in such manner that there will be no additional outlays and the regular scrap program will continue to be maintained.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of our report to your Committee from the standpoint of the Administration's objectives.

Sincerely,

KARL E. BAKKE,
General Counsel.

O

H. R. 12427

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To amend section 510 of the Merchant Marine Act, 1936.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection 510 (i) of the Merchant Marine Act, 1936 (46 U.S.C. 1160(i)) is amended to read as follows:

"(i) The Secretary of Commerce is authorized, within two years after enactment of this subsection, to acquire mariner class vessels constructed under title VII of this Act and Public Law 911, Eighty-first Congress, in exchange for obsolete vessels in the National Defense Reserve Fleet that are scheduled for scrapping. For purposes of this subsection, the traded-in and traded-out vessels shall be valued at the higher of their scrap value in domestic or foreign markets as of the date of the exchange: *Provided*, That in any exchange transactions the value assigned to the traded-in and traded-out vessels will be determined on the same basis. The value of the traded-out vessel shall be as nearly as possible equal to the value of the traded-in vessel plus the fair value of the cost of towing the traded-out vessel to the place of scrapping. To the extent the value of the traded-out vessel exceeds the value of the traded-in vessel plus the fair value of the cost of towing, the owner of the traded-in vessel shall pay the excess to the Secretary of Commerce in cash at the time of the exchange. This excess shall be deposited into the Vessel Operations Revolving Fund and all costs incident to the lay-up of vessels acquired under this Act may be paid from balances in the Fund. No payments shall be made by the Secretary of Commerce to the owner of any traded-in vessel in connection with any exchange under this subsection. Notwithstanding the provisions of sections 9 and 37 of the Shipping Act, 1961, vessels traded out under this subsection may be scrapped in approved foreign markets. The provision of this subsection (i) as it read prior to this amendment shall govern all transactions made thereunder prior to this amendment.".

SEC. 2. (a) The Shipping Act, 1916, as amended (46 U.S.C. 801–842), is amended by inserting a new section 3 to read as follows:

"SEC. 3. Notwithstanding part III of the Interstate Commerce Act, as amended (49 U.S.C. 901 et seq.), or any other provision of law, rates and charges for the barging and affreighting of containers or containerized cargo by barge between points in the United States, shall be filed solely with the Federal Maritime Commission in accordance with rules and regulations promulgated by the Commission where (a) the cargo is moving between a point in a foreign country or a noncontiguous State, territory, or possession and a point in the United States, (b) the transportation by barge between points in the United States is furnished by a terminal operator as a service substitute in lieu of a direct vessel call by the common carrier by water transporting the containers or containerized cargo under a through bill of lading, (c) such terminal operator is a Pacific Slope State, municipality, or other public body or agency subject to the jurisdiction of the Federal Maritime Commission, and the only one furnishing the particular circumscribed barge service in question as of the date of enactment hereof, and (d) such terminal operator is in compliance with the rules and regulations of the Federal Maritime Commission for the operation of such barge service. The terminal operator providing such services shall be subject to the provisions of the Shipping Act, 1916.".

(b) Within one hundred and twenty days after enactment of this

Act, the Federal Maritime Commission shall promulgate rules and regulations for the barge operations described in the amendment made by the first section of this Act. Such rules shall provide that the rates charged shall be based upon factors normally considered by a regular commercial operator in the same service.

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

December 24, 1974

Dear Mr. Director:

The following bills were received at the White House on December 24th:

S.J. Res. 40
S.J. Res. 133
S.J. Res. 262
S. 251
S. 356
S. 521
S. 544
S. 663
S. 754
S. 1017
S. 1083
S. 1296
S. 1418
S. 2149
S. 2446
S. 2807
S. 2854
S. 2888
S. 2994
S. 3022
S. 3289
S. 3358
S. 3359
S. 3394
S. 3433
S. 3481
S. 3548
S. 3934
S. 3943
S. 3976
S. 4073
S. 4206
H.J. Res. 1178
H.J. Res. 1180
H.R. 421
H.R. 1715
H.R. 1820
H.R. 2208
H.R. 2933
H.R. 3203
H.R. 3339
H.R. 5264
H.R. 5463
H.R. 5773
H.R. 7599
H.R. 7684
H.R. 7767
H.R. 8214
H.R. 8322
H.R. 8591
H.R. 8958
H.R. 8981
H.R. 9182
H.R. 9199
H.R. 9588
H.R. 9654
H.R. 10212
H.R. 10701
H.R. 10710
H.R. 10827
H.R. 11144
H.R. 11273
H.R. 11796
H.R. 11802
H.R. 11847
H.R. 11897
H.R. 12044
H.R. 12113
H.R. 12427
H.R. 12884
H.R. 13022
H.R. 13296
H.R. 13869
H.R. 14449
H.R. 14461
H.R. 14600
H.R. 14689
H.R. 14718
H.R. 15173
H.R. 15223
H.R. 15229
H.R. 15322
H.R. 15977
H.R. 16045
H.R. 16215
H.R. 16596
H.R. 16925
H.R. 17010
H.R. 17045
H.R. 17085
H.R. 17468
H.R. 17558
H.R. 17597
H.R. 17628
H.R. 17655

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.