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THE WHITE HOUSE

WASHINGTON

November 5, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN

FROM: JAMES E. CONNOR *JEC*

SUBJECT: Administration's position on H. R. 1288
dealing with the transportation of
passengers between U. S. ports on foreign
vessels

Confirming phone call to your office, the President reviewed your memorandum of October 29th on the above subject and approved the following:

Option 2 - "Oppose the bill".

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

November 5, 1975

MR PRESIDENT:

Staffing of the attached memorandum resulted
in the following:

Buchen, Cannon, Friedersdorf, Seidman

Concur with OMB's recommendation of
Option 1

Scowcroft -

Join Transportation & State in deferring
to the other departments on the merits of
the bill.

Marsh

No response at this writing.

Jim Connor



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

OCT 29 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. Lynn
Director

SUBJECT: Administration's position on H.R. 1288
dealing with the transportation of
passengers between U.S. ports on
foreign vessels

I. BACKGROUND

Under the Jones Act, foreign flag passenger vessels are prohibited from transporting passengers in the U.S. coastal trade (i.e., to serve more than one U.S. port on a given voyage), either directly or by way of a foreign port. Penalties of \$200 per passenger apply to violations.

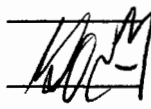
H.R. 1288 would amend the Jones Act to allow foreign flag passenger vessels into the U.S. coastal trade if the following conditions are met:

- the proposed voyage itinerary includes at least one foreign port (e.g., Miami-Barbados-New Orleans), and
- the proposed voyage "does not involve direct and immediate competition with any U.S. -flag vessel."

The Treasury Department (Customs) would make the determinations regarding the two conditions above, and the approval would be statutorily limited to two years, although renewable.

Treasury states that if the bill is enacted without a more precise definition of the term "direct and immediate competition," then Treasury will interpret it as meaning that no U.S. flag vessel will be traveling between the same two ports within 30 days of a proposed foreign vessel voyage.

II. OPTIONS

-  1. Support the bill. (Treasury, OMB support this option)
2. Oppose the bill. (Commerce, Labor support this option)

Justice has no objection to the bill. Transportation and State defer to the other departments on the merits of the bill.

The reasons for supporting the bill are as follows:

- U.S. flag passenger service has not proven to be economically viable. The demand for ocean passenger service has held relatively steady, while the U.S. flag fleet has dwindled almost to nothing (currently there are only six U.S. flag passenger and passenger/cargo vessels which cruise or serve foreign points). In this context, the argument that U.S. coastal passenger trade should be exclusively reserved for U.S. flag vessels (even in cases where U.S. flag vessel service does not now exist) ignores the interests of the U.S. travelling public.
- The restrictions imposed by the bill on the operators of foreign-flag vessels (i.e., required service of foreign ports between U.S. ports; no direct competition with U.S. vessels; requirement for license renewal every two years) are more than sufficient to guarantee that U.S. - flag vessel services will not be unduly harmed.
- In a period in which the Administration is seeking to loosen the regulations and restrictions imposed by the Government on the transportation industries, it is appropriate to support minor modifications of the heavily protectionist Jones Act. Treasury points out a precedent whereby it may allow the use of foreign flag salvage vessels within U.S. waters if no U.S. vessels are available to provide the required services.

The reasons for opposing the bill are as follows:

- Preserving the Jones Act will continue to provide blanket protection for the U.S. shipping industry in the coastal trades, a 90-year U.S. policy.

- Allowing foreign-flag vessels to enter the domestic trades reduces incentive for U.S. -flag operators to try to develop this trade.
- Since many U.S. flag ships carry both cargo and passengers, foreign vessel competition in the U.S. coastwide passenger trade may have a negative impact on the future of the U.S. flag cargo trade as well.
- Administration support of the bill may have a negative impact on relations with the maritime industry.

III. RECOMMENDATION

That you approve Option 1, which provides for support of the bill.

Approve _____

Disapprove AC-7

See me _____