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APPROVED  
OCT 17 1976

810/17/76

THE WHITE HOUSE  
WASHINGTON  
October 14, 1976

ACTION

Last Day: October 18

MEMORANDUM FOR THE PRESIDENT  
FROM: JIM CANNON *JDC*  
SUBJECT: H.R. 1073 - Marine War Risk Insurance Extension

*Posted  
10/18/76*

Attached for your consideration is H.R. 1073, sponsored by Representative Sullivan.

*Archives  
10/18/76*

The enrolled bill would extend the Marine War Risk Insurance Program until September 30, 1979. The program expired on September 7, 1975.

The bill would also clarify the eligibility for insurance of loaded or empty containers aboard vessels, and would subject insured vessels to vessel location reporting as required by the Secretary of Commerce. In addition, the Secretary, in determining whether to grant insurance to foreign-flag vessels, must take into further account the characteristics, the employment and general management of the vessel by the owner.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Kilberg), NSC and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 1073 at Tab B.



OCT 17 1976





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

OCT 9 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 1073 - Marine War Risk  
Insurance Extension  
Sponsor - Rep. Sullivan (D) Missouri

Last Day for Action

October 18, 1976 - Monday

Purpose

Amends and extends until September 30, 1979, the Marine War Risk Insurance Program.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Defense	Approval
Department of State	Approval

Discussion

H.R. 1073 would amend Title XII of the Merchant Marine Act to extend the Marine War Risk Insurance Program until September 30, 1979. The program expired on September 7, 1975.

Title XII authorizes the Secretary of Commerce, with the approval of the President, to provide war risk and certain marine and liability insurance for the protection of vessels, cargoes, and crew life and personal effects when commercial war risk insurance is not available on reasonable terms and conditions. It is intended to maintain U.S. marine transportation, including essential transportation services for the Department of Defense (DOD).

Generally, commercial war risk insurance is automatically cancelled when (1) there is an outbreak of war, declared or undeclared, among the major world powers (the U.S., Britain, France, the U.S.S.R., or the People's Republic of China), or (2) there is a hostile detonation of any nuclear weapon of war, whether or not a vessel is involved. Title XII provides that U.S. war risk insurance may be made available, when commercial insurance is cancelled, for (1) U.S. flag ships, (2) foreign flag vessels owned by U.S. citizens or engaged in the U.S. maritime trade, and (3) such other foreign flag vessels as Commerce deems it to be in the interests of the national defense or the national economy to insure. Foreign flag vessels have been eligible for U.S. war risk insurance because, in the event of a major war, there may not be a sufficient number or the type of U.S. flag vessels available which would meet the defense requirements of the U.S.

After successful programs were carried out in World Wars I and II, the Title XII war risk insurance program was enacted at the outbreak of the Korean War in 1950. It has been extended every five years since then. Commerce had proposed to the Congress another simple five year extension, through September 7, 1980. Instead, the enrolled bill would extend the program through September 30, 1979, and would amend the program as it applies to foreign flag vessels.

Under the enrolled bill, in determining whether to issue insurance to a foreign flag vessel in the future, Commerce would be required to consider the characteristics of the vessel (such as its size, age, efficiency, and safety), its employment, and its general management. Commerce, under pressure from the Congress, has already voluntarily begun to apply similar standards to foreign flag vessel insurance applications.

H.R. 1073 would also require that all U.S. and foreign flag vessels covered by this program be subject to such vessel location reporting requirements as established by Commerce. Currently, all U.S. flag merchant vessels are required to file periodic location reports with Coast Guard stations. The enrolled bill would extend this requirement to foreign flag vessels covered by U.S. war risk insurance, a provision which both Commerce and DOD strongly support.

Finally, the enrolled bill would clarify that the insurance program covers containers, whether loaded or unloaded, as part of a vessel's cargo, and that Commerce may charge an annual fee to cover administrative expenses of the program. Commerce has already adopted both of these provisions administratively.

A handwritten signature in black ink, reading "Paul H. O'Neill". The signature is written in a cursive style with a large initial "P" and "O".

Paul H. O'Neill  
Acting Director

Enclosures



MEMORANDUM

NATIONAL SECURITY COUNCIL

5708

1976 OCT 14 PM 12 24  
October 14, 1976

MEMORANDUM FOR: JAMES M. CANNON  
FROM: Jeanne W. Davis *JWD*  
SUBJECT: H. R. 1073

The NSC Staff concurs with the proposed enrolled bill  
H. R. 1073-Marine War Risk Insurance Extension.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 11

Time: 800pm

18

FOR ACTION: NSC/S  
Max Friedersdorf  
Bobbie Kilberg  
Paul Leach

cc (for information): Jack Marsh  
Edm Schnlts  
Steve McConbey

FROM THE STAFF SECRETARY

DUE: Date: October 12

Time: 530pm

SUBJECT:

H.R.1073-Marine War Risk Insurance Extension

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- 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



**GENERAL COUNSEL OF THE  
UNITED STATES DEPARTMENT OF COMMERCE**  
Washington, D.C. 20230

**OCT 6 1976**

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H. R. 1073, an enrolled enactment

"To extend the provisions of title XII of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional three years, ending September 7, 1978."

The enrolled enactment would revive the marine war risk insurance law, which expired September 7, 1975, for the period ending September 30, 1979. The bill also would clarify the eligibility for insurance of loaded or empty containers aboard vessels, and would subject insured vessels to vessel location reporting as required by the Secretary. In addition, the Secretary, in determining whether to grant insurance to foreign-flag vessels, must take into further account the characteristics, the employment and the general management of the vessel by the owner or charterer.

The Department of Commerce urges approval by the President of H. R. 1073.

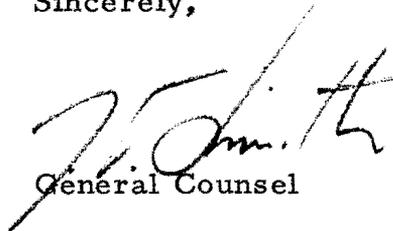
The marine war risk insurance program, title XII of the Merchant Marine Act of 1936, authorizes the Secretary of Commerce, with the approval of the President, to provide war risk and certain marine and liability insurance for protection of vessels, cargoes, and crew life and personal effects, when commercial insurance cannot be obtained on reasonable terms and conditions. The purpose of title XII is to maintain the flow of the U. S. waterborne commerce, including the maintenance of essential transportation services for the Department of Defense.



Since the enactment of title XII, with the outbreak of the Korean War in 1950, the authority of the Secretary of Commerce to issue war risk insurance has been renewed every five years. While the Maritime Administration has never found it necessary to invoke the full authority provided by title XII, it has adopted a procedure whereby interim binders are issued (for a fee) under which Government war risk insurance attaches immediately upon the occurrence of events that automatically terminate commercial insurance policies. The events, the occurrence of which would automatically terminate commercial insurance policies, are: the outbreak of war (whether or not by declaration of war) between the United States, the United Kingdom, France, the Union of Soviet Socialist Republics, or the People's Republic of China, or the hostile detonation of a nuclear weapon of war (whether or not a vessel is involved). The coverage provided upon the attachment of the Government insurance is effective initially for only 30 days. During this period premiums would be fixed and would apply retroactively. Contracts for any additional period would be made on the basis of the circumstances found to exist after the initial 30 day period.

Enactment of H. R. 1073 is not expected to occasion any increase in the budgetary requirements of this Department.

Sincerely,



General Counsel



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

October 5, 1976

Dear *Jim* Mr. Lynn:

Your transmittal sheet dated October 4, 1976 enclosing a facsimile of an enrolled bill of Congress, H.R. 1073 "To amend title XII of the Merchant Marine Act, 1936," and requesting the comments of the Department of Defense, has been received. The Department of the Navy has been assigned the responsibility for the preparation of a report expressing the views of the Department of Defense.

H.R. 1073 will clarify certain provisions of title XII (War Risk Insurance) of the Merchant Marine Act of 1936, as amended, and will extend those provisions to September 30, 1979. Additionally, it will require American and foreign-flag vessels so insured or reinsured to submit such vessel location reports as the Secretary of Commerce establishes by regulation.

The basic purpose of H.R. 1073 is to reinstate the provisions of title XII, in order to maintain the flow of U.S. waterborne commerce, including the maintenance of essential transportation services for the Department of Defense, by providing war risk insurance for American and certain foreign-flag ships.

The provision of this enactment requiring vessel location reports is particularly desirable in light of the Navy's broad responsibility to protect sea lines of communication, since it will enable the Secretary of Commerce to expand the U.S. Flag Vessel Locator Filing System. This will lead to participation by certain U.S.-owned merchant ships not currently included within the system.

The United States Government has a continuing requirement to know the current location of U.S. flag and U.S.-owned merchant ships. This information is needed in order for the United States Navy to protect U.S. merchantmen at sea, to enhance the safety of life at sea, and to permit the utilization of all national resources in the protection of American lives and property overseas. The efficacy of any vessel position data base is largely dependent upon the number and quality of reporting sources. In this regard, a quantum improvement in the knowledge of U.S. flag merchant ship movements occurred in November 1975 with the establishment by the Maritime Administration of the U.S. Flag Merchant Vessel Locator Filing System, enacted under the provisions of the Merchant Marine Act, 1936, as amended. The immediate success and utility of the U.S. Flag Merchant Vessel Locator Filing System program, particularly in the wake of the SS MAYAGUEZ incident, have been pronounced, and an expansion of the U.S. Flag Merchant Vessel Locator Filing System reporting requirements to obtain knowledge of the current movements of U.S.-owned, as well as U.S. flag, merchant ships is strongly endorsed.



For the above reasons, the Department of the Navy, on behalf of the Department of Defense, supports H.R. 1073.

Sincerely yours,

*Bill*

J. William Middendorf II  
Secretary of the Navy

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D.C. 20503



DEPARTMENT OF STATE

Washington, D.C. 20520

OCT 6 1978

Dear Mr. Lynn:

I refer to the Office of Management and Budget's enrolled bill request dated October 4, 1976, which requested the Department of State's views and recommendations on H.R.1073, a bill "To extend the provisions of Title XII of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional three years, ending September 7, 1978".

This legislation would re-establish the authority of the Secretary of Commerce to provide war risk insurance and certain other insurances for U.S.-flag and certain other foreign flag vessels under stated conditions.

Section I of the new bill establishes broad criteria to be taken into account by the Secretary of Commerce in making decisions to provide insurance. We have some concern that, under circumstances other than those currently prevailing, these new criteria could be utilized in an unjustifiably discriminatory manner. Accordingly, we look to consultations with the Maritime Administration to assure that appropriate implementing procedures are developed which assure that war risk insurance is allocated to those vessels best suited to provide needed transportation services, without inappropriate discrimination on the basis of flag or otherwise.

Honorable James T. Lynn  
Director, Office of  
Management and Budget  
Washington, D.C. 20503

However, we firmly believe that the ability of the United States Government to provide war risk coverage in times of international tension may be instrumental in assuring the availability of vessels where they are most urgently needed. Accordingly, we recommend that the President approve this bill.

Sincerely,

A handwritten signature in cursive script, reading "Kempton B. Jenkins". The signature is written in dark ink and is positioned above the typed name.

Kempton B. Jenkins  
Acting Assistant Secretary  
for Congressional Relations

Date: October 11

Time: 800pm

FOR ACTION: NSC/S  
Max Friedersdorf  
Bobbie Kilberg  
Paul Leach

cc (for information): Jack Marsh  
Ed Schmults  
Steve McConahey

FROM THE STAFF SECRETARY

DUE: Date: October 12

Time: 530pm

SUBJECT:

H.R.1073-Marine War Risk Insurance Extension

**ACTION REQUESTED:**

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

**REMARKS:**

please return to judy johnston, ground floor west wing

*Recommend approval.*

*MLP*

**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.

James M. Cannon  
For the President

**Date:** October 11

**Time:** 800pm

**FOR ACTION:** NSC/S  
Max Friedersdorf  
Bobbie Kilberg  
Paul Leach

**cc (for information):** Jack Marsh  
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Steve McConahey

**FROM THE STAFF SECRETARY**

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**DUE: Date:** October 12

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For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

**REMARKS:**

please return to judy johnston, ground floor west wing

*approval Kelly 10/12/76*

**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.

James M. Cannon  
For the President

## WAR RISK INSURANCE

SEPTEMBER 28 (legislative day, SEPTEMBER 24), 1976.—Ordered to be printed

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

### REPORT

[To accompany S. 3181]

The Committee on Commerce, to which was referred the bill (S. 3181) to amend title XII of the Merchant Marine Act, 1936, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

#### PURPOSE

The purpose of the bill is to amend and renew, until September 30, 1979, the authority of the Secretary of Commerce to provide war risk insurance and reinsurance under title XII of the Merchant Marine Act, 1936.

#### BACKGROUND

Title XII of the Merchant Marine Act, 1936, as amended, vests authority in the Secretary of Commerce, with the approval of the President, to provide insurance and reinsurance against loss or damage by war risks to U.S.-registered and certain foreign-registered merchant vessels, their crews and cargoes, when such commercial coverage is not available on reasonable terms and conditions. Administration of this war risk insurance program has been delegated by the Secretary to the Maritime Administration.

Commercial insurance underwriters now provide war risk coverage for U.S. and foreign flag vessels. However, their policies contain an automatic termination clause providing that coverage shall terminate upon the outbreak of war, declared or not, between any of the five great powers (i.e., the United States of America, the United Kingdom, France, the Union of Soviet Socialist Republics, and the People's Republic of China) or upon the hostile detonation of a nuclear weapon of war.

Types of war risk insurance offered under title XII include:

Hull and Machinery—covers loss of or damage to the vessel or its appurtenances;

Protection and Indemnity—covers liability of the vessel to members of the crew and third parties;

Cargo—covers shipments of goods imported to or exported from the United States, its territories or possessions; and

Second Seaman's War Risk—covers death, injury, loss of or damage to personal effects or detention of the seamen.

This war risk insurance program, in effect, creates a mutual pool to spread risks among a large number of vessel operators. The United States Government operates as administrator of this pool. Thirty days from the date upon which the termination clause becomes effective, premiums are fixed retroactively on the basis of losses actually incurred. Premiums may also reflect anticipated losses. During the period that title XII war risk insurance is in effect, the Government regularly adjusts the premiums to cover all losses. The program accordingly costs the Government nothing. In fact, during World War II, when a similar program was in effect, premiums collected by the U.S. Government exceeded amounts expended in the settlement of losses.

In peacetime, the only Government commitment under title XII results from the issuance of interim binders which provide automatic attachment of Government war risk insurance between an automatic cancellation of commercial coverage and the time when regular war risk policies are issued under title XII.

If the authority to underwrite war risk insurance is renewed, annual binder fees will be charged. Binder fees under the expired program covered the direct costs of the American War Risk Agency, an association of domestic insurance companies, which acted as underwriting agent as provided in Section 1209(d) of title XII. Income from binder fees are also used to secure appraisals of the various classes of vessels covered by the interim war risk insurance program. In the event of war, these ship values will be used in the requisitioning of ships for the national defense effort.

During the Vietnam war, the Maritime Administration, by agreement with the Department of the Navy as authorized in section 1205 of title XII, furnished Second Seamen's War Risk Insurance for vessels chartered to Military Sea Transportation Service (now Military Sealift Command) when those vessels were in Vietnamese waters. Inasmuch as commercial insurance required payment of substantial penalty premiums for entry into those waters, a substantial savings was realized through insuring the risk with the Maritime Administration on an indemnity agreement basis.

Government participation in such a program is vital, particularly during wartime. The very nature of maritime operations illustrates this point. Ships must travel, frequently through hostile waters, beyond the immediate protection of our military forces. It is not reasonable to ask crews and ships to serve under such conditions without insurance being made available to them.

Authority similar to title XII existed during World War I and II. Title XII itself was enacted in 1950 for an initial period of 5 years. It has been extended four times for 5-year periods and expired on September 7, 1975.

The House of Representatives, on September 9, 1975 approved H.R. 1073, a bill to extend the provisions of title XII of the Merchant Marine Act, 1936, for an additional 3 years, ending September 7, 1978.

In addition to renewing the title XII program until September 30, 1979, S. 3181 requires the Secretary of Commerce to consider certain factors before granting war risk insurance to foreign flag vessels. The bill also requires all insured vessels to comply with vessel location reporting requirements which may be established by the Secretary, includes loaded or empty containers in the term "cargo", and authorizes the Secretary of Commerce to charge and collect an annual fee to cover the administrative costs of the war risk insurance program.

The Committee scheduled a hearing on S. 3181 to be held on June 9, 1975, but was required to cancel it because of objection in the Senate. All written testimony which was received, but not orally presented, was in favor of the bill. Testimony submitted by officials of the Maritime Administration and Department of the Navy appears in the Agency Comments section of this report. S. 3181 was ordered reported by the Committee in open executive session, without objection on September 8, 1976.

#### SECTION-BY-SECTION ANALYSIS

##### SECTION 1

Section 1203(a) authorizes the Secretary of Commerce to provide war risk insurance and reinsurance to American vessels and foreign-flag vessels owned by citizens of the United States or engaged in the waterborne commerce of the United States or in such other services as may be deemed by the Secretary to be in the interest of national defense or the national economy of the United States.

Prior to the September 7, 1975 expiration of the Secretary's authority to provide such insurance and reinsurance, vessels in the so-called Effective United States Controlled Fleet (EUSC) were automatically granted interim binders for war risk insurance by regulation if the owners of such vessels entered into a commitment to make these ships available to the United States, when requested, during a war or national emergency. Also, other foreign-flag vessels were eligible for coverage, although not automatic, upon similar terms and conditions if a determination was made that providing such insurance or reinsurance was in the interest of national defense or the national economy.

The Department of Defense has indicated that not all of the tankers which comprise the bulk of the EUSC would be needed for military service in time of national emergency or war because they would not all be suitable for emergency purposes. Therefore, the first sentence of section 1 would mandate review on a vessel-by-vessel basis employing specific criteria to ensure that only foreign-flag ships essential to national defense or the national economy would be eligible to participate in the title XII War Risk Insurance Program.

The Maritime Administration, in conjunction with the Department of the Navy, has established a Merchant Vessel Locator System, under which all United States-flag vessels of 1,000 deadweight tons engaged in the United States foreign commerce are required to report their positions every 48 hours. The purpose of this requirement is to ensure that the location of such vessels will be known in the event of an emer-

gency. No such requirement exists for foreign-flag vessels. If any foreign-flag vessels are to be utilized in time of emergency, knowledge of their location is imperative for contingency plans. The second sentence of section 1 of the bill would provide the Maritime Administration with legislative authority to require all covered foreign-flag operators to report their positions as do U.S. vessels, so as to ensure that these vessels may be utilized most effectively in time of war or national emergency.

## SECTION 2

At the time of the original enactment of title XII, the container revolution in waterborne shipping had not occurred. In fact, at the time of the last extension of Title XII in 1970, containerized transportation was still in its developmental stage. Under traditional insurance concepts, containers are neither part of the hull since they are removable nor are they part of the cargo. Thus, they are ineligible for both hull and cargo insurance. This section would insure that containers are eligible for war risk insurance and reinsurance by including loaded or unloaded containers aboard a vessel in the definition of cargo. Such coverage should be applicable from the time and point of delivery from the last land carrier or domestic water carrier until acceptance for movement for the port of discharge by the forwarding land or domestic water carrier.

## SECTION 3

This section would correct a typographical error in the present law.

## SECTION 4

Section 1209(b) does not explicitly provide for the collection of a fee to cover the administrative costs of administering the War Risk Insurance Program, i.e., the services of the American War Risk Agency (an association composed of major U.S. marine insurance underwriters), ship appraisers, and other title XII related expenses. To ensure that the administrative costs are borne by the insured, this amendment allows the Secretary of Commerce to assess an annual fee to cover those costs.

## SECTION 5

Past extensions of the title XII authority have been for five-year periods, expiring on September 7 of each fifth year. This amendment would extend the authority of the Secretary of Commerce to provide war risk insurance and reinsurance to September 30, 1979. The date of September 30 corresponds to the end of the new fiscal year established by the Congressional Budget and Impoundment Control Act of 1974.

## ESTIMATED COSTS

Pursuant to the requirements of section 252 of the Legislative Reorganization Act of 1970, the Committee estimates that there will be no additional cost to the Government as a result of the enactment of this legislation.

## CHANGES IN EXISTING LAW

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, 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):

## MERCHANT MARINE ACT, 1936

\* \* \* \* \*

SEC. 1203. The Secretary may provide the insurance and reinsurance authorized by section 1202 with respect to the following persons, property, or interest:

(a) American vessels, including vessels under construction, foreign-flag vessels owned by citizens of the United States or engaged in transportation in the water-borne commerce of the United States or in such other transportation by water or such other services as may be deemed by the Secretary to be in the interest of the national defense or the national economy of the United States, when so engaged.

*In determining whether to grant such insurance or reinsurance to foreign-flag vessels, the Secretary shall further consider the characteristics, the employment, and the general management of the vessel by the owner or charterer. American- and foreign-flag vessels so insured or reinsured shall be subject to such vessel location reporting requirements as the Secretary may establish by regulation.*

(b) Cargoes shipped or to be shipped on any such vessels, including shipments by express or registered mail; cargoes owned by citizens or residents of the United States, its Territories or possessions; cargoes imported to, or exported from, the United States, its Territories or possessions, and cargoes sold or purchased by citizens or residents of the United States, its Territories or possessions, under contracts of sale or purchase by the terms of which the risk of loss by war risks or the obligation to provide insurance against such risks is assumed by or falls upon a citizen or resident of the United States, its Territories or possessions; cargo shipped between ports in the United States, or between ports in the United States and its Territories and possessions, or between ports in such Territories or possessions. *For the purposes of this title, the term 'cargo' shall include loaded or empty containers located aboard such vessels.*

\* \* \* \* \*

(f) Statutory [on] or contractual obligations or other liabilities of such vessels or of the owner or charterer of such vessels of the nature customarily covered by insurance.

\* \* \* \* \*

SEC. 1209(b). The Secretary may prescribe and change forms and policies, and fix, adjust, and change the amounts insured and rates of

premium provided for in this title. *The Secretary may charge and collect an annual fee in an amount calculated to cover the expenses of processing applications for insurance, the employment of underwriting agents, and the appointment of experts.*

\* \* \* \* \*  
 SEC. 1214. The authority of the Secretary to provide insurance and reinsurance under this title shall expire [September 7, 1975.] *September 30, 1979.*

TEXT OF S. 3181, AS REPORTED

A BILL To amend title XII 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 section 1203 (a) of the Merchant Marine Act, 1936 (46 U.S.C. 1283 (a)), is amended by inserting at the end thereof the following new sentences: "In determining whether to grant such insurance or reinsurance to foreign-flag vessels, the Secretary shall further consider the characteristics, the employment, and the general management of the vessel by the owner or charterer, American- and foreign-flag vessels so insured or re-insured shall be subject to such vessel location reporting requirements as the Secretary may establish by regulation."*

SEC. 2. Section 1203 (b) of the Merchant Marine Act, 1936 (46 U.S.C. 1283 (b)), is amended by inserting at the end thereof the following new sentence: "For the purposes of this title, the term 'cargo' shall include loaded or empty containers located aboard such vessels."

SEC. 3. Section 1203 (f) of the Merchant Marine Act, 1936 (46 U.S.C. 1283 (f)), is amended by striking out the word "on" between the words "Statutory" and "contractual" and inserting in lieu thereof "or".

SEC. 4. Section 1209 (b) of the Merchant Marine Act, 1936 (46 U.S.C. 1289 (b)), is amended by inserting at the end thereof the following new sentence: "The Secretary may charge and collect an annual fee in an amount calculated to cover the expenses of processing applications for insurance, the employment of underwriting agents, and the appointment of experts."

SEC. 5. Section 1214 of the Merchant Marine Act, 1936 (46 U.S.C. 1294), is amended by striking out "September 7, 1975" and inserting in lieu thereof "September 30, 1979."

AGENCY COMMENTS

STATEMENT OF SAMUEL B. NEMIROW, GENERAL COUNSEL, MARITIME ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. Chairman and members of the Subcommittee, I am pleased to testify today before the Subcommittee in support of S. 3181, a bill to amend Title XII of the Merchant Marine Act, 1936 (the Act.)

S. 3181 would renew until September 30, 1979, the authority of the Secretary of Commerce to provide war risk insurance and reinsurance under Title XII of the 1936 Act, which authority expired on September 7, 1975.

The bill would also make certain changes in the Secretary's authority under Title XII of the Act. In determining whether to grant insurance or reinsurance to foreign-flag vessels, the Secretary would be required to consider the characteristics, the employment and the general management of the vessel by the owner or charterer. All vessels, whether U.S.-flag or foreign-flag, for which binders of insurance or reinsurance are issued, would be required to comply with any vessel location reporting requirement established by the Secretary. The Secretary would also be granted by the bill the authority to collect the annual fee in regard to vessels for which binders of insurance or reinsurance are issued in an amount necessary to cover the cost of processing applications, the employment of underwriting agents and the appointment of experts. In addition to making a technical correction, the bill would also extend the war risk insurance available under Title XII of the Act for cargo to containers, whether loaded or empty, which are aboard an insured vessel.

Mr. Chairman, the need for the Title XII Government war risk insurance program arises from the fact that commercial war risk insurance policies on merchant vessels and crews generally contain automatic termination clauses, which provide that such insurance policies terminate automatically upon the outbreak of war, declared or undeclared, between any of the so-called five great powers—the United States, the United Kingdom, France, the U.S.S.R., and the People's Republic of China—or the hostile detonation of a nuclear weapon of war.

In peacetime, the only Government commitment under Title XII has been represented by the issuance of interim binders. Interim binders provide automatic attachment of Government war risk insurance during the interval between the automatic cancellation of commercial cover and the time when regular war risk policies can be issued under Title XII. The binder itself is not insurance but is merely an agreement to provide coverage, under policies and at rates subsequently to be established.

In the case of certain foreign-flag vessels, the Secretary's authority to issue interim binders of war risk insurance as presently contained in section 1203 (a) of the Act extends to foreign-flag vessels owned by citizens of the United States or engaged in transportation in the waterborne commerce of the United States or in such other transportation by water or such other services as may be deemed by the Secretary to be in the interest of the national defense or the national economy of the United States, when so engaged.

Prior to the expiration of the Secretary's authority under Title XII of the Act, the interim binders written on foreign-flag vessels were for the most part written for vessels of Panamanian, Honduran and Liberian registry. These vessels are generally referred to as the Effective U.S. Control (EUSC) Fleet, because as a condition to receiving an interim binder the owners and charterers of the vessels are required to enter into a Contract of Commitment. The Contract of Commitment provides that the owner and charterer will make their vessels available upon demand to the United States, after the declaration by the President of a national emergency, on the same terms and conditions as ves-

sels owned by citizens of the United States are available for requisition in accordance with section 902(a) of the Act.

While we consider foreign-flag shipping less reliable than U.S.-flag shipping, the Maritime Administration believes it is essential for the national security that the authority to provide war risk insurance for some foreign-flag vessels be renewed, because we foresee a need for some augmentation of the U.S.-flag fleet to carry out waterborne commerce in the event of a major war.

The issuance of war risk insurance under Title XII of the Act makes it possible for foreign-flag ships to operate in U.S. service in wartime. In both World Wars, we had two years to get shipbuilding programs under way. Modern strategic thinking holds that we would now have only weeks to prepare for a major war, instead of years, so we cannot build ships during a crisis buildup period. It would therefore be necessary to depend on foreign-flag shipping to meet a part of our shipping requirement in a major war.

In a NATO war, ships committed to NATO control may be covered by insurance provided by a mutual insuring club set up by the NATO shipping countries. However, ships other than those drawn from the NATO pool engaged in moving cargo between the United States and neutral countries—South American countries and Japan, for example—will not be covered by the NATO insurance program and can obtain war risk insurance from no source except the U.S. Government under Title XII.

In keeping with this rationale, the Maritime Administration on November 23, 1959, found that all vessels which were not over 20 years old and which were registered under the laws of Panama, Honduras and Liberia were eligible for war risk insurance when they were:

(a) Owned by a U.S. corporation, or by a foreign corporation in which a majority of the stock is owned and controlled by U.S. citizens, or

(b) Owned by a foreign corporation, not directly or beneficially owned by U.S. citizens, and under long-term charter to a U.S. corporation or a foreign corporation in which a majority of the stock is owned and controlled by U.S. citizens.

At that time, the EUSC fleet included a substantial number of breakbulk freighters, which were valuable for transport of military cargoes. In the last 17 years, the character of the EUSC fleet has gradually changed. Today only a handful of general cargo vessels are left in that fleet. The fleet consists primarily of tankers and dry bulk carriers. Some of these tankers and bulk carriers would be needed to augment U.S.-flag ships in the movement of essential commodities but they are not, in general, directly applicable to national defense requirements. The Department of Defense has indicated a strong preference for U.S.-flag ships. Further, the building program under the Merchant Marine Act of 1970 has increased U.S.-flag tanker capacity.

For these reasons, the Maritime Administration in testimony on July 23, 1975 before the Merchant Marine Subcommittee of the House Merchant Marine and Fisheries Committee, stated that the Maritime Administration had determined that it was proper to withdraw the blanket finding made in 1959 and to deal with requests for insurance on EUSC ships on a vessel-by-vessel basis as needed to provide for wartime augmentation capability. At that time certain criteria were

set forth that the Maritime Administration believed would provide the necessary augmentation capability and which would reduce the interim binder coverage, in terms of deadweight tonnage, to less than 25 percent of the EUSC fleet. The criteria enumerated in S. 3181, which the Secretary is directed to consider in the issuance of insurance and reinsurance on foreign-flag vessels, is consistent with the criteria developed by the Maritime Administration.

Mr. Chairman, the other provisions of the bill dealing with the Secretary's authority under Title XII of the Act are of a curative and supportive nature.

The bill provides that the Secretary may impose and collect an annual fee calculated to cover the administrative costs of the interim binder program. At the time of the expiration of the Secretary's authority to issue binders, a fee of \$25 was charged for the hull binder for any vessel under 500 gross tons, \$100 for any vessel over 500 gross tons. The fee for each P & I binder was \$25 and for each Second Seamen's binder \$75. Binders were generally effective for six months. Periodically, when additional monies were required to meet the costs of administering the program, additional binder fees were imposed. These fees are deposited in the War Risk Insurance Revolving Fund established under section 1208 of the Act and are used to pay for services of the American War Risk Agency—an association of major U.S. insurance underwriters which acts as the Government's agent—for ship appraisers and for other expenses of the program. The imposition of these fees made the interim binder program as administered by the Maritime Administration self-supporting. The ability of the Secretary to collect an annual fee, in an amount calculated to cover the expenses of the program, will help to insure that the binder program remains self-supporting.

Beginning in June 1975, the Maritime Administration began treating containers as part of the cargo of an insured vessel for purposes of war risk insurance. The provision of the bill that would treat containers as cargo for purposes of Title XII of the Act would not only resolve any ambiguity in regard to this question but will help to make clear that containers are treated as cargo under the Act only for purposes of Title XII.

The Maritime Administration in conjunction with the Department of the Navy has developed a ship locator system known as the U.S. Merchant Ship Locator Filing System. This system, through which merchant vessels periodically report their positions to the nearest Coast Guard station, enables the Department of the Navy and other federal agencies to be informed of the location of merchant vessels at all times. This information can be of great value in time of national emergency. Currently, this system is in effect for all U.S.-flag merchant vessels. The provision in the bill permitting the Secretary to establish location reporting requirements for all vessels insured or reinsured under Title XII will permit the Secretary to extend these reporting requirements to the foreign-flag vessels for which interim binders under Title XII of the Act are written.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions that you and the other members of the Subcommittee may have.

STATEMENT OF ROBERT A. CARL, SPECIAL ASSISTANT FOR TRANSPORTATION  
TO THE ASSISTANT SECRETARY OF THE NAVY FOR INSTALLATIONS AND  
LOGISTICS

The basic purpose of S. 3181 is to reinstate the provisions of title XII in order to maintain the flow of U.S. water borne commerce including the maintenance of essential transportation services for the Department of Defense by providing war risk insurance for American and certain foreign flag ships.

Recognizing the Navy's broad responsibility to protect sea lines of communication, the provision requiring vessel location reports is desirable since it will enable the Secretary of Commerce to expand the U.S. flag merchant vessel location filing system. Enactment would thus lead to ensured participation by certain U.S.-owned merchant ships not currently included within the system.

The United States Government has a continuing requirement to know the current location of U.S. flag and U.S.-owned ships. This information is needed in order for the United States Navy to protect U.S. merchantmen at sea, to enhance the safety of life at sea and to permit the utilization of all national resources in the protection of American lives and property overseas. The efficacy of any vessel position data base is largely dependent upon the number and quality of reporting sources. In this regard, a quantum improvement in the knowledge of U.S. flag merchant ship movements occurred in November 1975 with the establishment by the Maritime Administration of a "U.S. Flag Merchant Vessel Locator Filing System," enacted under the provisions of the Merchant Marine Act, 1936, as amended. The immediate success and utility of the U.S. Flag Merchant Vessel Locator Filing System program, particularly in the wake of the SS MAYAGUEZ incident, have been pronounced, and an expansion of the U.S. Flag Merchant Vessel Locator Filing System reporting requirements to obtain knowledge of the current movements of U.S.-owned, as well as U.S. flag, merchant ships is strongly endorsed.

For the aforementioned reasons, the Department of the Navy, on behalf of the Department of Defense, supports the enactment of S. 3181.

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## WAR RISK INSURANCE

JULY 29, 1975.—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. 1073]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 1073) to extend the provisions of title XII of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional five years, ending September 7, 1980, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On page 1, line 6, strike the year "1980" and insert in lieu thereof the year "1978".

Amend the title so as to read:

To extend the provisions of title XII of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional three years, ending September 7, 1978.

### PURPOSE OF THE BILL

The purpose of the legislation is to extend the provisions of title XII of the Merchant Marine Act, 1936, relating to War Risk Insurance for an additional 3 years, ending September 7, 1978. This title is scheduled to expire on September 7, 1975.

Title XII of the Merchant Marine Act, 1936, authorizes the Secretary of Commerce, with the approval of the President, to provide war risk and certain marine and liability insurance for protection of vessels, cargoes, and crew life and personal effects when commercial insurance cannot be obtained on reasonable terms and conditions. The purpose of title XII is to maintain the flow of U.S. waterborne commerce, including the maintenance of essential transportation services for the Department of Defense.

## BACKGROUND AND NEED FOR THE LEGISLATION

War Risk Insurance was provided by the Government in both World Wars I and II, and proved effective in protecting the civilian and military commerce of the United States, with total premium receipts in excess of losses paid. Title XII of the Merchant Marine Act, 1936, was enacted at the outbreak of the Korean War in 1950. It was temporary legislation that would expire in 5 years. It has been extended at 5-year intervals since then.

Required statutory authority to place Government war risk insurance in effect whenever its protection is needed to maintain the flow of the waterborne commerce of the United States has been in effect since 1950. This has been accomplished administratively by the Maritime Administration in the Department of Commerce through the issuance, for a fee, of binders under which Government war risk insurance will attach immediately upon termination of commercial war risk insurance, through operation of the automatic termination clauses in commercial policies.

In general, these clauses provide for the termination of commercial policies under either of two sets of circumstances: (1) Simultaneously with the outbreak of war between any of the major powers (the United States, the United Kingdom, France, the U.S.S.R., and the People's Republic of China), and (2) simultaneously with the occurrence of any hostile detonation of any nuclear weapon of war, whether or not the vessel is involved.

These binders give back-to-back coverage with the commercial policies and expire at the end of 30 days. At that time, premiums for the insured period would be fixed retroactively. Contracting for the ensuing period would be determined on the basis of the circumstances existing at that time. The Government has not found it necessary to exercise all the authority it has had for the past 25 years under title XII.

Section 1203(a) of the Merchant Marine Act, 1936, authorizes the Secretary of Commerce to provide war risk insurance with respect to: (1) American vessels, including vessels under construction, (2) foreign flag vessels owned by citizens of the United States or engaged in transportation in the waterborne commerce of the United States, and (3) foreign flag vessels engaged in such other transportation by water or such other services as may be deemed by the Secretary to be in the interest of the national defense or the national economy of the United States.

Under the existing program, at the present time there are war risk insurance binders on 703 privately owned U.S.-flag vessels, 1,534 U.S.-LASH and self-propelled barges, one LNG vessel currently under construction, 298 vessels of PAN-HON-LIB registry, and 37 other vessels of foreign-flag registry.

The War Risk Insurance Revolving Fund has current total assets of approximately \$6,000,000.

## COMMITTEE ACTION

The bill was introduced on January 14, 1975, by the Honorable Leonor K. Sullivan, chairman of your committee.

The Merchant Marine Subcommittee of your committee held hearings on the bill on May 22, 1975, at which time witnesses from the Mari-

time Administration of the Department of Commerce and from the American Institute of Merchant Shipping testified in strong support of the bill. Written statements in support of the bill were filed by the Labor-Management Maritime Committee, Sea-Land Services, Inc., and the Federation of American Controlled Shipping.

The following witnesses filed statements in support of H.R. 1073 with a proposed amendment: The Transportation Institute, the Marine Engineers Beneficial Association, the American Maritime Association, the Maritime Trades Department of the AFL-CIO, and the Shipbuilders Council of America. These witnesses urged that the bill be amended to exclude all foreign flag vessels from continued coverage under the War Risk Insurance provided for in title XII of the Merchant Marine Act, 1936.

Among the arguments advanced in favor of this amendment was the fact that it is inequitable and inappropriate for American operators to contribute to a fund which may be used to compensate the owners of vessels which, because of the nationalities of their crews, the disposition of their country of registry, or the unsuitable sizes of the vessels, may never be made available or useful to this Country in time of national emergency.

## AMENDMENTS

When the subcommittee began its markup of this legislation, an amendment to exclude all foreign-flag vessels was offered. Mr. Howard F. Casey, Deputy Assistant Secretary of Commerce for Maritime Affairs, was recalled to offer further testimony to the subcommittee regarding the position of the Maritime Administration on this issue. Mr. Casey testified that although the Maritime Administration opposed the amendment, in the future they would pursue a policy of much greater selectivity in extending war risk insurance coverage to foreign-flag vessels, and that this coverage would no longer be granted as a routine matter to eligible foreign-flag vessels upon the payment of the required binder fee.

As a practical matter, under the more restrictive administrative policy presented to the subcommittee by the Maritime Administration, less than 25 percent of the so-called "effective control" fleet will be eligible for war risk insurance coverage in the future. This limited number of vessels will be selected according to the following objective criteria: (1) The characteristics of the ship, such as its size, age, efficiency, and safety, (2) the employment of the ship during the period covered by the binder, (3) the nationality and quality of the crew, and (4) the general management of the ship and its business by the owner or charterer.

The Maritime Administration testified that it is necessary for the Secretary of Commerce to have discretionary authority to provide war risk insurance to a limited number of foreign flag ships because at the present time there is an inadequate supply of tanker tonnage under the U.S. flag, some augmentation of the U.S.-flag shipping would be required to carry our essential waterborne commerce in a major war, and the extension of war risk insurance to certain foreign flag vessels may be an inducement to the owner of the vessels to make them available to the United States, if needed. The Department of Defense filed a statement in concurrence with the position of the Maritime Administration.

On the basis of these assurances from the Maritime Administration regarding its intended revisions in the implementation of the war risk insurance program, the subcommittee did not adopt the proposed amendment to eliminate all foreign-flag vessels from continued coverage. However, in view of the questions surrounding the theory of "effective control" and their serious implications for the national defense of this Country, as well as its merchant shipping capability, the subcommittee amended the bill to extend the program for three years rather than five years, as provided for in H.R. 1073, as introduced. The purpose of the amendment was to enable the subcommittee to reexamine this issue at an earlier date. It was the consensus that at least some of the "effective control" ships will be available in the event of an emergency so we should attempt to keep this resource available to us in the event of national need.

H.R. 1073, as amended, was reported by the subcommittee by a unanimous voice vote. The bill, as amended, was ordered reported by your committee by a unanimous voice vote.

#### CONCLUSION

After full and careful consideration of the views of all interested parties and detailed deliberations regarding the scope and provisions of the war risk insurance provided pursuant to title XII of the Merchant Marine Act, 1936, your committee unanimously concluded that the program should be extended for 3 years to September 7, 1978, and, therefore, recommends that the bill, as amended, be immediately passed.

#### COST OF THE LEGISLATION

Pursuant to clause 7 of rule XIII of the Rules of the House of Representatives, the committee estimates that there will be no cost associated with the enactment of this legislation.

#### INFLATIONARY IMPACT STATEMENT

In accordance with clause 2(1)(4) of rule XI, of the Rules of the House of Representatives, the committee assessed the potential for inflationary impact and concluded there is none.

#### OVERSIGHT FINDINGS

With respect to the requirement of clause 2(1)(3) of rule XI of the Rules of the House of Representatives—

(A) No oversight hearings have been held in connection with title XII of the Merchant Marine Act, 1936, and therefore no specific findings or recommendations are available at this time;

(B) Since section 308(a) of the Congressional Budget Act of 1974 is not yet in effect, no statement under this paragraph is furnished;

(C) No estimate and comparison of costs has been received by the committee from the Director of the Congressional Budget Office, pursuant to section 403 of the Congressional Budget Act of 1974; and

(D) The committee has received no report from the Committee on Government Operations of oversight findings and recommendations arrived at pursuant to clause 2(b)(2) of rule X.

#### DEPARTMENTAL REPORTS

The reports of the Departments of Commerce and Navy on H.R. 1073 follow herewith:

GENERAL COUNSEL OF THE  
DEPARTMENT OF COMMERCE,  
*Washington, D.C., April 28, 1975.*

HON. LEONOR K. SULLIVAN,  
*Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.*

DEAR MADAM CHAIRMAN: This is in reply to your request for the views of this Department on H.R. 1073, a bill to extend the provisions of title XII of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional five years, ending September 7, 1980.

Title XII of the Merchant Marine Act, 1936, authorizes the Secretary of Commerce, with the approval of the President, to provide war risk and certain marine and liability insurance for protection of vessels, cargoes, and crew life and personal effects, when commercial insurance cannot be obtained on reasonable terms and conditions. The purpose of title XII is to maintain the flow of the U.S. waterborne commerce, including the maintenance of essential transportation services for the Department of Defense. H.R. 1073 would extend the authority of the Secretary of Commerce to provide war risk insurance under title XII of the Merchant Marine Act, 1936, for an additional five years. Section 1214 of the Act now provides that the authority under that title shall expire on September 7, 1975.

The Department of Commerce recommends the enactment of H.R. 1073 for the reasons discussed below.

Title XII of the Merchant Marine Act, 1936, was enacted with the outbreak of the Korean War in 1960. It was temporary legislation that would expire in five years. It has been extended at five year intervals subsequent to that time. (War risk insurance was provided by the Government in both World War I and World War II and proved effective in protecting the civilian and military commerce of the United States, with total premium receipts in excess of losses paid.) Arrangements necessary to place Government war risk insurance in effect whenever its protection is needed to maintain the flow of the waterborne commerce of the United States have been made through the issuance, for a fee, of binders under which Government war risk insurance will attach immediately upon termination of commercial war risk insurance through operation of the automatic termination clauses in the commercial insurance policies. These clauses provide that such insurance will terminate immediately upon (a) the outbreak of war (whether there is a declaration of war or not) between any of the following countries: the United States of America, the United Kingdom, France, the Union of Soviet Socialist Republics, and the People's Republic of China; or (b) the occurrence of any hostile detonation of any nuclear weapon of war whether or not the vessel is involved. Government binders give back-to-back coverage with the commercial policies. The coverage under government binders ends 30 days after our insurance attaches. At that time the premiums for the insuring period will be fixed retroactively. Contracting at the end of this 30-

day period for the ensuing period would be determined on the basis of the circumstances existing at that time.

The Maritime Administration, which administers the war risk insurance program, has not yet found it necessary to exercise all the authority that it has had for the past 25 years under title XII. The agency has authority under that title to issue war risk insurance on foreign-flag vessels which are engaged in the foreign commerce of the United States or which it determines are being operated in the interest of the national economy or national defense of the United States. The only foreign-flag vessels that are included in the program, however, are about 260 vessels of Pan-Hon-Lib registries (which are committed to be made available to the United States in the event of emergency and which are owned or controlled, directly or indirectly, by citizens of the United States) and about 40 other foreign-flag vessels that the Maritime Administration has determined are being operated in the interest of the national defense or economy of the United States. All American-flag vessels, of course, are eligible under the program, and about 800 such vessels are under binders.

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

Sincerely,

B. PARRETTE,  
*General Counsel.*

DEPARTMENT OF THE NAVY,  
OFFICE OF LEGISLATIVE AFFAIRS,  
*Washington, D.C., May 27, 1975.*

LA-62A : khg.

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. 1073, a bill to extend the provisions of Title 12 of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional five years ending September 7, 1980, 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 purpose of this proposed legislation is to extend the authority of the Secretary of Commerce to provide insurance and reinsurance under Title 12 of the Merchant Marine Act, 1936, for an additional five years, to expire on September 7, 1980.

The Department of the Navy, on behalf of the Department of Defense, concurs in this proposed legislation.

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. 1073 for the consideration of the Committee.

For the Secretary of the Navy.  
Sincerely yours,

N. R. GOODING, JR.,  
*Captain, U.S. Navy, Deputy Chief.*

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, 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 1214, TITLE XII, OF THE MERCHANT MARINE ACT, 1936, AS AMENDED (46 U.S.C. 1294)

SEC. 1214. The authority of the Secretary to provide insurance and reinsurance under this title shall expire **[September 7, 1975.]** *September 7, 1978.*

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To extend the provisions of title XII of the Merchant Marine Act, 1936, relating to war risk insurance, for an additional three years, ending September 7, 1978.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 1203 (a) of the Merchant Marine Act, 1936 (46 U.S.C. 1283 (a)), is amended by inserting at the end thereof the following new sentences: "In determining whether to grant such insurance or reinsurance to foreign-flag vessels, the Secretary shall further consider the characteristics, the employment, and the general management of the vessel by the owner or charterer. American- and foreign-flag vessels so insured or reinsured shall be subject to such vessel location reporting requirements as the Secretary may establish by regulation."

SEC. 2. Section 1203 (b) of the Merchant Marine Act, 1936 (46 U.S.C. 1283 (b)), is amended by inserting at the end thereof the following new sentence: "For the purposes of this title, the term 'cargo' shall include loaded or empty containers located aboard such vessels."

SEC. 3. Section 1203 (f) of the Merchant Marine Act, 1936 (46 U.S.C. 1283 (f)), is amended by striking out the word "on" between the words "Statutory" and "contractual" and inserting in lieu thereof "or".

SEC. 4. Section 1209 (b) of the Merchant Marine Act, 1936 (46 U.S.C. 1289 (b)), is amended by inserting at the end thereof the following new sentence: "The Secretary may charge and collect an annual fee in an amount calculated to cover the expenses of processing applications for insurance, the employment of underwriting agents, and the appointment of experts."

SEC. 5. Section 1214 of the Merchant Marine Act, 1936 (46 U.S.C. 1294), is amended by striking out "September 7, 1975" and inserting in lieu thereof "September 30, 1979."

*Speaker of the House of Representatives.*

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