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APPROVED
MAR 23 1975

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 18, 1975

Printed
3/24/75

to archive
3/24/75

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 332 - Maritime Authorization, fiscal year 1975

Sponsor - Sen. Magnuson (D) Washington

Last Day for Action

March 24, 1975 - Monday

Purpose

To authorize appropriations for certain maritime programs of the Department of Commerce for the fiscal year 1975, and to require establishment of an office in the Great Lakes Region.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Transportation	No objection

Discussion

The enrolled bill would authorize appropriations for fiscal year 1975 for certain programs of the Maritime Administration of the Department of Commerce. The authorized funds would provide for the following at levels requested by the Administration:

- subsidies for construction or reconstruction of U.S. flag vessels, and for costs of certain national defense features for U.S. flag ships -- \$275 million
- operating differential subsidies -- \$242.8 million

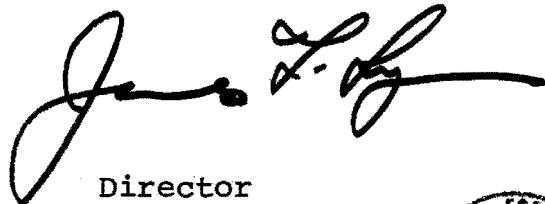


- research and development programs to advance ship development and construction, ship operations systems, and port and intermodal transportation systems -- \$27.9 million
- maintenance expenses for the National Defense Reserve Fleet -- \$3.742 million
- operating expenses for the Merchant Marine Academy -- \$10.518 million, and
- financial assistance to State maritime academies -- \$2.973 million.

In addition, the bill includes a provision not requested by the Administration. It would require the establishment of a regional Maritime Administration market development office for the Great Lakes region in order to help assure consideration of the transportation problems of the Great Lakes. Similar offices are now staffed in the Atlantic, Pacific, and Gulf port areas. The establishment of this fourth office, while not supported by the Administration, would be consistent with the legislative intent of current maritime statutes.

Other programs and administrative expenses of the Maritime Administration have been provided for under the general Commerce Department authorizations already enacted.

With one important exception, this bill is identical to H.R. 13296 of the 93rd Congress which you pocket vetoed on January 4, 1975. H.R. 13296 included an objectionable provision which would have established an indemnity program for U.S. fishermen whose equipment was damaged by foreign vessels. The enrolled bill does not contain this undesirable provision which was the only basis for your veto.


Director

Enclosures



THE WHITE HOUSE
WASHINGTON

ACTION

March 21, 1975

Last Day: March 24

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON *J. Cannon*
SUBJECT: Enrolled Bill S. 332
Maritime Authorization, FY 75

Attached for your consideration is S. 332 sponsored by Senator Magnuson which:

- Authorizes appropriations for certain maritime programs of the Department of Commerce for FY 75 at levels requested by the Administration.
- Requires the establishment of an office of the Maritime Administration in the Great Lakes region.

This enrolled bill eliminates a provision in H.R. 13296 which you pocket vetoed on January 4, 1975, because that provision would have established an indemnity program for U.S. fishermen whose equipment was damaged by foreign vessels. Otherwise, the bill is identical.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf and Phil Buchen (Lazarus) recommend approval of the enrolled bill.

RECOMMENDATION

That you sign S. 332 at Tab B.



To Warren Handrich
3/19/75
9:30 a.m.

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

March 18, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 332 - Maritime Authorization, fiscal year 1975
Sponsor - Sen. Magnuson (D) Washington

Last Day for Action

March 24, 1975 - Monday

Purpose

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Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Transportation	No objection

Discussion

The enrolled bill would authorize appropriations for fiscal year 1975 for certain programs of the Maritime Administration of the Department of Commerce. The authorized funds would provide for the following at levels requested by the Administration:

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- operating differential subsidies -- \$242.8 million



- research and development programs to advance ship development and construction, ship operations systems, and port and intermodal transportation systems -- \$27.9 million
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- operating expenses for the Merchant Marine Academy -- \$10.518 million, and
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A handwritten signature in black ink, appearing to read "James L. ...", with a long horizontal flourish extending to the right.

Director

Enclosures



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 18, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 332 - Maritime Authorization, fiscal
year 1975
Sponsor - Sen. Magnuson (D) Washington

Last Day for Action

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Purpose

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Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Transportation	No objection

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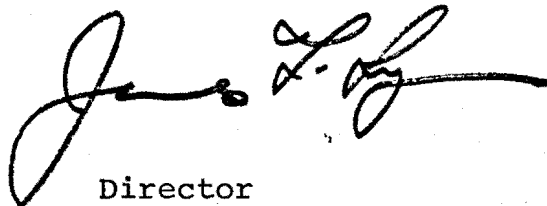


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With one important exception, this bill is identical to H.R. 13296 of the 93rd Congress which you pocket vetoed on January 4, 1975. H.R. 13296 included an objectionable provision which would have established an indemnity program for U.S. fishermen whose equipment was damaged by foreign vessels. The enrolled bill does not contain this undesirable provision which was the only basis for your veto.



Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: March 19, 1975

Time: 9:30 a.m.

FOR ACTION: Lynn May *LM*
 Max Friedersdorf *MF* cc (for information): Warren Hendriks
 Ken Lazarus *KL* Jack Marsh
 Mike Duval *MD* James Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, March 20

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill S. 332-Maritime Authorization, FY 75

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> 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

WASHINGTON

March 20, 1975

MEMORANDUM FOR:

WARREN HENDRIKS

FROM:

MAX L. FRIEDERSDORF *M.L.F.*

SUBJECT:

Action Memorandum - Log No.

Enrolled Bill S.332-Maritime Authorization
FY 75

The Office of Legislative Affairs concurs with the Agencies
that the Enrolled Bill S.332 should be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: March 19, 1975

Time: 9:30 a.m.

FOR ACTION: Lynn May
Max Friedersdorf
Ken Lazarus

cc (for information): Warren Hendriks
Jack Marsh
James Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, March 20

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill S. 332-Maritime Authorization, FY 75

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

No objection. -- Ken Lazarus

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.

Warren
For

Date: March 19, 1975

Time: 9:30 a.m.

FOR ACTION: Lynn May
 Max Friedersdorf
 Ken Lazarus

cc (for information): Warren Hendriks
 Jack Marsh
 James Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, March 20

Time: 2:00 p.m.

SUBJECT:

Enrolled Bill S. 332-Maritime Authorization, FY 75

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

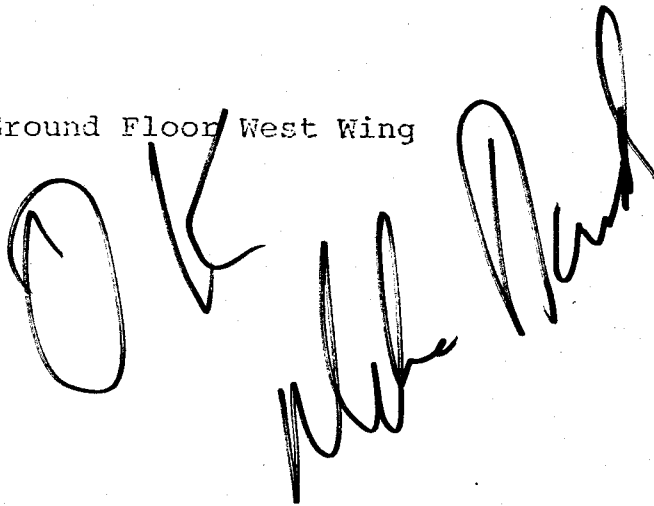
Draft Reply

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.

100-100000
 For



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

MAR 14 1975

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 S. 332, an enrolled enactment

"To authorize appropriations for the fiscal year 1975
for certain maritime programs of the Department
of Commerce."

Section 1 of S. 332 authorizes the appropriation of \$562,933,000 for fiscal year 1975 for maritime programs of the Department of Commerce.

Section 2 authorizes additional supplemental appropriations for fiscal year 1975 for the activities specified in section 1, to the extent necessary for increases in employee benefits authorized by law.

The provisions of sections 1 and 2 are identical to those contained in the draft bill submitted by this Department to the Congress on February 15, 1974.

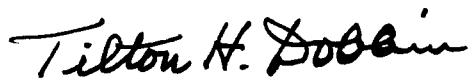
Section 3 amends the Merchant Marine Act, 1936 to provide that at least one regional office of the Maritime Administration be maintained for each of the four major seacoasts of the United States. The practical effect of the amendment is to require the establishment of a regional office for Great Lakes ports, including the St. Lawrence Seaway.

2.

The amount of funds required to implement section 3 has not yet been determined and will depend on the size and nature of a separate Great Lakes regional office.

This Department recommends approval by the President of S. 332.

Sincerely,

A handwritten signature in cursive script that reads "Tilton H. Dobbin".

Tilton H. Dobbin
Assistant Secretary
of Commerce for Domestic
and International Business



OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

MAR 14 1975

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

Dear Mr. Lynn:

You have asked for our comments on S. 332, an enrolled bill

"To authorize appropriations for the fiscal
year 1975 for certain maritime programs of
the Department of Commerce."

We defer to the Department of Commerce as to Sections 1 and 2 of
the enrolled bill, since those sections deal with fiscal year 1975
appropriations for that Department.

Section 3 of the enrolled bill amends Section 809 of the Merchant
Marine Act of 1936 by establishing within the Maritime Administration
of the Department of Commerce a regional office for each of the
United States port ranges--Atlantic, Gulf, Great Lakes, and Pacific.
This provision would, in effect, require a new Great Lakes Regional
Office, since regional offices are already in existence for the
other coastal ranges.

We endorse efforts to attract American flag service into the Great
Lakes and, on this basis, do not have any objection to the President
signing the enrolled bill.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rodney E. Eyster". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rodney E. Eyster
General Counsel

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To authorize appropriations for the fiscal year 1975 for certain maritime programs of the Department of Commerce.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That funds are hereby authorized to be appropriated without fiscal year limitation as the Appropriation Act may provide for the use of the Department of Commerce, for the fiscal year 1975, as follows:

- (a) acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships, \$275,000,000;
- (b) payment of obligations incurred for ship operating-differential subsidy, \$242,800,000;
- (c) expenses necessary for research and development activities, \$27,900,000;
- (d) reserve fleet expenses, \$3,742,000;
- (e) maritime training at the Merchant Marine Academy at Kings Point, New York, \$10,518,000; and
- (f) financial assistance to State marine schools, \$2,973,000.

SEC. 2. In addition to the amounts authorized by section 1 of this Act, there are authorized to be appropriated for fiscal year 1975 such additional supplemental amounts for the activities for which appropriations are authorized under section 1 of this Act as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law.

SEC. 3. Section 809 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1213), is amended (a) by inserting "(a)" immediately before "Contracts" in the first sentence thereof; and (b) by adding at the end thereof the following new subsection:

"(b) There shall be established and maintained within the Maritime Administration such regional offices as may be necessary, including, but not limited to, one such office for each of the four port ranges specified in subsection (a) of this section. The Secretary of Commerce shall appoint a qualified individual to be the Director of each such regional office and shall carry out appropriate functions, activities, and programs of the Maritime Administration through such regional offices."

Speaker of the House of Representatives.

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

MARITIME ADMINISTRATION AUTHORIZATION
FISCAL YEAR 1975

FEBRUARY 5, 1975.—Ordered to be printed

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

REPORT

[To accompany S. 332]

The Committee on Commerce, to which was referred the bill (S. 332) to authorize appropriations for the fiscal year 1975 for certain maritime programs of the Department of Commerce, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of the bill, as reported, is to authorize appropriations for programs of the Maritime Administration for fiscal year 1975 and to assure that the Maritime Administration maintains regional offices for each of the nation's four principal seacoasts, including the Great Lakes.

SUMMARY AND DESCRIPTION

The legislation provides for authorization of appropriations for six categories of maritime programs of the Department of Commerce, which are administered by the Maritime Administration, in the aggregate sum of \$562,933,000. Those programs, and the amounts authorized, are as follows:

- (1) Acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships—\$275 million;
- (2) Payment of obligations incurred for ship operating-differential subsidy—\$242.8 million;

(3) Expenses necessary for research and development activities—\$27.9 million;

(4) Reserve fleet expenses—\$3.742 million;

(5) Maritime training at the Merchant Marine Academy at Kings Point, N.Y.—\$10.518 million; and

(6) Financial assistance to State marine schools—\$2.973 million.

Section 2 authorizes additional supplemental appropriations for fiscal year 1975 for the activities specified in section 1 of the bill, to the extent necessary for increases in salaries, pay, retirement, or other employee benefits authorized by law.

Section 3 of the bill amends the section of the Merchant Marine Act, 1936 which requires the four major seacoasts (Atlantic, Gulf, Great Lakes, Pacific) to be treated equitably by providing that at least one regional office of the Maritime Administration be maintained for each of the four areas.

BACKGROUND

The 93rd Congress passed the fiscal year 1975 maritime authorization (H.R. 13296) on December 20, 1974. That legislation was pocket-vetoed by President Ford after the 93rd Congress had adjourned because of a provision providing for reimbursement for U.S. fishing vessels and equipment damaged by foreign flag vessels. On January 23, 1975, S. 332 was introduced and ordered favorably reported, without amendment, on January 27, 1975. The bill is identical to the vetoed H.R. 13296 in every respect except that the amendment which required the Federal Government to reimburse U.S.-flag fishing vessel owners for damage to their equipment by foreign-flag vessels, was deleted.

EXPLANATION OF THE AUTHORIZATION FOR FISCAL YEAR 1975

In 1970, the most comprehensive and far-reaching maritime legislation in decades was enacted in order to halt a pronounced decline of the U.S. merchant marine. That legislation, the Merchant Marine Act, 1970 (Public Law 91-469) (the "1970 Act"), provided for a 10-year program to improve the efficiency of American shipyards and to build a modern, efficient U.S.-flag merchant fleet so that the United States could once again be a major maritime Nation.

This bill, S. 332, authorizes appropriations for the 5th year of the program established by the 1970 Act. In considering the authorization request for fiscal year 1975, the Committee has reviewed the performance of the Maritime Administration. Substantial progress has been made toward rebuilding the U.S. merchant marine, and it has become increasingly clear that with continued support the goals set in 1970 will be reached.

Shipbuilding has reached a new peacetime high. The backlog of orders for new vessels is $3\frac{1}{2}$ times as large as when the program began in 1970. The present backlog of 90 merchant ships valued at \$3.6 billion represents 200,000 man-years of employment for shipyard workers and those in the supply industries and a potential addition to our fleet of nearly 6.2 million deadweight tons. U.S. shipbuilders have begun for the first time to receive orders for very large crude oil carriers and have advanced to a leading position in the construction

of liquefied natural gas carriers. The progress in the field of energy carriage balances earlier construction of modern liner vessels including LASH and RO/RO vessels for intermodal operations.

Series production of vessels and shipyard modernization and expansion have contributed to a reduction in subsidy rates for ship construction. The declining subsidy rates which encourage shipyard efficiency are being met and, in certain cases, the subsidy award is significantly below the guideline rate. While the guideline rate is presently 39 percent, awards for tankers have been made at 33.4 percent and liquefied natural gas carriers have been contracted for a 16.5 percent.

In the area of vessel operations, modern bulk carriers built with Federal assistance are beginning to enter foreign trade. This is important because over 90 percent of our country's foreign trade tonnage is comprised of bulk cargoes and U.S. participation in this trade has been minimal for many years. In the liner trades, the average age of our subsidized fleet has decreased by 20 percent and the average ship size has increased by 17 percent, reflecting the replacement of older vessels with larger ships of advanced design.

Progress is also being made toward reducing the dependence of operators on operating subsidies. A number of capital intensive U.S.-flag vessels, such as container ships, are competing in our foreign trade without subsidy. Nineteen vessels previously receiving operating subsidy no longer receive such aid.

The 10-year merchant marine program is approaching its midpoint. Clear signs of progress are evident. The construction of a modern, balanced, competitive American merchant fleet is well underway. As these vessels are delivered and enter service, U.S.-flag penetration of our essential trades should become more evident, especially in the area of bulk carriage. The 1970 Act's program is proving to be an appropriate instrument for restoring our Nation's prominence in international shipping. In the opinion of the Committee, this program should be continued to its completion.

SUMMARY

The amounts authorized by the bill are as follows:

(a) *Acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships, \$275,000,000.*

These funds finance payment of construction subsidies based on the difference between United States and foreign shipbuilding costs. These sums are paid to U.S. shipyards so that operators can purchase American-built vessels at the same prices as similar foreign-built vessels. In order to encourage the competitiveness of American yards, the 1970 Act provides for the gradual reduction of the construction subsidy level from 45 percent in 1971 to 35 percent in 1976.

Subsidized shipbuilding orders exceeding \$2.5 billion have been placed with U.S. shipyards since enactment of the 1970 Act. These orders have provided for the construction of 52 new ships of 4.7 million deadweight tons and for the conversion of 19 existing ships into con-

tainer ships. These vessels are of advanced and highly productive design. They comprise a diverse mix of types that will provide the United States a more competitive fleet in a variety of trades.

The authorization request for this activity for fiscal 1975 (\$275 million) is the same as that for fiscal year 1974. This amount will sustain an adequate and orderly shipbuilding program. Maritime Administration officials project awarding contracts for fourteen new ships, the conversion of four container ships into larger capacity container ships and funding for three shops for which contracts were awarded in 1974.

Ships currently being built with the aid of construction-differential subsidy are larger and more costly than those envisioned when the 1970 Act was passed and their productive capacity exceeds the capacity goal established in 1970. The fiscal year 1975 authorization request will allow series production of bulk cargo ships to continue at existing yards. The economies realized through series orders are essential to achieve competitiveness in the production of energy carriers. When in service, these ships will help to create a competitive U.S.-flag bulk cargo fleet. The combined 1974 and 1975 programs will generate 50,000 man-years of work for shipyard employees and about an equivalent amount of employment in supporting industries.

Maritime Administration officials have expressed confidence that in 1975 all ship construction contracts will be awarded at a subsidy rate lower than the 37 percent mandated by the 1970 Act. Subsidy rates have been as low as 33.4 percent for some types of tankers and 16.5 percent for LNG's. These declining subsidy rates mean that for a given level of Government support, a larger shipyard orderbook is generated. Thus, while the 1975 program level is \$23 million less than in 1974 due to a decrease in the availability of carryover funds, the 1975 funds will generate approximately \$976 million in shipyard orders—\$65 million more than generated by the higher 1974 level of funding.

(b) Payment of obligations incurred for ship operating-differential subsidies, \$242,800,000.

Operating subsidies are generally based upon the difference between U.S. and foreign vessel operating costs and are paid in order to promote the maintenance of a U.S.-flag merchant fleet capable of providing essential shipping services. Essential services are defined as those ocean services, routes and lines, and bulk cargo carrying services essential for the promotion, development, expansion, and maintenance of the foreign commerce of the United States. Operators receiving subsidies for the provision of such services must operate American-built vessels manned by American crews. The fiscal year 1975 authorization request of \$242,800,000 will finance operating subsidies to U.S.-flag operators in order to promote the continuation of essential American merchant marine services. Subsidized liner activity will remain at essentially the same level as in fiscal 1974. New bulk vessels, most of which were built under the construction subsidy program, will be entering into service this year and in 1975. This is reflected by an increase in subsidized regular bulk carrier service from 3.1 ship-years in 1974 to 6.8 in 1975. Carriage of the 1973 grain purchases to the Soviet Union will be completed this year. No funds have been requested for fiscal 1975 for special commodity shipments of this type

due to uncertainties about the extent of possible future purchases and the level of charter rates prevailing at the time.

From the \$242,800,000, an estimated \$198,932,000 in subsidy will be paid in fiscal year 1975 for 5 passenger and combination passenger/cargo, 153.2 general cargo and 6.8 bulk carrier ship-years of operation. An additional \$43,868,000 will pay obligations incurred under subsidy contracts for subsidized operations in prior years. The fiscal 1975 request reflects a decrease of \$15,489,000 from the 1974 adjusted level of \$258,289,000. It should be noted, however, that the 1974 level includes a 1973 appropriations carryover of \$13,774,410 and a 1974 supplemental authorization for \$23 million (P.L. 93-308).

(c) *Expenses necessary for research and development activities, \$27,900,000.*

The Maritime Administration research and development program has as its purpose the development of technological superiority in order to enable U.S. shipyards and vessel operators to become more competitive. Projects under the program involve the development of new and more efficient types of ships, machinery, and equipment, and the improvement of operating practices in order to improve American shipping and shipbuilding and help overcome foreign advantages (e.g. as low-wage costs). Industry participation and cost sharing have been emphasized to insure the relevance and practicality of these projects.

In the area of advanced ship construction, the 1975 program will continue to explore new ship construction methods and equipment as well as new ship designs which will lower shipbuilding costs. Examples of this research include new welding procedures, standardized component designs, shipyard automation, and the development of improved transmission and propulsion systems, such as an advanced gas turbine and nuclear power.

In order to reduce operating costs and improve ship utilization, the Maritime Administration supports research and development in the area of advanced ship operations systems. Projects in this area include computerized models to assist operators with cargo space documentation, intermodal distribution coordination, fleet management, and computers to aid in navigation, communications, ship maneuvering and collision avoidance. These improvements will result in greater vessel utilization and increased safety of operation. This activity also supports R. & D. efforts in the areas of pollution abatement and safety improvements. The 1975 program will continue to develop cost-effective means of reducing pollution.

The fiscal year 1975 request for research and development of \$27,900,000 is an increase of \$8,900,000 from the 1974 appropriation level. The 1974 appropriation of \$19 million was augmented by \$5 million carried forward from 1973. Thus, the actual increase in program level from 1974 to 1975 is \$3,900,000.

(d) *Reserve Fleet expenses, \$3,742,000.*

The Maritime Administration maintains the National Defense Reserve Fleet in order to supplement our active merchant fleet in time of war or national emergency. The authorization request for this activity in fiscal year 1975 is \$3,742,000. That is \$31,000 less than in 1974. This reduction in Reserve Fleet expenses results from the consolidation of the fleet at the sites and the elimination of obsolete ton-

nage. In 1975 29 merchant ships and 101 Navy ships are scheduled for scrapping. The fleet will then consist of 294 ships.

(e) *Maritime training at the Merchant Marine Academy at Kings Point, N.Y., \$10,518,000.*

This authorization request of \$10,518,000 is for the operation of the Merchant Marine Academy at Kings Point, N.Y., to train cadets service as officers in the U.S. merchant marine. The 1975 program anticipates a graduating class of 200 officers, approximately the same level as in the past several years.

The major portion of the \$1.9 million increase requested for this category is for the necessary modernization program at the Academy, including renovation and improvement of the physical fitness facilities.

(f) *Financial assistance to state marine schools, \$2,973,000.*

The requested authorization is for the training of cadets at six participating state maritime schools located in California, Michigan, New York, Maine, Massachusetts, and Texas. Federal assistance to these schools, authorized by the Maritime Academy Act of 1958, as amended (46 U.S.C. 1383), includes subsidies and grants to the schools, allowances to cadets for uniforms, textbooks and subsistence, and maintenance and repair expenses of training vessels on loan from the National Defense Reserve Fleet.

The 1975 authorization request of \$2,973,000 reflects an increase over 1974 of \$546,000. Expenditures under this authorization will remain at essentially the same level as in 1974 except in the area of maintenance and repair of Federally owned schoolships. The requested increase will allow conversion from a reactive to a preventive maintenance program and assure continued compliance with Coast Guard and American Bureau of Shipping safety standards.

Section 2 of the bill is basically a technical amendment to avoid having to amend the 1975 authorization request if supplemental appropriations for fiscal year 1975 are required for increases in remuneration of employees at the National Defense Reserve Fleet and the Merchant Marine Academy.

Section 3 of the bill would modify section 809 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1213) to establish by law at least one regional office of the Maritime Administration for each of the Nation's four seacoasts.

Section 809 currently provides that contracts entered into under the 1936 Act shall "equitably serve, insofar as possible, the foreign-trade requirements of the Atlantic, Gulf, Great Lakes, and Pacific ports of the United States." This amendment would provide the administrative structure for implementing that obligation as well as other responsibilities of the Maritime Administration.

Since the Maritime Administration already maintains regional offices for the Atlantic (New York), Gulf (New Orleans), and Pacific (San Francisco) ports, the practical effect of the amendment is to require the establishment of one additional regional office for Great Lakes ports and the St. Lawrence Seaway. A Great Lakes regional office can and should serve as a focal point for efforts to re-establish overseas U.S.-flag service in the Lakes and to realize the full potential of our fourth seacoast.

The amendment also requires the Secretary of Commerce to appoint a director for each regional office and it is the Committee's expectation that, where necessary, these offices will be established and adequately staffed as promptly as possible.

ESTIMATED COSTS

Pursuant to section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91-510), the Committee estimates that the cost of the legislation is \$562,933,000, the specific amounts authorized by the bill, plus administrative expenses incurred in establishing one additional regional office.

TEXT OF S. 332, AS REPORTED

To authorize appropriations for the fiscal year 1975 for maritime programs of the Department of Commerce.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That funds are hereby authorized to be appropriated without fiscal year limitation as the appropriation act may provide for the use of the Department of Commerce, for the fiscal year 1975, as follows:

- (a) acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships, \$275,000,000;
- (b) payment of obligations incurred for ship operating-differential subsidy, \$242,800,000;
- (c) expenses necessary for research and development activities, \$27,900,000;
- (d) reserve fleet expenses, \$3,742,000;
- (e) maritime training at the Merchant Marine Academy at Kings Point, N. Y., \$10,518,000; and
- (f) financial assistance to State Marine Schools, \$2,973,000.

SEC. 2. In addition to the amounts authorized by section 1 of this act, there are authorized to be appropriated for fiscal year 1975 such additional supplemental amounts for the activities for which appropriations are authorized under section 1 of this act as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law.

SEC. 3. Section 809 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1213) is amended (a) by inserting "(a)" immediately before "Contracts" in the first sentence thereof; and (b) by adding at the end thereof the following new subsection:

"(b) There shall be established and maintained within the Maritime Administration such regional offices as may be necessary, including, but not limited to, one such office for each of the four port ranges specified in subsection (a) of this section. The Secretary of Commerce shall appoint a qualified individual to be the Director of each such regional office and shall carry out appropriate functions, activities, and programs of the Maritime Administration through such regional offices."

March 12, 1975

Dear Mr. Director:

The following bill was received at the White House on March 12th:

S. 332

Please let the President have reports and recommendations as to the approval of this bill as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

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