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APPROVED
SEP 10 1976

9/10/76

THE WHITE HOUSE

ACTION

WASHINGTON

September 9, 1976

Last Day: September 13

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

Handwritten signature

SUBJECT:

**H.R. 11481 - Maritime
Appropriation Authorization Act
of Fiscal Year 1977**

Attached for your consideration is H.R. 11481, sponsored by Representative Sullivan and three others.

The enrolled bill would authorize appropriations totalling \$448,041,000 for 1977 for certain maritime programs of the Department of Commerce. The amounts appropriated for the programs are detailed in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Bill Seidman, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 11481 at Tab B.

Thayne Smith advised 9/10/76





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

SEP 3 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11481 - Maritime Appropriation
Authorization Act of Fiscal Year 1977
Sponsor - Rep. Sullivan (D) Missouri and 3 others

Last Day for Action

September 13, 1976 - Monday

Purpose

Authorizes appropriations of \$448 million for certain maritime programs of the Department of Commerce for 1977.

Agency Recommendations

Office of Management and Budget

Approval

Department of Commerce

Approval(Informally)

Discussion

H.R. 11481 would authorize appropriations totalling \$448,041,000 for 1977 for the following maritime programs within the Department of Commerce:

- . operating differential subsidies to American shipowners operating in foreign trades -- \$403,721,000;
- . research and development programs to advance ship development and construction, ship operations systems and intermodal transportation systems -- \$22,500,000;



- . maintenance expenses for the National Defense Reserve Fleet -- \$4,560,000;
- . operating expenses for the Merchant Marine Academy -- \$13,260,000; and
- . financial assistance to State maritime academies -- \$4,000,000.

The amounts authorized are \$3,259,000 above the Administration's request of \$444,782,000. P.L. 94-362, however, which appropriated funds for the Department of Commerce for 1977, provides only \$427,843,000 for these activities. Consequently, the authorization figure contained in this bill presents no problem.

The enrolled bill would also authorize such sums as are necessary to cover increases in personnel salaries and benefits and in public utilities, food services and other costs of the Merchant Marine Academy. The Administration requested this provision because of the great impact of inflation on the budget of a school as small as the Academy.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 7

Time: 530pm

FOR ACTION: Paul Leach *PL*
 Max Friedersdorf *MF* cc (for information): Jack Marsh
 Ken Lazarus *KL* Jim Connor
 Bill Seidman *BS* Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 8

Time: 500pm

SUBJECT:

H.R. 11481-Maritime Appropriation Authorization Act
of FY 77

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input 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



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

SEP 3 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. 11481, an enrolled enactment

"To authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes."

Section 2 of H. R. 11481 authorizes to be appropriated, without fiscal year limitation as the appropriation act may provide, the following funds for the Department of Commerce: (a) \$403,721,000 for operating-differential subsidy obligations; (b) \$22,500,000 for research and development; (c) \$4,560,000 for reserve fleet expenses; (d) \$13,260,000 for maritime training at the Merchant Marine Academy at Kings Point, New York; and (e) \$4,000,000 for financial assistance to State Marine Schools. The amounts in section 2 are the same as in the draft bill submitted by this Department to the Congress, except that our proposal authorized \$19,500,000 for research and development and \$3,741,000 for financial assistance to State Marine Schools. Also, our proposal authorized appropriations for fiscal year 1978 as well as 1977.

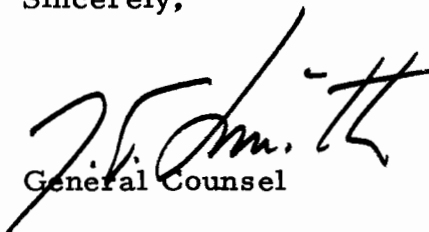
Section 3 authorizes additional supplemental amounts for fiscal year 1977 for the activities specified in section 2 to the extent necessary for increases in salary, pay, retirement or other employee benefits authorized by law. The provisions of section 3 were also included in the draft bill submitted to the Congress.

This Department recommends approval by the President of H. R. 11481.



Section 2 authorizes fiscal year 1977 appropriations totaling \$448,041,000. However, P. L. 94-362, the "Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriation Act, 1977", appropriated \$388,000,000 for operating-differential subsidies (\$15,721,000 less than authorized in H. R. 11481); and \$18,500,000 for research and development (\$4,000,000 less than authorized in H. R. 11481). The Committee reports accompanying H. R. 14239, the bill which became P. L. 94-362, indicate that of the general appropriation to the Maritime Administration for operations and training (\$48,200,000) \$13,042,000 (\$218,000 less than authorized in H. R. 11481) was for the U. S. Merchant Marine Academy, \$4,560,000 (the amount authorized in H. R. 11481) was for reserve fleet expenses and \$3,741,000 (\$259,000 less than authorized in H. R. 11481) was for State marine schools).

Sincerely,



General Counsel

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 7

Time: 530pm

FOR ACTION: - Paul Leach
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Jack Marsh
Jim Connor
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 8

Time: 500pm

SUBJECT:

H.R. 11481-Maritime Appropriation Authorization Act
of FY 77

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

approved
B Kelly 9/8/76

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

THE WHITE HOUSE

ACTION MEMORANDUM

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For Your Recommendations

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Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*APPROVE
LBP*

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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

THE WHITE HOUSE

WASHINGTON

September 9, 1976

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: HR 11481 - Maritime Appropriation
Authorization Act of FY 77

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 3 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11481 - Maritime Appropriation
Authorization Act of Fiscal Year 1977
Sponsor - Rep. Sullivan (D) Missouri and 3 others

Last Day for Action

September 13, 1976 - Monday

Purpose

Authorizes appropriations of \$448 million for certain maritime programs of the Department of Commerce for 1977.

Agency Recommendations

Office of Management and Budget

Approval

Department of Commerce

Approval (Informally)

Discussion

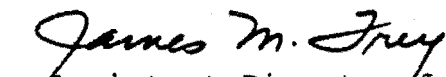
H.R. 11481 would authorize appropriations totalling \$448,041,000 for 1977 for the following maritime programs within the Department of Commerce:

- operating differential subsidies to American shipowners operating in foreign trades -- \$403,721,000;
- research and development programs to advance ship development and construction, ship operations systems and intermodal transportation systems -- \$22,500,000;

- . maintenance expenses for the National Defense Reserve Fleet -- \$4,560,000;
- . operating expenses for the Merchant Marine Academy -- \$13,260,000; and
- . financial assistance to State maritime academies -- \$4,000,000.

The amounts authorized are \$3,259,000 above the Administration's request of \$444,782,000. P.L. 94-362, however, which appropriated funds for the Department of Commerce for 1977, provides only \$427,843,000 for these activities. Consequently, the authorization figure contained in this bill presents no problem.

The enrolled bill would also authorize such sums as are necessary to cover increases in personnel salaries and benefits and in public utilities, food services and other costs of the Merchant Marine Academy. The Administration requested this provision because of the great impact of inflation on the budget of a school as small as the Academy.


Assistant Director for
Legislative Reference

Enclosures

MARITIME AUTHORIZATION FOR FISCAL YEAR 1977

MARCH 4, 1976.—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. 11481]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 11481) to authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

On page 2, line 6, strike out "\$3,741,000." and insert "\$4,000,000."

PURPOSE OF THE BILL

The purpose of this bill is to authorize certain appropriations for programs of the Maritime Administration within the Department of Commerce for fiscal year 1977.

This authorization of appropriations is in accordance with Public Law 90-81, which is now incorporated in section 209 of the Merchant Marine Act of 1936. This law requires that after December 31, 1967, only such sums as the Congress may specifically authorize by law be appropriated for the Maritime Administration of the Department of Commerce for the following purposes:

1. Acquisition, construction, or reconstruction of vessels.
2. Construction-differential subsidy and cost of national defense features incident to the construction, reconstruction, or reconditioning of ships.
3. Payment of obligations incurred for operating-differential subsidy.
4. Expenses necessary for research and development activities (including reimbursement of the Vessel Operations Revolving Fund for losses resulting from expenses of experimental ship operations).

5. Reserve fleet expenses.
6. Maritime Training at the Merchant Marine Academy at Kings Point, New York.
7. Financial assistance to State Marine Schools.
8. The Vessel Operations Revolving Fund.

INTRODUCTION OF H.R. 11481

The Congressional Budget and Impoundment Control Act of 1974 ("Budget Act"), requires your Committee to report all authorization bills by May 15th. Therefore, rather than wait for an Executive Communication from the Secretary of Commerce, transmitting draft legislation, your Committee introduced H.R. 11481 on January 22, 1976.

Subsequently, by Executive Communication No. 2598, dated February 23, 1976, the Secretary of Commerce recommended legislation pursuant to section 209 of the Merchant Marine Act of 1936, to authorize appropriations for certain maritime programs of the Department of Commerce for fiscal years 1976, 1977 and 1978. H.R. 11481 pertains *only* to the authorization of funds for fiscal year 1977.

H.R. 11481, as introduced, would authorize appropriations in the sum of \$444,782,000, for fiscal year 1977, in the following categories and in the amounts indicated:

- (a) Payment of obligations incurred for operating-differential subsidy—\$403,721,000;
- (b) Expenses necessary for research and development activities—\$19,500,000;
- (c) Reserve fleet expenses—\$4,560,000;
- (d) Maritime training at the Merchant Marine Academy at Kings Point, New York—\$13,260,000; and
- (e) Financial assistance to State marine schools—\$3,741,000.

H.R. 11481, as introduced, also contained a section 2 which provides that:

In addition to the amounts authorized by section 1 of this Act, there are authorized to be appropriated for the fiscal year 1977 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, and for increased costs for public utilities, food service, and other expenses of the Merchant Marine Academy at Kings Point, New York.

A statement of the purposes and provisions of H.R. 11481, as introduced, is set forth hereafter in Executive Communication No. 2598, which is appended to this report.

HEARINGS ON H.R. 11481

On January 27, 1976, the Honorable Robert J. Blackwell, Assistant Secretary of Commerce for Maritime Affairs, appeared before the Subcommittee on Merchant Marine in strong support of the authorization request. In addition, statements in general support of the requested amounts were received from the Shipbuilders' Council, the

American Institute of Merchant Shipping, the Transportation Institute, and the Labor-Management Maritime Committee.

Construction-differential Subsidy

Generally, the first element of the authorization request provides for Construction-differential Subsidy. For the first time in over twenty-five years, no funds have been requested for this activity, and provision has not been made for it in H.R. 11481.

Generally, Construction-differential Subsidy is based on the difference between United States and foreign shipbuilding costs, and paid to United States shipyards so that the vessel cost to the American purchaser is about what it would have cost if the vessel was constructed in a foreign shipyard.

Prior to the Merchant Marine Act of 1970, such subsidy was generally limited to Liner vessels. That Act expanded this aid to generally include all types of United States-flag shipping engaged in foreign trade, and also sets forth guidelines for the gradual reduction of the construction subsidy level to 35 percent in fiscal year 1976, and thereafter. Since 1970, these Guideline Rates have been achieved for all subsidized contract awards. In fiscal year 1977, the construction subsidy level will be 35 percent.

Assistant Secretary Blackwell testified that although no appropriations authority is requested for the 1977 Ship Construction Program, carryover funds will provide for a funding level of \$247 million. In this regard, current projections for the remainder of 1976 through 1977 indicate that shipbuilding programs over the next two years can be funded within amounts currently available. These amounts total \$449,011,000 and consist of \$213,000,000 from the appropriations for 1976 and the Transition Quarter and \$236,011,000 from 1975 unobligated balances. The available funds will be distributed to provide program levels of \$200,011,000 in 1976; \$2,000,000 in the Transition Quarter; and \$247,000,000 in 1977. This compares with an actual 1975 program level of \$101,580,000 and therefore reflects substantial confidence in recovery of commercial shipbuilding demand. Subsidized construction in 1977 is projected for eight ships, including six liquefied natural gas carriers and two containerships. The conversion of two ships is also planned.

Operating-differential Subsidy

Sec. 1(a) payment of obligations incurred for operating-differential subsidy, \$403,721,000.

Operating subsidy is paid to American ship operators in order to promote the maintenance of a United States merchant fleet capable of providing essential shipping services. Essential shipping services are those ocean services, routes and lines and bulk carrying service essential for the promotion, development, expansion and maintenance of the foreign commerce of the United States. At the present time, ten Liner and nine Bulk operators are providing these essential shipping services.

Generally, operating subsidy is based on the difference between subsidizable United States and comparable foreign operating costs, and paid to the owners of United States-flag vessels so that they can operate in international trade at competitive rates. The Merchant Marine

Act of 1970 generally extended this subsidy to bulk carriage operators in our foreign trade.

Subsidy is generally provided for U.S.-flag wage, maintenance and repair, and insurance costs. Payments are determined as the difference between the fair and reasonable cost of these items and the cost of the same items of expense if the vessel were operated under the registry of the flag of substantial foreign competitors. Allowable U.S. wage costs are adjusted by a special non-Maritime U.S.-wage index developed by the Bureau of Labor Statistics. This provides an incentive to the subsidized operators to minimize wage increases reached in collective bargaining agreements. Further control on wage costs is achieved by requiring manning levels for new subsidized vessels to be determined prior to the time construction subsidy contracts are entered into.

The Assistant Secretary of Commerce for Maritime Affairs testified that the request amount of \$403,721,000, is an increase of \$87,785,000 over the amount authorized last year.

Mr. Blackwell informed that subsidized U.S.-flag ship operations planned for 1977 include 5.8 ship years for passenger and passenger/combo ships, 169.4 ship years for general cargo ships and 34.8 ship years for bulk ships. The total 1977 ship years for bulk ships include 13.6 ship years for the carriage of anticipated U.S.S.R. purchases of grain during the year. The 1977 purchases are estimated at a total of 6.0 million metric tons—the minimum purchase set forth in the current U.S./U.S.S.R. Grain Purchase Agreement. Exclusive of this U.S.-flag carriage, the requested authority will provide for an increase of 15 ship years over 1976 levels. This is primarily the result of delivery of seven new bulk and two new cargo ships into the subsidized fleet during 1977 and the full year operation in 1977 of ships which entered the fleet in 1976.

Careful inquiry by your Committee revealed that the primary factors contributing to the increase in subsidy in 1977 are: (1) the escalation of U.S. and foreign operating costs over 1976 costs which involves a total of \$22,754,000; and (2) the establishment of a new Base Period cost in 1977 for determining wage subsidy which will cost \$20,918,000. The remainder of the increase is due to additional ship years and payments due for prior year ship operations.

Research and Development

SEC. 1(b) expenses necessary for research and development activities; \$19,500,000.

The objective of the research and development program is to explore and find ways to make the U.S. merchant fleet and the U.S. shipbuilding industry more efficient and competitive. Projects are directed toward development of information and technology which will aid in reducing construction costs, operating costs and Government subsidies for ship construction and operation. The program aims at developing new and more efficient types of ships, machinery, equipment for shipbuilders and operators, and at improving operational practices in shipyards and aboard ships. Industry participation and cost sharing projects have been obtained and enlarged. This joint Government and industry coordination results in expanded efforts and in enhanced probability of use of results by the U.S. maritime industry.

Assistant Secretary Blackwell testified that the requested amount of \$19.5 million includes an increase of \$7,268,000 over the appropriation authority enacted for 1976. Total funding for the 1976 research and development program was \$19,768,000, consisting of an appropriation of \$12,000,000, and funding for deferrals of prior year appropriations totaling \$7,768,000. The 1977 appropriation authority will provide for the continuation of the 1976 program at essentially the same levels with some adjustments for individual projects as they advance toward implementation or completion.

National Defense Reserve Fleet

SEC. 1(c) reserve fleet expenses, \$4,560,000.

The Maritime Administration maintains a so-called National Defense Reserve Fleet of merchant ships in three anchorages in the United States. The objective of the program is to maintain viable ships under preservation in the National Defense Reserve Fleet to supplement the active fleet in times of war or national emergency. Due to mounting obsolescence, a portion of the fleet, most of which was built during World War II, is sold for scrap each year.

In order to continue this program, Assistant Secretary Blackwell requested \$4,560,000 for fiscal year 1977. The increase of \$318,000 over 1976 in this program is primarily associated with higher costs of supplies, utilities, and repair and maintenance for the fleet's service craft. Also, funds have been requested to institute a program for salvage of machinery items from ships scheduled for scrapping. These items are intended for use as spare parts on retention ships, principally the VICTORY ships. The requested funds would permit the continued operation of the three Fleet sites on the Atlantic, Pacific, and Gulf coasts. The Fleet will contain a total of 144 merchant ships which will be preserved for national security purposes, as well as vessels scheduled for scrapping.

U.S. Merchant Marine Academy

SEC. 1(d) maritime training at the Merchant Marine Academy at Kings Point, New York, \$13,260,000.

The Maritime Administration operates the United States Merchant Marine Academy at Kings Point, New York, where United States citizens are trained to become merchant marine officers. The Academy has an enrollment of about 1,000, and graduates about 200 students annually. The Federal cost to graduate each student is about \$37,000. Graduates are generally employed at sea as deck or engineering officers, or ashore in the Maritime Industry.

The Assistant Secretary of Commerce for Maritime Affairs requested \$13,260,000 for the continued operation of the Academy in fiscal year 1977. The amount requested represents an increase of \$1,760,000 over the 1976 level. This level of appropriation will provide sufficient resources to meet significant increases in operating costs, continue accomplishment of the facilities modernization program, and provide an increased level of funding for the ongoing maintenance and repair program.

The 1977 modernization program includes major renovation of Bowditch Hall. This building is one of three principal academic buildings and contains most of the general classroom space.

Renovation will provide improved space for classrooms, laboratories, and academic office space; improve lighting to meet current standards of illumination; improve heating and ventilation; and replace deteriorated fenestrations, piping, wiring, and other facilities to bring the building up to current generally accepted standards for academic buildings. The 1977 program also includes funds for design work for Fulton Hall, the third and final principal academic building to be renovated. Five other smaller projects will also be funded. Accomplishment of the modernization program at the Academy has been planned to minimize disruption to the Academy's overall program. This program primarily funds renovation and modernization of buildings that are 34 years old and does not represent any significant expansion of facilities.

State Marine Schools

Sec. 1(e) financial assistance to State Marine Schools, \$3,741,000.

The Maritime Administration supervises the Government grants and student aid given to the six State Marine Schools, which are located in Maine, New York, Massachusetts, California, Texas and Michigan. These Schools have a total enrollment of about 2,300 and graduate about 410 students annually. The average Federal cost to graduate each student is roughly \$7,000. Graduates are generally employed at sea as deck or engineering officers, or ashore in the Maritime Industry. Assistant Secretary Blackwell testified that the requested amount of \$3,741,000 represents a decrease of \$967,000, from 1976 levels. The Fiscal Year 1977 program includes continued grants to the Schools, allowances for uniforms, books, and subsistence, and maintenance of the six Schoolships.

The requested funding level for the State Marine Schools program continues the 1976 program level with a small increase in funds requested for increased costs of maintenance and repairs of the Schoolships. A small increase in the number of Cadets receiving allowances will also be provided for. This is offset by a decrease in funds associated with the one-time increase provided in 1976 for the procurement and installation of pollution control systems on the Schoolships.

Sec. 2. In addition to the amounts authorized by section 1 of this Act, there are authorized to be appropriated for the Fiscal Year 1977 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, and for increased costs for public utilities, food service, and other expenses of the Merchant Marine Academy at Kings Point, New York.

As in previous years, section 2 of the bill would authorize to be appropriated for Fiscal Year 1977 additional supplemental amounts for the activities for which appropriations are authorized under section 1 of the bill to the extent necessary for increases in salary, pay, retirement, or other employee benefits authorized by law for personnel at the National Defense Reserve Fleet and the Merchant Marine Academy. The purpose of this section is to provide for supplemental appropriations for these purposes. Also requested as necessary authority for supplemental appropriations, should they be needed, for

uncontrollable cost increases in public utilities, food service, and other expenses of the Merchant Marine Academy.

COMMITTEE AMENDMENT

After full and careful consideration of the amount of funds provided for the State Maritime Schools in H.R. 11481, as introduced, (\$3,741,000), your Committee concluded that a small amount of additional funds should be made available for the maintenance and repair of schoolships on loan to each of the Six State Maritime Academies from the National Defense Reserve Fleet. There are serious questions concerning the habitability standards on at least one of these ships, and the Committee concluded that an additional \$259,000 should be made available for the purpose of improving the condition on these training vessels. Accordingly, Sec. 1(e) of H.R. 11481 was amended to provide a small additional amount for this express purpose.

CONCLUSION

Your Committee unanimously reported the bill, H.R. 11481, with an amendment, after full and careful consideration of the entire record.

COST OF LEGISLATION

The total cost of the legislation is the amount authorized by the bill, as amended, \$445,041,000, a decrease of \$98,986,000 for fiscal year 1976.

COMPLIANCE WITH HOUSE RULE XI

(1) With respect to the requirements of clause 2(1)(3)(A) of Rule XI, of the Rules of the House of Representatives, the most comprehensive oversight hearings into the maritime posture and capability of this Nation that have been held in several years were commenced during the last session of Congress. They are continuing in the present session.

(2) With respect to the requirements of clause 2(1)(3)(B)(C) of Rule XI of the Rules, since Section 308(a) of the Congressional Budget Act of 1974 is not applicable; no statement under this paragraph is furnished; and no estimate and comparison of cost 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.

(3) With respect to the requirements of clause 2(1)(3)(D), of Rule XI of the Rules, the Committee has received no report from the Committee on Government Operations on this subject.

(4) The enactment of H.R. 11481, as amended, and the subsequent expenditure of appropriated funds for ship operations and other related activities will undoubtedly have a stimulative impact upon the national economy. A lack of Operating subsidies would result in the curtailment of existing ship services throwing thousands of merchant seamen out of work and further aggravating our unemployment and balance of payments. Failure to enact this legislation would signal the end of our national effort to rebuild the American merchant ma-

rine, and would precipitate an economic crisis in maritime and related industries. Thus, it is the judgment of your Committee that the inflationary impact of this legislation as a component of the total Federal budget is substantially outweighed by its positive impact upon economic recovery and employment.

CHANGES IN EXISTING LAW

If enacted, this bill would make no changes in existing law.

DEPARTMENTAL REPORTS

H.R. 11481 was the subject of Executive Communication No. 2598 from the Department of Commerce. In addition, a report was received from the Federal Maritime Commission. The documents follow herewith:

[Exec. Comm. No. 2598]

THE SECRETARY OF COMMERCE,
Washington, D.C., February 17, 1976.

HON. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed are six copies of a draft bill to authorize appropriations for the fiscal years 1977 and 1978 for certain maritime programs of the Department of Commerce, and for other purposes, together with an accompanying statement of purpose and need.

Also enclosed are six copies of a draft bill to amend the Act to authorize appropriations for the fiscal year 1976 for certain maritime programs of the Department of Commerce, together with an accompanying statement of purpose and need.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of these draft bills to the Congress and further that their enactment would be in accord with the program of the President.

Sincerely,

ELLIOTT RICHARDSON,
Secretary of Commerce.

Enclosures.

A BILL To authorize appropriations for the fiscal years 1977 and 1978 for certain maritime programs of the Department of Commerce, and for other purposes

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 years 1977 and 1978, as follows:

(a) acquisition, construction, or reconstruction of vessels and construction-differential subsidy and cost of national defense fea-

tures incident to the construction, reconstruction, or reconditioning of ships, \$247,000,000 for fiscal year 1978.

(b) payment of obligations incurred for operating-differential subsidy, \$403,721,000 for fiscal year 1977, and \$371,000,000 for fiscal year 1978;

(c) expenses necessary for research and development activities, \$19,500,000 for fiscal year 1977, and \$19,500,000 for fiscal year 1978.

(d) reserve fleet expenses, \$4,560,000 for fiscal year 1977, and \$4,560,000 for fiscal year 1978;

(e) maritime training at the Merchant Marine Academy at Kings Point, New York, \$13,260,000 for fiscal year 1977, and \$13,260,000 for fiscal year 1978; and

(f) financial assistance to State marine schools, \$3,741,000 for fiscal year 1977, and \$3,741,000 for fiscal year 1978.

SEC. 2. In addition to the amounts authorized by section 1 of this Act, there are authorized to be appropriated for the fiscal years 1977 and 1978 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, and for increased costs for public utilities, food service, and other expenses of the Merchant Marine Academy at Kings Point, New York.

STATEMENT OF PURPOSE AND NEED OF THE DRAFT BILL, "TO AUTHORIZE APPROPRIATIONS FOR THE FISCAL YEARS 1977 AND 1978 FOR CERTAIN MARITIME PROGRAMS OF THE DEPARTMENT OF COMMERCE, AND FOR OTHER PURPOSES"

Section 209 of the Merchant Marine Act, 1936, provides that after December 31, 1967, there are authorized to be appropriated for certain maritime activities of the Department of Commerce only such sums as the Congress may specifically authorize by law. This draft bill authorizes specific amounts for those activities listed in section 209 for which the Department of Commerce proposes to seek appropriations for the fiscal years 1977 and 1978.

"(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, \$247,000,000 for fiscal year 1978."

Construction subsidies are based on the differences between United States and foreign shipbuilding costs. These sums are paid to shipyards so that U.S. operators can purchase American-built vessels at prices equivalent to prices for similar foreign-built vessels.

Although no authorization for funds is requested for this activity for fiscal year 1977, a program level of \$247,000,000 will be maintained. These funds are estimated to remain available from unobligated balances from earlier appropriations. Those funds will provide for a projected funding in 1977 for eight ships and conversion of two ships. While projections of specific ship construction projects for 1978 are long-term and, therefore, somewhat tenuous, the shipbuilding program anticipates a growing emphasis on construction of general cargo

ships as required to replace obsolete tonnage. The requested authorization would fund nine ships.

"(b) payment of obligations incurred for operating-differential subsidy, \$403,721,000 for fiscal year 1977, and \$371,000,000 for fiscal year 1978."

Operating subsidies are generally based upon the difference between United States and foreign vessel operating costs and are paid 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 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 1977 and 1978 authorization requests will finance operating subsidies to U.S.-flag operators in order to promote the continuation of essential American merchant marine services.

An estimated \$306,725,000 in subsidy will be paid in 1977 for 210 ship years of operation, including \$25,520,000 for passenger and combination passenger/cargo ships, \$232,717,000 for general cargo ships, and \$48,488,000 for bulk carrier ships. An additional \$96,996,000 will be paid toward balances estimated to be due for operations in 1973 through 1976. Funds requested for fiscal year 1977 include \$53,406,000 for U.S.-flag operations necessary to the recent long-term U.S./U.S.S.R. grain purchase agreement.

The 1978 program reflects cost escalation, additional ships entering the subsidized service and full year costs of ships delivered in 1977. Additionally, funds are requested for settlement of amounts due for 1974 and 1975 operations for which final subsidy rates will be approved.

"(c) expenses necessary for research and development activities, \$19,500,000 for fiscal year 1977, and \$19,500,000 for fiscal year 1978."

The purpose of the research and development program is to advance technological development to enable U.S. shipyards and ship operators to become more competitive.

The program level for 1977 includes projects for the development of new and advanced shipboard machinery, improved ship design and construction methods, and the improvement of shipboard operations and shipping systems. These efforts will assist U.S. shipping and shipbuilding companies in competing in world trade. Cost-sharing and participation by industry in research and development projects assure the practicality and acceptance of the projects.

The 1978 program will provide for advancement of projects from formulation through development to product use. Continuation of cost-sharing with industry enhances the research effort by obtaining a larger return for the Federal investment.

"(d) reserve fleet expenses, \$4,560,000 for fiscal year 1977, and \$4,560,000 for fiscal year 1978."

The Maritime Administration maintains the National Defense Reserve Fleet to supplement our active merchant fleet in time of war or national emergency.

The 1977 reserve fleet program provides for the preservation and security of 280 retention ships, including 136 retained for the U.S. Navy, distributed among three active fleet sites. Preservation maintenance of hulls, machinery and electrical components in a dehumidified state combined with continuous application of cathodic protection to the bottoms comprise the workload of maintaining the ships for further service. The program also anticipates the sale for scrap of about 69 ships that are scheduled for disposal.

The 1978 program will continue to provide for the preservation and security of 280 ships held for national defense purposes. The program level will continue with a similar workload.

“(e) maritime training at the Merchant Marine Academy at Kings Point, New York, \$13,260,000 for fiscal year 1977, and \$13,260,000 for fiscal year 1978.”

The 1977 maritime training program provides for the operation of the U.S. Merchant Marine Academy at Kings Point, New York, in accordance with the Merchant Marine Act, 1936. The objective of the Academy is to instruct and prepare selected personnel for service as officers in the U.S. merchant marine.

The 1977 program level is a continuation of the prior year program with funding increases related primarily to essential repair and maintenance projects. The modernization plan continues renovation and upgrading of academic buildings and other facilities in accordance with recommendations set forth in the Facilities Master Plan (a multiyear modernization plan) at a decreased funding level.

The 1978 program level is projected at approximately that for 1977 with emphasis on continuation of the modernization program for upgrading Academy facilities.

“(f) financial assistance to State Marine Schools, \$3,741,000 for fiscal year 1977, and \$3,741,000 for fiscal year 1978.”

The 1977 State maritime training program implements the Maritime Academy Act of 1958 by providing assistance to States in the operation and maintenance of maritime academies for the training of merchant marine officers. Grants to participating States (California, Michigan, New York, Maine, Massachusetts and Texas), allowances for uniforms, books and subsistence to the cadets, and maintenance of ships on loan from the National Defense Reserve Fleet to be used as training vessels are provided. A small increase (\$100,000) in funds is requested for 1977 to support the uniform, textbook and subsistence allowances required for an increased number of cadets in the program.

The 1978 program will continue at the 1977 level.

Section 2 of the draft bill would authorize to be appropriated for 1977 and 1978 additional supplemental amounts for the activities for which appropriations are authorized under section 1 of the bill to the extent necessary for increases in salary, pay, retirement, or other employee benefits authorized by law. The purpose of this section is to provide authorization for supplemental appropriations for these purposes.

Also requested is necessary authority for supplemental appropriations, should they be needed, for uncontrollable cost increases in public utilities, food services and other expenses at the Merchant Marine Academy at Kings Point, New York.

A BILL To amend the Act to authorize appropriations for the fiscal year 1976 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 the Act of November 13, 1975 (89 Stat. 680; Public Law 94-127) is amended by striking out in paragraph (2), section 2, the figure "\$315,936,000" and inserting in lieu thereof the figure "\$346,171,000."

STATEMENT OF PURPOSE AND NEED IN SUPPORT OF THE DRAFT BILL TO AMEND THE ACT TO AUTHORIZE APPROPRIATIONS FOR THE FISCAL YEAR 1976 FOR CERTAIN MARITIME PROGRAMS OF THE DEPARTMENT OF COMMERCE

The purpose of the draft bill is to amend Public Law 94-127, the authorization for appropriations for fiscal year 1976 for certain maritime programs of the Department of Commerce, by increasing the amount of the authorization for payment of obligations incurred for ship operating-differential subsidy from \$315,936,000 to \$346,171,000.

The need for the amendment results from recent and projected Soviet purchases of U.S. grain and the associated shipment of one-third of these purchases on U.S.-flag ships. Grain purchases by the U.S.S.R. were not projected at the time the 1976 budget was submitted to the congress. Consequently, no funds were requested for operating subsidy for U.S.-flag shipment of 1976 grain purchases. Recent U.S.S.R. purchases of U.S. grain have reached approximately 13.2 million metric tons and are projected to reach 17.5 million metric tons. The U.S.-flag share of the expected total is 5.8 million metric tons, which will be carried during 1976 and the Transition Period.

The requested increase in authorization will provide for an additional \$11,821,000 in 1976 and \$18,414,000 in the Transition Period for subsidy payments to assist U.S.-flag ships in competitive operations in this trade.

FEDERAL MARITIME COMMISSION,
Washington, D.C., February 3, 1976.

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

DEAR MADAM CHAIRMAN: This is in response to your request for the views of the Federal Maritime Commission with respect to H.R. 11481, a bill

To authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes.

Inasmuch as the bill does not affect the responsibilities or jurisdiction of the Commission, we express no views as to its enactment.

The Office of Management and Budget has advised that there would be no objection to the submission of this letter from the standpoint of the Administration's program.

Sincerely yours,

CLARENCE MORSE,
Vice Chairman.

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MARITIME APPROPRIATION AUTHORIZATION ACT FOR FISCAL YEAR 1977

MAY 13, 1976.—Ordered to be printed

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

REPORT

[To accompany H.R. 11481]

The Committee on Commerce, to which was referred the bill (H.R. 11481), to authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

PURPOSE

It is the purpose of this bill to authorize appropriations to be made for the fiscal year ending September 30, 1977 for the Maritime Administration programs of the Department of Commerce.

DESCRIPTION

The bill authorizes for fiscal year 1977, appropriations in the aggregate amount of \$488,041,000, for five categories of maritime programs which are administered by the Maritime Administration of the Department of Commerce. The amounts authorized for these programs as follows:

- (1) Payment of obligations incurred for operating-differential subsidy—\$403,721,000;
- (2) Expenses necessary for research and development—\$22,500,000;
- (3) Reserve fleet expenses—\$4,560,000;
- (4) Maritime training at the Merchant Marine Academy at Kings Point, New York—\$13,260,000; and

(5) Financial assistance to State marine schools—\$4,000,000.

The bill also authorizes additional supplemental amounts to be appropriated for the foregoing to the extent necessary to pay for any increases in salary, pay, retirement, or other employee benefits authorized by law, and for increased costs for public utilities, food service, and other expenses of the Merchant Marine Academy at Kings Point, New York.

LEGISLATIVE BACKGROUND

On February 21, 1975, Secretary of Commerce Frederick B. Dent recommended and transmitted to the Congress legislation to authorize appropriations without fiscal year limitation for certain maritime programs of the Department of Commerce for the fiscal years 1976 and 1977. The legislation transmitted by the Secretary was introduced in the Senate as S. 820.

The Committee, on April 25, 1975, favorably reported an original bill (S. 1542), in lieu of S. 820. S. 1542 authorized appropriations for this purpose for only fiscal year 1976.

On February 2, 1976, the Committee's Merchant Marine Subcommittee held a hearing on the fiscal year 1977 portion of S. 820. At that time, the Assistant Secretary of Commerce for Maritime Affairs presented the Administration's revised fiscal year 1977 authorization request.

H.R. 11481 was introduced in the House of Representatives on January 22, 1976. As introduced, the bill reflected the Administration's revised requests. The House Merchant Marine and Fisheries Committee reported the measure favorably on March 4, 1976 (H. Report 94-871) with a single amendment to increase the funds authorized in section 2(5) from \$3,741,000 to \$4,000,000. The House of Representatives passed H.R. 11481, as reported, on March 11, 1976.

ANALYSIS

For the first time in 25 years, this authorization legislation requests no new funds for merchant vessel construction. This is not because additional ships are unneeded. Indeed, the U.S.-flag merchant fleet continues to decline and is becoming increasingly inadequate to meet the needs of our national security and commerce. As of June 30, 1975, the U.S. privately owned merchant fleet ranked 10th in the world, behind Liberia, Japan, United Kingdom, Norway, Greece, Panama, U.S.S.R., France, and Italy.

No new authority is provided because funds heretofore authorized and appropriated for construction-differential subsidy remain unspent and continue to be available for fiscal year 1977 requirements. In this regard, the Committee is pleased to note that the House Committee on Appropriations rejected a request by officials of the Department of Commerce to transfer part of these unobligated funds to other programs within the Department.

In 1970, Congress, with only 2 dissenting votes, enacted a program that set forward the objective of constructing 300 merchant ships over 10 years (Merchant Marine Act, 1970). The midway point in that program has been passed and only 58 new ships have been contracted for

construction. Only 3 have been contracted in the last 22 months. While the Committee continues to believe that the revitalization of our merchant fleet is urgently needed, authorization of additional construction funds would be useless so long as existing funds are unspent and no new maritime program is initiated.

Major economic benefits to the U.S. result from the maritime assistance programs authorized by this legislation. Hundreds of thousands of man-years of shipyard and related industry employment are generated. A number of the yards building ships with Federal assistance are located in areas of substantial or persistent unemployment. Thus, it can be projected that many of the nearly 100,000 workers now engaged in the construction of merchant ships under Maritime Administration programs would be unemployed in the absence of these programs.

In the area of our foreign trade, the presence and participation of U.S.-flag carriers helps assure the maintenance of fair and reasonable freight rates. So long as the U.S. merchant fleet is carrying a portion of our foreign commerce, our trading partners are unlikely to gain undue commercial advantage by restricting or manipulating ocean transportation facilities and rates. In assuring fair and reasonable freight rates and reliable service, U.S. carriers make a direct contribution to the development and expansion of U.S. foreign commerce. Low value commodities are particularly vulnerable to monopolistic transportation practices as are those U.S. exports that compete directly with foreign production. Without a strong U.S.-flag merchant fleet, the United States could find much of its foreign commerce dependent upon the good will of other nations.

Balance of payments earnings is another area of benefit resulting from the U.S. merchant marine. Savings in our international accounts currently associated with U.S. shipping and shipbuilding are estimated to be approximately \$700 million per year.

SECTION-BY-SECTION ANALYSIS

SECTION 1

The short title of this bill is the "Maritime Appropriation Authorization Act for Fiscal Year 1977".

SECTION 2

This section authorizes appropriations, without fiscal year limitation, of funds for the use of the Maritime Administration, located in the Department of Commerce, for the fiscal year 1977.

(1) *For payment of obligations incurred for operating-differential subsidy, not to exceed \$403,721,000*

Generally, operating-differential subsidy (ODS) is based on the difference between subsidizable U.S. and the foreign vessel operating costs, and are paid to U.S.-flag operators to enable them to operate in essential trades in competition with foreign-flag vessels. Essential trades are those routes, liner and bulk cargo carrying services, deemed essential for the promotion, development, expansion and maintenance

of the foreign commerce of the United States. The authority for making and administering operating-differential subsidy contracts is contained in Title VI of the Merchant Marine Act, 1936, as amended (46 U.S.C. 601 et seq.). Eligibility requirements stipulate that applicants to the Maritime Subsidy Board must provide for the operation of vessels in an essential service in the U.S. foreign trade and that the vessels be built in the United States and manned by U.S. citizens. The Merchant Marine Act, 1970 extended ODS to bulk cargo vessel operators in our foreign trade. These provisions have stimulated U.S.-flag penetration into markets previously dominated by foreign ship operators.

The fiscal year 1977 ODS request will fund a level of 15 ship-years higher than in fiscal year 1976. Excluding Soviet grain carriers, 197 ship-years will be funded from this request. The FY 1977 ODS program will include the entry into service of five new ships which will be delivered from shipyards during the fiscal year. These and the other new vessels which have entered into service since passage of the Merchant Marine Act, 1970, have reduced the average vessel age of the U.S.-flag subsidized commercial fleet from 12.7 to 10.4 years since 1970. At the same time the total deadweight tonnage has increased by 30 percent.

Nearly \$25 million of the amount requested will be paid to U.S.-flag operators carrying Soviet grain purchases. Officials of the Maritime Administration have indicated that 41 companies operating 73 tankers are participating in the carriage of grain to the Soviet Union.

The authorization request for fiscal year 1977 of \$403,721,000 is \$87,785,000 higher than the authorized level for ODS in fiscal year 1976. The principal factor requiring increased operating subsidy payments is the increasing cost differential between U.S. maritime wage levels and foreign maritime wage levels. Payment of wage differentials constitute the largest cost component of ODS payments, approximately 86 percent of the total. Although foreign maritime wage levels are increasing at a faster rate than U.S. maritime wage levels, they are occurring on a much lower level of base wages and result in smaller incremental dollar increases. Thus the gap between foreign and U.S. wage levels continues to widen and results in increased operating subsidy requirements.

Payment of prior year obligations also account for the ODS increase. Nearly \$100 million of such payments will result in final settlements through calendar year 1974. This is a 2-year advance from the 1972 settlements made with fiscal 1976 funds. Maritime Administration officials estimate that because of audit procedures this lag cannot be reduced to less than 2 years.

- (2) *For expenses necessary for research and development activities, not to exceed \$22,500,000*

The Committee increased the authorization in this category by \$3 million for a total of \$22,500,000.

The Committee amendment is intended to fund an on-going Maritime Administration R&D project to accelerate ocean testing of industrial plant ships and to conduct the necessary studies regarding the long-term prospects for commercialization of ocean thermal energy.

For several years, the Johns Hopkins Applied Physics Laboratory (APL) has been working in this area. More specifically, APL proposes to construct an industrial plant ship which will operate in international waters where it will generate electricity to ultimately produce ammonia which will be transported to U.S. markets in conventional bulk carriers.

The Committee believes this proposal holds significant near-term potential for replacing large volumes of natural gas now used as a feedstock in the production of ammonia. Furthermore, it will generate hundreds of shipyard jobs during the construction of the plant ships as well as seagoing jobs for the crew of supporting supply vessels and bulk carriers which will transport the ammonia to U.S. ports.

The principal purpose of the Maritime Administration research and development program is to improve shipyard and ship operator efficiency. This effort is conducted on an ever-increasing cost-sharing basis with private industry which includes U.S.-flag shipping companies, shipbuilding firms, and marine equipment manufacturers. The percentage of industry cost participation has increased from 30 to 52 percent since 1971. Such cost-sharing insures that the Government investment is relevant to industry requirements.

The major areas of the fiscal year 1977 R&D program are: advanced ship development, advanced ship operations; advanced maritime technology and general exploratory maritime research.

A number of research projects are directed toward fuel and power efficiency. In addition to those specifically oriented toward energy conservation, work in the areas of advanced ship propulsion, navigation, ship control systems and satellite communication may result in reduced fuel consumption. Port development which includes offshore terminals, operational efficiency, environmental protection, and safety systems is receiving deserved attention in the maritime research program.

(3) For reserve fleet expenses, not to exceed \$4,560,000

This request for funding to maintain the National Defense Reserve Fleet is \$318,000 higher than the fiscal year 1976 level. Under this program, the Maritime Administration maintains cargo carrying and military auxiliary vessels to supplement the active U.S.-flag fleet in time of war or national emergency. Such ships were activated and provided major sealift support in Korea and Viet Nam. The retention fleet contains approximately 280 ships at sites at Beaumont, Texas, Suisun Bay, California and on the James River in Virginia.

(4) For maritime training at the Merchant Marine Academy at Kings Point, New York, not to exceed \$13,260,000

This authorization is for the operation of the U.S. Merchant Marine Academy operated by the Maritime Administration. The Academy provides a four-year undergraduate program which leads to a Bachelor of Science degree and to a license as a Third Mate or Third Assistant Engineer. The annual graduating class numbers about 200.

The amount requested is \$1,760,000 above the fiscal year 1976 level. The increase is due to higher operating costs and an increased level of renovation of the academic facilities at the Academy.

(5) *For financial assistance to State marine schools, not to exceed \$4,000,000*

This request is for training cadets at six state-operated maritime schools located in California, Maine, Massachusetts, Michigan, New York, and Texas. Federal financial assistance is provided to these institutions under the authority of the Maritime Academy Act of 1958 (46 U.S.C. 1381 et seq.) as amended. The Maritime Administration makes an annual grant to each school, provides student subsistence payments, and supplies and maintains a training ship from the National Defense Reserve Fleet to each school.

The Administration request for this program was \$967,000 lower than the fiscal year 1976 request. However, the House Committee on Merchant Marine and Fisheries increased this category by \$259,000 to \$4,000,000 for the express purpose of improving the habitability standards aboard the training ships of these schools.

SECTION 3

This section authorizes supplemental appropriations for fiscal year 1977, as may be necessary to cover increases in pay or other employee benefits authorized by law, and uncontrollable increases in costs for utilities, food service, and other expenses at the Merchant Marine Academy at Kings Point, New York.

This provision avoids the necessity of having to amend the fiscal year 1977 authorization legislation in order to fund such statutorily authorized or uncontrollable cost increases.

ESTIMATED COSTS

Pursuant to section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91-510), the Committee estimates the cost of the legislation to be \$448,041,000, the amount authorized by the bill. The Committee knows of no cost estimate by any Federal agency which is at variance with this estimate.

CHANGES IN EXISTING LAW

The bill makes no changes in existing law.

TEXT OF H.R. 11481, AS REPORTED

A BILL To authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may cited as the "Maritime Appropriation Authorization Act for Fiscal Year 1977."

Sec. 2. funds are 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 1977, as follows:

(1) For payment of obligations incurred for operating-differential subsidy, not to exceed \$403,721,000;

(2) For expenses necessary for research and development activities, not to exceed \$22,500,000;

(3) For reserve fleet expenses, not to exceed \$4,560,000;

(4) For maritime training at the Merchant Marine Academy at Kings Point, New York, not to exceed \$13,260,000; and

(5) For financial assistance to State marine schools, not to exceed \$4,000,000.

SEC. 3. There are authorized to be appropriated for the fiscal year 1977, in addition to the amounts authorize by section 2 of this Act, such additional supplemental amounts, for the activities for which appropriations are authorized under section 2 of this Act, as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law, and for increased costs for public utilities, food service, and other expenses of the Merchant Marine Academy at Kings Point, New York.

AGENCY COMMENTS

No agency comments were received by the Committee.



MARITIME APPROPRIATION AUTHORIZATION ACT
OF FISCAL YEAR 1977

JULY 29, 1976.—Ordered to be printed

Mrs. SULLIVAN, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 11481]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11481) to authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 14 and 16.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15 and 17, and agree to the same.

LEONOR K. SULLIVAN,
THOMAS L. ASHLEY,
JOHN DINGELL,
THOMAS N. DOWNING,
JOHN MURPHY,
PHILIP E. RUPPE,
PAUL N. McCLOSKEY,

Managers on the Part of the House.

WARREN G. MAGNUSON,
RUSSELL B. LONG,
ERNEST F. HOLLINGS,
J. GLENN BEALL, JR.,

Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11481), to authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes, submit the following joint statement to the House and the Senate in explanation of effect of the action agreed upon by the managers and recommended in the accompanying conference report:

TITLE OF THE ACT AND CONFORMING AMENDMENTS

Amendment 1 provides for a new section 1 to read as follows: "That this Act may be cited as the 'Maritime Appropriation Authorization Act of Fiscal Year 1977'". The House bill does not contain a comparable provision. Amendment 2 redesignates section 1 of the House bill as section 2. Senate amendments numbered 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 15 and 17 are technical or conforming amendments. The conferees agreed to accept these amendments.

RESEARCH AND DEVELOPMENT

Amendment 7. The Senate amendment would increase the amount of funds authorized for research and development activities of the Maritime Administration of the Department of Commerce from \$19.5 million contained in the House version, to \$22.5 million. This increase of \$3 million is intended to accelerate an ongoing Maritime Administration R. & D. project to fund ocean testing of industrial plant ships and to conduct the necessary studies regarding the long-term prospects for commercialization of ocean thermal energy. The conferees wish to point out that no hearings were held on this provision in the House. The House conferees desire that this subject matter be examined during the hearings on the fiscal year 1978 maritime authorization bill. As this \$3 million has not been included in the appropriate Appropriations Act, the conferees on the part of the House receded from their disagreement to Senate amendment 7, as an expression of support for this important project.

STATE MARINE SCHOOLS

Amendments 14 and 16. Senate amendment 16 would amend section 6(a) of the Maritime Academy Act of 1958, as amended (46 U.S.C. 1385(a)), to increase the annual subsistence payable to the students at the State marine schools from \$600 to \$900. Senate amendment 14 would amend the authorization bill to increase the amount

authorized for the State marine schools from \$4 million to \$5.2 million in order to fund this increase in subsistence payments. The conferees note that this increase of \$1.2 million would account for an increase to the students from \$600 to \$1200. Since it was the intention of the Senate amendment to increase the payment from \$600 to \$900, and in enrolling the bill in the Senate a clerical error was made, the figure in amendment 14 should be \$4.6 million. The Senate receded from these amendments, as the question of subsistence to the students at the State marine schools is the subject of an ongoing study by the General Accounting Office.

LEONOR K. SULLIVAN,
 THOMAS L. ASHLEY,
 JOHN DINGELL,
 THOMAS N. DOWNING,
 JOHN MURPHY,
 PHILIP E. RUPPE,
 PAUL N. McCLOSKEY,

Managers on the Part of the House.

WARREN G. MAGNUSON,
 RUSSELL B. LONG,
 ERNEST F. HOLLINGS,
 J. GLENN BEALL, JR.,

Managers on the Part of the Senate.



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 authorize appropriations for the fiscal year 1977 for certain maritime programs of the Department of Commerce, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Maritime Appropriation Authorization Act of Fiscal Year 1977".

SEC. 2. Funds are 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 1977, as follows:

- (1) For payment of obligations incurred for operating-differential subsidy, not to exceed \$403,721,000;
- (2) For expenses necessary for research and development activities, not to exceed \$22,500,000;
- (3) For reserve fleet expenses, not to exceed \$4,560,000;
- (4) For maritime training at the Merchant Marine Academy at Kings Point, New York, not to exceed \$13,260,000; and
- (5) For financial assistance to State marine schools, not to exceed \$4,000,000.

SEC. 3. There are authorized to be appropriated for the fiscal year 1977, in addition to the amounts authorized by section 2 of this Act, such additional supplemental amounts, for the activities for which appropriations are authorized under section 2 of this Act, as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law, and for increased costs for public utilities, food service, and other expenses of the Merchant Marine Academy at Kings Point, New York.

Speaker of the House of Representatives.

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