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SECRETARY OF TRANSPORTATION ANDREW H. CARD  
PROPELLER CLUB OF THE UNITED STATES  
JUNE 29, 1992  
WASHINGTON, D.C.

It's a distinct pleasure, as always, to be able to spend some time with friends from the maritime community. The Propeller Club is one of the great champions of the nation's maritime industry, and your efforts in promoting the U.S.-flag fleet are certainly very important this year.

The U.S. maritime industry has reached a decisive crossroads. Will it survive and prosper, or will it disappear? I believe the comprehensive maritime reform initiative we recently released will enable this industry not only to survive, but will put it on the road to long term recovery.

The decades-old stalemate in Washington on maritime reform reminds me of some of the frustrations Winston Churchill had to face during World War II. Given the demands of the war, Churchill often chose to work far into the night. By contrast, Britain's top army commander, General Bernard Montgomery, kept regular hours and retired early.

One time, the two were conferring in the General's headquarters when Montgomery glanced at his watch at 10:00 p.m. and said with a weary voice, "It's past my bedtime. Why don't we call a halt?" Churchill reluctantly agreed.

When they met again in the morning, the Prime Minister asked the General, "Do you feel rested now?"

"No," Montgomery replied, "I have a headache. I didn't sleep enough."

"I have a headache, too," Churchill declared, "I slept too much."

There are some who would like to keep maritime reform on the shelf a little longer because the headaches of moving forward are just too great. I say, we've

slept long enough. The time to move forward is now. We simply can't wait any longer. The stakes are too high.

### *Importance of the Industry*

The fact is -- as everyone in this room knows -- our current maritime policies are not stopping the decline of the U.S. merchant marine. If we don't take action soon, our foreign trade merchant fleet could be well on its way to extinction by the end of the decade. We've already reached the point where no ships for the foreign trades are being built by American shipyards. And the United States now relies on foreign ships manned by foreign crews to carry the vast majority of our import and export cargoes.

This state of affairs seriously jeopardizes the nation's ability to respond adequately to potential wars or other national emergencies overseas. Operations Desert Shield and Desert Storm sent the message loud and clear that our country's sealift capability is an indispensable pillar of national security.

And yet our merchant fleet continues to decline. We may have the world's largest economy, but our maritime fleet now ranks sixteenth in number of ships.

This country's maritime industry is just too important to our economy, to our national security, and to our international competitiveness to stick with the status quo. And that's why the Bush Administration is now pushing the boldest, most comprehensive maritime initiative in decades.

### *A New Approach for a New Era*

Let me make it clear that our initiative is an integral part of the broader framework of what this Administration is doing in transportation -- and, for that matter, for the economy at large.

It goes back to the President's National Transportation Policy, which he announced early in his second year in office. Not only did the President call for maritime reform in that policy, but he called for something much more. He called on the country to take a new approach to its transportation challenges -- an approach befitting a new era of intensifying competitiveness in a rapidly changing world order. The President's approach is based on the fundamental assumption that America's continued success into the 21st century requires long term strategic thinking.

That approach stresses a return to some basic principles that we embraced in formulating our maritime proposals. I'm talking about such principles as relying on a free market to the maximum extent possible; loosening up Washington's regulatory grip on industry; decentralizing by providing increased flexibility in the use of federal funds; and strengthening partnerships between government and industry and between Washington and state and local governments.

It is also not "industrial policy." As we work to see these proposals enacted into law, I'm certainly not saying that we're out of the woods yet. Far from it. We've still got a lot of work to do -- both in industry and in government -- to see this effort through to the end. But I am hopeful that we will succeed.



### *Emerging Consensus of Support*

I'm very encouraged by the reviews so far. The key principals in the Senate, Senators John Breaux and Trent Lott -- both workhorses for this industry -- have been publicly supportive of our initiative.

The country's two largest shipping lines, APL and Sea-Land, are -- to quote -- "impressed and pleased by the scope and vision" of our program.

The presidents of eight shipboard and two longshore unions had this to say: "On initial review we believe we can fully support the thrust of the initiative."

The *Journal of Commerce* says "Washington finally has produced a workable plan to reform federal maritime policy. . . . After years of gridlock in Washington, it is a welcome start on the road to reform."

Now, is everyone happy, or 100 percent satisfied? Of course not. But with that kind of broad-based support, we know we can say, unequivocally, that we're off to a good start.

### *Strategy for Action*

The centerpiece of our proposal is the Contingency Retainer Program for the international liner trade. It would replace the operating-differential subsidy program, which would be allowed to expire. Under our new program, we would pay operators to keep ships sailing under the American flag in return for making them available during war or a national emergency.

In keeping with the principles I mentioned a moment ago, we want to ease up on the heavy hand of government that weighs down operators in the ODS program. Under the new program, we would allow operators to acquire vessels worldwide. And they could operate them anywhere in the foreign trade and with foreign-flag feeder vessels.

As a result, U.S. carriers in the federal program would be free to compete efficiently and with flexibility for international cargoes.

Frankly, the present system is a disincentive toward greater efforts to control costs and enhance efficiency. It is simply not working in a global market distorted by a wide range of foreign government subsidies and costs of living. The new system addresses this situation by providing incentives to bring costs more in line with market realities.

While it is the centerpiece of our initiative, the contingency retainer program is just one of the 16 proposals that make up our reform package. We also propose to take the following actions:

We want to help U.S.-flag operators obtain modern ships by broadening the use of the Capital Construction Fund. We would continue the Title XI ship financing program to aid the building of ships in American yards. And we would reduce, then eliminate, the 50 percent duty that operators must pay when they use foreign shipyards for routine repairs.



To help American shipyards, the Administration will try to eliminate, through bilateral and multilateral negotiations, excessive subsidies that foreign governments pay their shipyards. We're also seriously exploring means of disciplining countries that subsidize their shipyards. And we are taking steps to prevent excessively subsidized foreign shipyards from benefiting from our maritime programs. The Administration will also initiate a research and development program and an export promotion program for shipyards.

Through other proposals, we seek to encourage new investment in U.S.-flag ships by relaxing citizen ownership requirements and regulations that affect the changing of registries.

Our reform package preserves such longstanding maritime programs as the Jones Act, cargo preference requirements, and the 1984 Shipping Act.

### *Conclusion*

In a word, our proposal charts a new course for America's merchant marine. It was born of the same spirit that produced the eminently successful deregulated transportation markets of the past decade -- in aviation, in rail, and in trucking. Now it's time to apply those same principles to maritime -- in a way tailored to its unique problems.

But our maritime program, as spelled out on paper, can only go so far. It requires all parties involved -- shippers and carriers, labor and management -- to work together to help carry the U.S. flag into the 21st century. Cooperation is the key. All parties must sit down, open up a constructive dialogue, and take a serious look at the realities facing this industry.

At stake is nothing less than the survival of the U.S. maritime industry. But we're aiming at more than mere survival. We want to see this industry again compete on an equal footing in a very complex and challenging global maritime market. We believe it's possible. And with your help, we're committed to making it happen.

Thank you.