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**STATEMENT OF JOAN B. YIM
ACTING MARITIME ADMINISTRATOR**

DEPARTMENT OF TRANSPORTATION

**BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE
OF THE COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION
UNITED STATES SENATE**

AUGUST 5, 1993

Mr. Chairman, members of the Subcommittee, my name is Joan B. Yim and I am the Acting Maritime Administrator of the Department of Transportation. I am here today to testify on behalf of the Department of Transportation concerning the applications of Sea-Land Service, Inc. (Sea-Land) and American President Lines, Ltd. (APL) to register a total of twenty of their ships in foreign countries. The Department regrets that Sea-Land and APL have found it necessary to apply for permission to transfer a significant portion of their U.S.-flag fleets to foreign registries.

Section 9 of the Shipping Act of 1916 requires the approval of the Secretary of Transportation before any U.S.-flag vessel may be placed under foreign registry, or sold, mortgaged, leased or transferred to someone other than a U.S. citizen.

On June 28, 1993, Sea-Land applied for approval, pursuant to Section 9, for the immediate transfer of 13 vessels to registry in the Republic of the Marshall Islands. On July 16, 1993, APL also asked to transfer seven vessels to an unspecified foreign registry that would permit the vessels to remain under Effective U.S. Control for the purpose of requisitioning in time of war or national emergency.

APL's request involves transfer at the time of withdrawal from APL's operating-differential subsidy (ODS) contract or the termination of this contract, whichever occurs first. As a subsidized operator, APL also applied for a waiver under Section 804 of the 1936 Merchant Marine Act to operate these vessels

under foreign flag in APL's existing services, following reflagging and during the remaining term of its ODS contract.

From the applicants' perspective, the decision to reflag vessels is based primarily on vessel operating economics. We are all aware that U.S.-flag carriers face higher costs for personnel and insurance and more stringent regulatory requirements. Such factors as these make it more difficult for U.S. companies to compete against foreign-flag operators in our import and export trades. Nevertheless, these two companies are known to us and their competition as "world class" carriers.

The Administration recognizes the important role of the commercial U.S.-flag fleet in meeting our national defense requirements. As President Clinton recently stated, "America's merchant ships continue to provide jobs and economic benefits for America. The men and women who sail those ships and who

serve in supporting industries are prepared to support the Nation in times of crisis."

The importance of having a viable commercial fleet was most recently demonstrated during Operations DESERT SHIELD and DESERT STORM. More than one-third of the total military dry cargo that was transported by sea moved on commercial U.S.-flag liner ships that normally operate in our import and export trades. Sea-Land, APL, and their employees were key components of this success story. In addition, about 80 percent of the dry cargo transported by sea in support of this conflict was carried on U.S.-flag government-owned or chartered ships as well as commercial vessels.

Over 900 U.S. citizen seafarers work on the ships under consideration in these applications. Overall, more than 10,000 seafarers are employed on privately owned, U.S.-flag ships engaged in international trade. These men and women are

available to the Department of Defense and the Maritime Administration to crew sealift ships, including the Ready Reserve Force, during crises like DESERT SHIELD and DESERT STORM. They also continue to work on commercial ships during a crisis, side-by-side with our combatants, to resupply American troops.

As early as February 1992, APL and Sea-Land publicly stated that unless certain changes were made to reduce the disparities between U.S. and foreign capital and operating costs, they would have no recourse but to pursue operations under foreign flag beginning in 1995.

This Administration has considered initiatives to help improve the overall efficiency and economic competitiveness of the industry. Secretary Peña met with representatives from various sectors of the U.S. maritime industry -- carriers, shippers, maritime labor and shipbuilders -- to discuss their concerns. In April, the Secretary developed a set of maritime policy initiatives that were presented

to the National Economic Council (NEC). Maritime revitalization has received vigorous attention within the Administration and is still under active consideration.

The applications from Sea-Land and APL to reflag twenty containerships, and the loss of over 900 jobs for merchant seamen who work aboard these ships, bring the U.S. maritime industry to a crucial juncture. These vessels are the most modern in the U.S.-flag fleet and their combined capacity represents over one-fourth of the total container capacity of the privately owned U.S.-flag fleet. This is an unprecedented request. No similar applications, in such number, have ever been processed by the Maritime Administration.

The Sea-Land and APL applications will be carefully reviewed. We recognize the advantages that the carriers hope to achieve by being able to compete on the same terms and conditions as foreign carriers, but we also recognize the impact on other

elements of the U.S. maritime industry. Present law provides the Secretary of Transportation with the authority to consider these applications. Let me assure you that the concerns of affected interests will be carefully weighed in the decision-making process.

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

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