Mobility and Economic Growth

Marine Transportation System

The U.S. Marine Transportation System (MTS) plays a major role in the movement of goods and people, domestically and internationally. It consists of waterways, ports, and intermodal landside connections, as well as vessels and vehicles for moving freight and people. The Maritime Administration (MARAD) promotes the improvement of the MTS by facilitating cooperation; administering grant programs; developing strategy and policy; and performing and promoting research, including pilot and demonstration projects. The results address security concerns and promote the free flow of intermodal traffic.

Ninety-five percent of our overseas trade moves in or out of the Nation on oceangoing vessels. A projected doubling of our domestic and international maritime trade by the year 2020 will require massive improvements in our MTS infrastructure, policies, and practices. Increased highway and rail congestion will place additional stress on our marine system infrastructure.

MARAD is active in two national groups addressing this problem: the MTS National Advisory Council (MTSNAC) which MARAD sponsors, and the Interagency Committee for the MTS (ICMTS). The MTSNAC is a non-federal, industry-focused council to advise the Secretary of Transportation, consisting of 30 stakeholders, users, and beneficiaries of the MTS. The ICMTS is a federal committee consisting of 18 Federal agencies.

MTS Regional Outreach Initiative

MARAD sponsored a series of nine regional MTS listening sessions in September 2002, during which the regional stakeholders provided MARAD and MTSNAC with valuable input on what MTS needs must be identified and addressed in a SEA-21 proposal. The SEA-21 initiative would accomplish for water what the Transportation Equity Act, TEA-21, did for highways. Additionally, the meetings focused on updating regional constituents on national programs, and developing MTS regional efforts.

Intermodal Systems

Marine Transportation System Assessment

MARAD developed a comprehensive strategy to assess the policy, financing, and investments needed to ensure a performance-based, world-class marine transportation system that improves global competitiveness and national security for the United States. The four-track approach includes the National Maritime Infrastructure Needs Assessment, innovative financing, federal legislation, and federal assistance to regional MTS initiatives.

MARAD also conducted a study of the intermodal access to the US marine transportation system. We sought and gained authority to survey the marine transportation industry, specifically the marine ports and terminals, from the Office of Management and Budget. This study will be conducted on an annual basis.

MARAD analyzed the responses from a significant 70 percent of the deep-draft marine port and terminal industries, and published *Intermodal Access to US Ports - Report on Survey Findings* in August 2002. A key finding of the report is that

roadway, rail, and waterside access at U.S. ports may be good enough now to keep the cargo moving, but they probably will not be in coming years. Expected increases in cargo traffic will strain the system, especially in already congested metropolitan areas and major trade corridors. Unacceptable conditions reflect local roads leading to the ports, at-grade crossings with railroad tracks, general railroad access issues, lack of availability of truck-only routes, and insufficient channel depth for container ports. Also clarified in the report was the growing importance of traffic information and of web-based traffic information. MARAD is working with the Department to address these issues in the current effort to reauthorize the Transportation Equity Act.

Spotlight: North Atlantic Region

In the Wake of 9/11

The events of September 11, 2001 profoundly changed the thinking about transportation, particularly water transportation, in New York Harbor. Maritime transportation assets proved to be security assets as well, with commercial and government boats providing safe and rapid evacuation, and then providing transportation for rescue personnel and materials at a time when other transportation was severely affected. Ferry service expanded in the early months of FY 2002.

Personnel in the North Atlantic Region were displaced from their offices for a short time. Soon, they were back at work, involved in a meeting in Manhattan hosted by the Association of the Bar of the City of New York. The meeting was entitled “Rebuilding and Renewing Transportation in Lower Manhattan After September 11: Decisions, Priorities, and Timing,” which was co-sponsored by New York University’s Rudin Center for Transportation Policy and Management, the New York State Bar Association, and the Regional Planning Authority. Those attending the meeting outlined a 10-year plan, which included restoring PATH train service to lower Manhattan, construction of an additional ferry terminal and service to the Wall Street area, the Cross Harbor Freight Tunnel Project, and the future economic benefits to New York City resulting from these proposed transportation and infrastructure initiatives.

The North Atlantic Region is also actively working with groups considering expansion of waterborne transportation. One such activity involved a Community Planning Workshop on the “Long Island Sound Waterborne Transportation Plan” held in Manhattan. The workshop brought together the maritime and business communities to evaluate additional ferry service in Long Island Sound connecting New York and Connecticut.

National Maritime Infrastructure Needs Assessment

MARAD established the framework for a national maritime infrastructure needs assessment. This quantitative framework will enable MARAD to substantiate new investments in marine infrastructure from public and private sources to address aging infrastructure, changes in the marine intermodal interface, and increased concerns about security. A systematic and quantitative framework is critical to ensure efficient capacity, productivity, and performance in the marine transportation system.

Policy Development

Throughout FY 2002, MARAD supported the development of the Freight Analysis Framework (FAF) as a policy analysis tool aimed at helping decision makers to understand the geographic relationships between domestic and international trade flows and the nation's intermodal transportation systems. By using this tool, state and local governments and the private sector can determine which transportation corridors are or will become heavily congested in the future, and better plan intermodal solutions to help alleviate these bottlenecks in the intermodal transportation network.

Federal Assistance for Regional MTS Initiatives

MARAD entered into a cooperative agreement with the Delaware River Maritime Enterprise Council (DRMEC) on authority contained in the Merchant Marine Act of 1936. At the same time, MARAD signed a Memorandum of Agreement with the Military Traffic Management Command (MTMC) to work together with DRMEC on military/commercial demonstrations.

MARAD's objective in partnering with the private and public entities is to facilitate collaboration between commercial, military, government and academic institutions to design, develop, and operate a demonstration of the Regional Agile Port Intermodal Distribution (RAPID) system.

Cargo Handling Cooperative Program (CHCP)

- **Electronic Seal Testing**. The CHCP is a public-private partnership with the primary focus on industry-driven technology priorities. MARAD is its federal government sponsor. The CHCP is testing and evaluating electronic seals as a potential security device for intermodal containers used in the international transportation system. This project is an excellent example of ways that advances in security technology can also work to make freight transportation more efficient. Today, intermodal freight containers are sealed with a piece of wire or a bolt, which neither alert authorities that someone may have tampered with the container nor give waybill information. Electronic seals are one way to increase security by recording those instances where a container seal may have been compromised, and can also give information on the origin and destination of the container and its contents. The CHCP is working with the Center for the Commercial Deployment of Transportation Technology (CCDoTT) to review, test, demonstrate, and report on electronic seal development.

- **Marine-to-Rail Systems**. The CHCP is also assisting the intermodal industry in improving the efficiency and productivity of marine terminals through direct loading and discharging of containers from ship to rail. This marine rail project has been started in the Pacific Northwest to demonstrate the potential increase in container throughput capacity. The demonstration will provide a baseline of information for the development of a regional project involving three Pacific Northwest ports and a related inland intermodal transfer center. There is also a project being developed with a ship line, rail carrier, and a distribution center to model and demonstrate a complete marine rail system to move containers from shipboard to inland destinations. With this system, a two- or three-fold increase in throughput capacity can be obtained at marine terminals. This project assists MARAD in the achievement of increased freight mobility, reduced congestion, and provides faster throughput for national security purposes.

Spotlight: Western Region

Longshore Labor Dispute

On July 1, 2002, the collective bargaining agreements between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) representing carriers and stevedore contractors operating in major West Coast ports in California, Oregon, and Washington State expired. The ports continued operating while both sides negotiated on a new contract. The contract was extended on a day-to-day basis through September 1, after which no further extensions were negotiated. On September 30, as a result of the continuing labor dispute between the PMA and the ILWU, the U.S. West Coast ports were effectively shut down.

This crisis had the potential for substantial disruption of the entire national economy. The Western Region offices provided reports three times each day to MARAD headquarters and to DOT. The Western Region's efficiency in gathering and reporting accurate information brought the office congratulatory acknowledgements for its reporting and analysis. As the fiscal year ended with the dispute unresolved, the lead Federal agencies dealing with the dispute looked to MARAD for background information, updated reports, and research.

Port Commerce, Funding, and Infrastructure

MARAD provides the U.S. port industry with a variety of economic and research assistance. Furthermore, MARAD's port conveyance program provides the public port industry with information to assist in meeting capacity needs. MARAD produces three reports each year analyzing the port industry's current and projected capital expenditures, financial strength, [and guidance] on risk management. In addition, MARAD participates in demonstrating technologies designed to help military and commercial interests work together.

Port Facility Conveyance Program

MARAD administers Public Law 103-160, Section 2927, a public benefit conveyance program that transfers surplus Federal real property to State and local public entities for the development and operation of port facilities. The purpose of the program is to create jobs, revitalize local economies, and increase maritime port capacity to meet the Nation's commerce and defense needs. Conveyances are made at no monetary consideration, provided the property is used and maintained in perpetuity as a port facility. MARAD has oversight responsibility after a conveyance.

During FY 2002, MARAD completed three port conveyances.

- The Port of Long Beach, California, received 274 acres of surplus U.S. Navy property. The port is using this land to expand its capacity by developing new marine terminal facilities.
- The Tri-City Regional Port District in Illinois received 580 acres of the Charles Melvin Price Army Supply Center property. MARAD is continuing to work with the U.S. Army and the port to facilitate the conveyance of the remaining approximately 180 acres, the portion of the property that is currently undergoing environmental cleanup work.
- The Port of Stockton received 412 acres of the former U.S. Navy facility located on Rough & Ready Island. Most of the property, 248 acres, is open land, but it does include six warehouses, two wharf-side transit sheds, and a rail yard.

This is the second port conveyance that the port has obtained. A third portion of the property awaits conveyance while the Navy continues the necessary environmental remediation.

Port Capital Expenditures

The United States Port Development Expenditure Report analyzes the public port industry's capital expenditures for 2000, and projected expenditures for 2001-2005, including the financing methods used to fund these expenditures.

U.S. Port Capital Expenditures for 2000
(Thousands of Dollars)

Region	Expenditures	Percent
North Atlantic	$223,186	22.0%
South Atlantic	192,567	18.2%
Gulf	222,160	22.0%
South Pacific	263,030	24.9%
North Pacific	130,461	12.3%
Great Lakes	5,046	0.6%
Total	$1,057,063	100.0%

U.S. Port Capital Expenditures Projected for 2001-2005
(Thousands of Dollars)

Region	Expenditures	Percent
North Atlantic	$1,563,764	16.6%
South Atlantic	1,772,685	18.8%
Gulf	1,619,322	17.1%
South Pacific	3,190,488	33.8%
North Pacific	934,418	11.2%
Great Lakes	56,700	0.7%
Alaska, Hawaii, Puerto Rico, and the Virgin Islands	45,032	0.5%
Total	$9,433,535	100.0%

Public Port Financing

MARAD continues to maintain an extensive database of U.S. port financial data (covering 1978-2001) that permits in-depth analyses of the port industry. In cooperation with American Association of Port Authorities' Finance Committee, MARAD published in November 2001 the *Public Port Finance Survey* containing FY 2000 data. The FY 2001 report is scheduled to be published in January 2003. The survey is updated annually.

Center for the Commercial Deployment of Transportation Technologies (CCDoTT)

In FY 2002, MARAD entered into a new agreement with the USTRANSCOM to assist in managing the CCDoTT located at California State University, Long Beach, CA. The CCDoTT program demonstrates existing, emerging, and developing technologies in cargo handling, tagging, tracking, information management systems, and high-speed sealift. These technologies will help the military deploy more quickly, expand the ability of commercial transportation to accommodate the surge of military cargo, and minimize commercial transportation disruption. The CCDoTT web site is www.ccdott.org.

Inland Waterways

MARAD continues to actively promote and develop the domestic merchant marine in support of DOT's strategic goal of "advancing America's economic growth and domestic and international competitiveness through efficient and flexible transportation."

Inland Waterways Initiative

MARAD established the Inland Waterway Intermodal Cooperative Program (IWICP), which has as its primary goal the improvement of the inland waterway intermodal transport system. The IWICP represents port authorities, barge lines, and trade organizations involved in doing business on the inland waterways system. This group has already identified several high-priority issues, and formulated a strategy for addressing them. The current IWICP member organizations are addressing such topic areas as Container-On-Barge, where new markets are available for assisting the national transportation system increase both efficiency and productivity.

Container on Barge

A research agreement between MARAD and the Port of Pittsburgh, Pennsylvania, will serve to promote the use of inland waterways to alleviate congestion on highways and railways, as well as provide a more environmentally friendly way to move freight. The purpose of this agreement is to explore the container-on-barge concept in order to promote waterway traffic between Pittsburgh, Pennsylvania, and Monterrey, Mexico. MARAD has provided $50,000 in start-up funds towards the project. The study is expected to be completed by December 2002.

Missouri River Master Water Control Manual Revision

The Army Corps of Engineers (Corps) has continued its efforts in FY 2002 to revise the Missouri River Master Water Control Manual. This is the manual that the Corps utilizes to manage the release of water from the seven main-stem reservoirs on the headwaters of the Missouri River for navigation, flood control, and water supply.

MARAD staff have worked closely with the Corps to ensure that inland commercial navigation interests were fairly represented in the Master Manual Revision and Annual Operating Plan. MARAD staff organized meetings with inland towing company executives to discuss the issues and develop a consensus. MARAD has acted as an advocate for the inland navigation industry throughout the Corps' efforts to revise the Master Water Control Manual.

MARAD also entered into a Memorandum of Understanding with the other federal agencies in the Missouri River Basin establishing a Missouri River Federal Interagency Roundtable. The purpose of this roundtable is to help all the federal agencies to coordinate their activities to achieve the greatest benefit for those who live and work in this basin.

Short Sea Shipping

This fiscal year, MARAD partnered with the Coastwise Coalition and other organizations to develop a core constituency for the start of a robust short sea shipping system in North America. As a result of this activity, several diverse groups including the Environmental Defense Fund, the USTRANSCOM, as well as U.S.-flag liner and tanker operators planned the first of its kind Short Sea Shipping Conference in November 2002. The conference goal was to develop a policy consistent with all interest groups, while providing the United States with viable alternatives to gridlock, congestion, and air pollution, as well as a new alternative venue for expediting commerce. The foundation was set for a joint U.S-European Union–Canada Memorandum of Understanding on sharing short sea shipping technology and expertise.

Ferry Systems

MARAD chairs the Federal Interagency Committee for the Marine Transportation System's (ICMTS) Ferry Subcommittee to address issues unique to the ferry industry. The subcommittee draws its membership from several federal agencies, including the USCG, MARAD, Federal Highway Administration, U.S. Army Corps of Engineers, Bureau of Transportation Statistics, U.S. Customs, and Federal Transit Administration.

Serious interest in initiating new ferry services across several of the Great Lakes remains high in New York, Pennsylvania, Wisconsin, and Ohio. MARAD's Title XI loan guarantee shipbuilding program has generated interest, and applications have been filed for Great Lakes ferry projects. Several feasibility studies have been completed, with the Cleveland-Cuyahoga Port Authority anxious to begin a $1 million study of ferry services across Lake Erie. This study's funding is in the amount of $800,000 under TEA-21's National Corridor Planning and Development Program and the Coordinated Border Infrastructure Program, along with the port providing $200,000. A study such as this will attempt to confirm the viability of a freight and passenger service across Lake Erie, and prepare business, financial, and marketing plans.

Upper Mississippi River/ Illinois Waterway Navigation Study

The U.S. Army Corps of Engineers restarted the Upper Mississippi River/Illinois Waterway Navigation Study in 2001. The purpose of the study is to investigate congestion at locks on the Upper Mississippi and Illinois Waterway. The Corps has adopted a collaborative approach to the completion of the study, and has asked the Department of Agriculture, Environmental Protection Agency, and MARAD to assist them. MARAD participates on three of the Corps' study committees: the Principals Committee, the Regional Interagency Work Team, and the Study Team Review Committee. The Corps published an interim report in July 2002.

Missouri River Basin Interagency Roundtable Memorandum of Understanding

MARAD entered into a Memorandum of Understanding with 15 other Federal agencies operating in the Missouri River Basin this year. The Missouri River Basin Interagency Roundtable (Roundtable) is committed to promoting an interagency interdisciplinary approach to program coordination and problem solving within the Missouri River Basin.

Prototype Mooring Buoy

In 1997, the River Industry Action Committee (RIAC), the Corps, and MARAD began discussing the possibility of designing a mooring buoy that could be placed above and below locks to facilitate the efficient movement of tows through the locks. Since then, two prototypes have been built, tested, and important design changes made. The second prototype was designed and funded by MARAD and the Corps. The end of the testing period is drawing near with the second design performing well.

The first design is still useful; however, plans now are to move it to a traditional waiting area for tows. This area contains a large mussel bed and, in cooperation with the Missouri Department of Conservation, it is hoped that by keeping waiting tows off of the riverbank, tows can continue to utilize this area without harming the mussels.

The mooring buoy design has gained favor by other river basins' Corps divisions, as well as a State DOT. All are interested in placing this type of buoy in their jurisdictions.

Great Lakes

Overview

During the 2001 navigational season, the U.S.-flag Great Lakes vessels hauled 102.1 million net tons of dry-bulk cargoes, a decrease of 9.9 percent from the previous year.

The Lake Carriers' Association, representing most of the domestic Great Lakes carriers, asserts the bankruptcy of LTV Steel had a major detrimental impact on the carriage of the main component of steel making, iron ore.

Although movement of western coal was up 3.7 percent, stone shipment numbers were down 2.1 percent. Some increases were seen in cement and sand, with salt and grain numbers remaining stagnant.

The Lakes Carriers' Association dealt with many obstacles and still face many challenges. An influx of imported steel has impacted the region's steel makers and their suppliers. Below normal water levels led to increased necessity for dredging in the navigational channels.

A need for a replacement of a heavy-duty icebreaker led to a commitment by Congress to replace the MACKINAW with a multi-purpose ship for the USCG. An effort of many years to build a twin lock at Sault Ste. Marie, Michigan, to provide reliability to the Great Lakes marine transport system is another example of the many issues facing the Lakes' marine traders.

Great Lakes: MARAD Promotion and Outreach

MARAD is involved with many maritime-related groups ranging from marine commerce, harbor navigation and safety committees, environmental, and world trade organizations. Participation includes trade groups such as the Midwest Foreign Commerce Club, Intermodal Association of Chicago, and Ocean Freight Agents Association. Other maritime groups include the Milwaukee Navigation and Safety Committee, Calumet River Navigation Committee, and International Shipmasters' Association.

MARAD developed and continues to improve and update the U.S. Great Lakes Merchant Seaman Employment Fact Sheet to serve both U.S. vessel fleets and potential mariners. It provides a listing of companies conducting direct hiring and unions representing mariners. A supplemental directory of web sites is included for additional Great Lakes specific information to the mariner. This can be viewed on the MARAD web site at www.marad.dot.gov/publications/GreatLakesEmploy.htm.

The MARAD Great Lakes Region Office continues to support the DOT's Regional Emergency Transportation Coordinator by attending annual training and responding to requests for assistance. A staff member serves as the regional emergency representative as support to the Federal Emergency Management Agency as needed throughout the year. Also, MARAD revised and improved a maritime resource section to the DOT Region V Emergency Response Plan.

Listed below are other examples of DOT program elements supported in the region:

- In a partnership of federal and state agencies, the Great Lakes Dredging Team continues to monitor dredging of U.S. harbors and channels throughout the Great Lakes to uphold navigational needs of the commercial waterway users.
- MARAD and the Detroit/Wayne County Port Authority sponsored a MTS outreach program in Detroit, Michigan, to emphasize the marine communities' navigational needs in the Great Lakes area.
- An economically disadvantaged high school was the recipient of replaced computer equipment through the DOT's Garrett A. Morgan Technology and Transportation Futures Program.

Shipbuilding

Economic Impact

The significance of the U.S. shipbuilding industry to the Nation's economy was estimated in the recent report, *The Economic Impact of the U.S. Shipbuilding Industry*. This study was funded by MARAD, and carried out by the Shipbuilders Council of America. The following excerpts are important findings from the study.

"U.S. commercial shipbuilders' activities make a substantial contribution to U.S. economy by increasing U.S. output (GDP), increasing the number of jobs, increasing personal income, and increasing tax revenues. As a result of the commercial shipbuilding activities in 2001:

- Total U.S. output was increased by $11.0 billion;
- 147,230 total jobs in the U.S. economy were created;
- U.S. personal income was increased by $9.4 billion; and
- federal, state, and local government tax revenues were increased by $3.4 billion.

Spotlight: Great Lakes Region

The Fire Training Center

MARAD's Fire Training Center in Swanton, Ohio, provides combined basic and advanced marine fire fighting training to wide ranging groups of ship personnel from the Great Lakes, deep sea, tugs, and towboats operating along the Mississippi and Ohio Rivers. Including an increased demand for fire fighting training from the casino boat industry, 563 personnel were trained at the center in FY 2002.

- In the interest of incident response/shipboard fire fighting, the MARAD Great Lakes Region Office initiated a program to train local fire departments in portside fire fighting. Hosted by the Port of Milwaukee, 120 members of fire departments in Illinois and Wisconsin received classroom instruction in the intricacies of fighting fires aboard portside-docked ships. Instructors from MARAD's Fire Training Center provided the expert indoctrination to this type of specialized response. A tour of a docked 1000-foot Great Lakes vessel was conducted by MARAD's sister agency, the USCG, for a greater understanding of the differences between a land-based and water-based emergency response. A description of this training can be found on MARAD's web site at www.marad.dot.gov.
- In cooperation with the American Maritime Officers (Star Center), MARAD instructors are providing fire fighting training to meet STCW for individual merchant seamen where the full basic/advanced fire fighting training is not required.
- Six USCG cutters from the 9th Coast Guard District and port security personnel from the 8th Coast Guard District attended MARAD's Fire Training Center for specialized fire fighting training to meet the USCG's unique requirements.
- In preparation for possible deployment, hospital ship personnel from the Naval/Marine Corps Center, Toledo, Ohio, attended MARAD's Fire Training Center. Basic fire fighting training was tailored to meet the needs for initial response to fires and emergencies.
- Outreach programs were conducted in Cleveland, Ohio, and Traverse City, Michigan, for the Great Lakes science research vessels and Upper Great Lakes Captains Association, respectively. The focal points of the programs were fire prevention and crew responsibilities.

These economic contributions are not due just to the U.S. commercial shipbuilders' activities at their shipyards, but also to the activities in the companies that supply these shipyards. There are active commercial shipyards in at least 37 states, and these shipyards purchase materials, services, and capital equipment that are produced in all 50 states and the District of Columbia.

Moreover, the study also established that the U.S. commercial shipbuilding industry, which grew at an average annual rate of 6.8 percent between 1992 and 2001, outperformed the U.S. economy, which grew at an average annual rate of 3.4 percent over the same period. The estimated total value of shipments (gross revenues) of the U.S. commercial shipbuilding industry in 2001 was $3.9 billion. Of the $3.9 billion of gross revenues, about 47 percent, or $1.8 billion, go to pay companies throughout the U.S. that supply the shipyards. The remaining 53 percent of the $3.9 billion of gross revenues is disbursed or stays at the shipyard in the form of employee compensation ($1.7 billion), gross profits of the company ($0.3 billion), and indirect business tax payments such as sales/excise taxes and property taxes ($0.02 billion). In turn, the owners and employees pay taxes on the income they receive.

It should be noted that these figures assess the contribution of the commercial sector of the U.S. shipbuilding industry alone. Construction and repair of military vessels is a separate and much larger industry. For example, the value of shipments from the construction and repair of military vessels in 1997 was almost two and half times the value of shipments from the construction and repair of commercial ships.

Facilities

In FY 2002, MARAD compiled an electronic catalog of commercial shipbuilding and ship repair facilities currently in operation in the United States. The shipbuilding industry in the U.S. is divided into two distinct segments: there are six very large shipyards, which have most of the contracts for ships 1,000 GT and over, and 348 shipyards of varying sizes which perform a wide variety of work. In all, some 354 shipyards, located in 35 states, have been identified as being actively engaged in commercial shipbuilding and/or ship repair. Appendix 5, "Shipyards in the United States," shows the number of such facilities and their location by states. The electronic catalog itself may be viewed on line at http://www.marad.dot.gov/nmrec.

Based upon data obtained by MARAD, the commercial new shipbuilding orderbook from the shipbuilders in the catalog totaled 770 self-propelled and non-self-propelled vessels in FY 2002. For a breakdown of the numbers of self-propelled and non-self-propelled vessels for the period 1997 to 2000, see Appendix 6, Historical Orderbook for Vessels Built in the United States.

Financing for Shipbuilding and Ship Conversion:

Title XI

The primary purpose of the Title XI Program is to promote the growth and modernization of the U.S. merchant marine and U.S. shipyards. Title XI authorizes the U.S. Government to guarantee the repayment of debt obligations, including unpaid interest, obtained in the private sector by (1) U.S. or foreign shipowners for the purpose of financing or refinancing either U.S.-flag vessels or eligible export vessels constructed, reconstructed, or reconditioned in U.S. shipyards, and (2) U.S. shipyards for the purpose of financing advanced shipbuilding technology and modern shipbuilding technology of a privately owned general shipyard facility located in the U.S.

The Title XI Program is administered by the Secretary of Transportation through MARAD. MARAD's Title XI Program permits guarantees in an amount not to exceed 87.5 percent of the actual cost of projects eligible for financing. Some eligible projects are limited to 75 percent of actual cost. The maximum guarantee period is 25 years.

Title XI Activities, FY 2002

MARAD issued eight Title XI commitments to guarantee obligations with respect to 22 vessels being constructed at shipyards in the United States. Those eight commitments were for the following vessel types: 11 ferries, one passenger vessel, six double-hull tank barges, two liftboats, one offshore drill rig, and one dry dock reconstruction. These commitments were for an aggregate amount of $225,355,000.

Approximately $728.3 million in Title XI guarantees were issued during FY 2002 in connection with commitments previously issued.

As of September 30, 2002, Title XI guarantees totaling $4.3 billion were outstanding, and Title XI applications totaling over $5.9 billion were pending for approval of Title XI financing. Additional information on MARAD's Title XI Program can be found at the Program's web site at www.marad.dot.gov/TitleXI.

Capital Construction Fund

The Capital Construction Fund (CCF) Program was established under the Merchant Marine Act of 1970. It assists operators in accumulating capital to build, acquire, and reconstruct vessels through the deferral of Federal income taxes on certain deposits.

The CCF Program enables operators to build vessels for the U.S.-foreign trade, Great Lakes, and the noncontiguous domestic trade such as between the West Coast and Hawaii. It aids in the construction, reconstruction, or acquisition of a wide variety of vessels, including containerships, tankers, bulk carriers, tugs, barges, supply vessels, ferries, and passenger vessels. During calendar year 2001, $333.6 million was deposited into these accounts. Since the program was initiated in 1971, fundholders have deposited $7.9 billion in CCF accounts, and withdrawn $5.8 billion for modernization and expansion of the U.S. merchant marine. As of September 30, 2001, approximately 139 companies were parties to CCF agreements.

Construction Reserve Fund

Like the CCF, the Construction Reserve Fund (CRF) encourages upgrading of the American-flag fleet. The program allows eligible parties to defer taxation of capital gains on the sale or other disposition of a vessel if net proceeds are placed in a CRF and reinvested in a new vessel within three years.

The CRF is used predominantly by owners of vessels operating in coastwise trades, the inland waterways, and other trades not eligible for the CCF program. Its benefits are not as broad as those of the CCF. The number of companies with CRF balances increased from 22 to 25 during FY 2001. The total monies on deposit increased to $87.4 million.

Maritime Technology

MARAD has not received any specific R&D appropriation for the past six fiscal years. However, the Office of Shipbuilding and Marine Technology has been able to fashion and promote a serious MARAD shipbuilding R&D program with $24 million of funds from outside sources.

One source of outside funding ($20 million) was the MARITECH program. MARITECH was a DOD-funded five-year program designed to encourage the shipbuilding industry to direct and lead in the development of advanced technology and other initiatives to improve its commercial competitiveness and to preserve its industrial workforce base. Of the 65 projects chosen for Federal assistance, MARAD administered 40 with a value of $172 million. The program ended by its terms in 1998, but the projects continued to be funded until their completion in 2002.

The 40 projects handled by MARAD have paid dividends for the participating shipyards. For example, two of the Nation's smaller shipyards (employing 100 to 250) have succeeded in cutting vessel construction time by one-third, increasing their backlog of vessel orders, and investing in new facilities that double the production capability of the shipyards with only a 50 percent increase in production personnel. At a medium-size shipyard, technological research and investments in laser cutting equipment have dramatically changed the ability of the shipyard to produce accurate parts that subsequently resulted in greater accuracy control with significant time and cost savings. At several larger shipyards, MARITECH projects resulted in innovative ship designs for product carriers, tankers, and RO/RO vehicle carriers that were subsequently built.

In FY 2002, MARAD played a key role in the Department of Commerce/NOAA Fisheries Survey Vessel (FSV) Replacement Program. During this period, MARAD served as the lead member of the interagency team in the design of these unique, acoustically quiet, environmentally friendly research vessels, serving as one of the principal members of NOAA's source selection and acquisition group, and is now involved in FSV construction oversight.

MARAD also provides professional, technical, and administrative expertise in assisting in the administration of the high-speed vessel R&D element of the CCDoTT program—a joint undertaking of MARAD and DOD with California State University, Long Beach. In FY 2002, as a consultant, MARAD has been engaged in four high-speed vessel projects (with a value of $1.5 million) funded through DOD appropriations.

National Maritime Resource and Education Center

The National Maritime Resource and Education Center (NMREC) provides a centralized, readily accessible source of information for the shipbuilding industry. The scope of coverage encompasses such topics as domestic and international shipbuilding standards, activities of the various classification societies, recent industry developments, shipbuilding business issues, energy and environmental matters, calendar of shipbuilding-related events, recently published technical papers, Title XI information, and other matters of interest that affect U.S. shipbuilding.

In FY 2002, NMREC's role expanded. This was especially visible on its web site, www.marad.dot.gov/nmrec. This expansion provided more basic information relating to shipbuilding issues, energy and the environment, current technological developments in the maritime field, and marine-related activities of sister agencies at both the Federal and local levels impacting upon MARAD's industry stakeholders. Traditional MARAD publications relating to shipbuilding facilities and orderbooks have also been reformatted to make for easier reading and published at earlier dates in the year.

NMREC also uses direct communications to provide responses to requests for domestic and international shipbuilding standards and related information to the industry, the general public, other government agencies, and academia. Since it was originally established, NMREC has provided to its clients the equivalent of almost 80,000 pages of standards, standards-related documents, and other shipbuilding information upon request.

Congressional Study on Maritime Research & Technology

During FY 2002, MARAD submitted a report to Congress on maritime research and technology development. The report reviews R&D with special emphasis on the marine transportation system. The study found research efforts in the maritime area to be far less than similar efforts for other transportation modes, and recommends initiatives through cost-sharing efforts among federal and state governments and private industry. Research efforts are particularly needed because of the time required for infrastructure development.

Spotlight: Maritime Technology

Improved Computerized Deployment System (ICODES)

In an emergency, a great deal of time can be lost by a captain and crew trying to figure out how to load an unfamiliar ship. MARAD's ICODES team is solving that problem with the development and maintenance of a vessel stowage library. The program is essentially a decision-support system devised by DOD to assist personnel in quickly developing and conveying cargo stow plans for all manner of dry cargo ships, commercial and military. MARAD's partners in this venture are, among others, MTMC, MSC, USTRANSCOM, the Navy, Marine Corps, and Army. ICODES works through the acquisition of technical information for all designated ships, including plans and documents, and verification by on-board surveys of cargo spaces and interviews with the vessel operators. This ship information is then processed into specifically formatted drawings and trim and stability data files defining the vessels' characteristics, and converted to object-defined packages that can be read by the ICODES system.

This year, the ICODES team surveyed a total of 25 ships developing detailed ICODES plans and data for these ships. They also updated the ICODES information for another 40 vessels.

Cargo Preference

MARAD oversees the administration of and compliance with U.S. cargo preference laws and regulations. Those laws require shippers to use U.S.-flag vessels to transport any Government-financed oceanborne cargoes. MARAD is charged with ensuring the use of U.S.-flag vessels, monitors bilateral and similar agreements, and identifies discriminatory or potentially discriminatory trade practices against U.S.-flag vessels.

Major programs include humanitarian aid shipments provided by the U.S. Department of Agriculture (USDA) and U.S. Agency for International Development (AID), commodities financed by the Export-Import Bank (Eximbank), Foreign Military Sales (FMS), and DOD cargo shipped on commercial ocean carriers.

In FY 2002, in accord with the President's Management Agenda, MARAD's Office of Cargo Preference developed three new web sites that make it easier for exporters, importers, and government agencies to (1) locate U.S.-flag ships to transport cargo to designated foreign nations (http://www.marad.dot.gov/usflag); (2) allow electronic paperless filing of reports about Eximbank cargoes (http://www.marad.dot.gov/exim); and (3) allow public view of USDA and AID compliance with their cargo preference obligations for shipments of food aid (http://www.marad.dot.gov/offices/capos%20reports). The newly developed sites are part of MARAD's ongoing efforts to facilitate compliance with cargo preference laws. To view cargo preference laws and regulations, click on http://www.marad.dot.gov/offices/cargo_pref.html.

Monitoring compliance with U.S. cargo preference laws is essential in encouraging Federal agencies to maximize the use of U.S.-flag vessels. MARAD is required to report annually to Congress on compliance with the following major cargo preference laws:

- **The Cargo Preference Act of 1954 (Public Law 83-664**), as amended, requires that at least 50 percent of the gross tonnage of all government-impelled cargo be transported on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates. In 1985, the Merchant Marine Act of 1936 was amended to require that the minimum percentage of certain agricultural cargoes required to be carried on U.S.-flag vessels increase from 50 to 75 percent.

- **The Military Cargo Preference Act of 1904 (10 U.S.C. 2631)** requires all items procured for or owned by U.S. military departments and defense agencies be carried exclusively (100 percent) on U.S.-flag vessels available at reasonable rates.

- **The Maritime Security Act of 1996.** Section 17 of the 1996 Act permits Great Lakes ports to participate in the handling of Public Law 480, Title II humanitarian food aid-packaged commodities awarded on a lowest- landed cost basis without reference to vessel flag. The law allows these ports to act as bridge ports, providing loading and unloading services, even though the cargo may actually be shipped from another U.S. port, and thus providing stevedoring jobs during the winter months when the Great Lakes are closed to vessel traffic.

- **Public Resolution (PR) 17 of the 73rd Congress** requires that all cargoes generated by the Eximbank or a similar instrumentality of the Government be shipped on U.S.-flag vessels, unless a waiver is granted. Waiver procedure policy is set forth on MARAD's web site located at www.marad.dot.gov/offices/cargo_pref.html. Also included at this site is a list of U.S.-flag carriers, U.S.-flag vessels, and U.S.-flag service.

- **Public Law 105-383** established that substandard vessels and vessels operated by operators of substandard vessels are prohibited from the carriage of government-impelled cargo for up to one year, after such determination has been published electronically. In addition, active links are included on MARAD's cargo preference web site (www.marad.dot.gov/offices/cargo_pref.html) to the USCG's listing of vessels, owners, and operators prohibited from carrying Government-impelled cargo. The Secretary of Transportation has delegated enforcement authority to MARAD. The easyavailability of this information has resulted in increased industry use.

MARAD monitors the shipping activities of federal agencies, independent entities, and government corporations. Statistics are maintained on a CY, or FY, or cargo preference year (CPY) basis dependent upon program requirements. See Appendix 7 for an overview.

Civilian Agencies

Israeli Cash Transfer

Under a "side letter" agreement, the government of Israel and U.S. Agency for International Development (USAID) agreed that 50 percent of the bulk grain generated by the Israeli Cash Transfer Program for FY 2002 would be transported on U.S.-flag vessels.

The agreement required that 533,333 tons of grain move on U.S.-flag vessels. MARAD's records indicate that for FY 2002 only 493,356 tons were carried, leaving an imbalance of 39,977 tons. To satisfy this deficit position, MARAD has required that the cargoes, which will move under the FY 2003 agreement, be applied to FY 2002 to correct the imbalance.

Export-Import Bank (Eximbank)

All Eximbank loans and long-term guarantees are subject to PR 17, which requires U.S.-flag utilization. MARAD may issue waivers allowing foreign-flag employment whenever U.S.-flag employment is unavailable. A general waiver permits the recipient's national-flag vessels to carry up to 50 percent of the cargo generated by the Export-Import Bank as long as the recipient country does not discriminate against the United States. MARAD is continuing its close collaboration with Eximbank, exporters, importers, and carriers to assure effective communication between the parties. MARAD has instituted electronic filing of Eximbank reports in accord with the President's Management Agenda.

Strategic Petroleum Reserve (SPR)

For national security reasons, the President has ordered the filling of the SPR to its intended goal of 700 million barrels. As previously agreed, offshore oil companies will use crude petroleum, acquired under a program known as Royalty in Kind, as payment for its leasing fees to the federal government. Under the Cargo Preference Act of 1954, the

Department of Energy (DOE) is required to transport at least 50 percent of the oil on U.S.-flag tankers. In order to accurately measure the compliance posture, long-ton miles are used to monitor the program. This method more accurately reflects the broad geographical distances in transporting oil than tonnage alone for compliance. A Memorandum of Understanding between MARAD and DOE allows monitoring on a cumulative basis. At the end of CY 2002, MARAD anticipates the program will be in a deficit position, with only 45 percent being carried on U.S-flag tankers.

Defense Security Cooperation Agency (DSCA)

The DSCA is the sponsoring DOD agency for items purchased through foreign military financing grant transfers, such as those under the Foreign Assistance Act of 1961. The Cargo Preference Act of 1954 requires that at least 50 percent of the oceanborne cargoes be transported on U.S.-flag vessels. DSCA's policy requires all shipments to be transported on U.S.-flag vessels unless a waiver is issued by MARAD.

The majority of funding is going to three countries—Greece, Egypt, and Israel. With MARAD's concurrence, each of these countries has requested and was granted a general waiver by DSCA. The waiver allows the recipient's national merchant fleets to participate up to 50 percent in the movement of the cargoes, which are monitored on a calendar-year basis.

Military Cargoes

MARAD initiates and recommends regulations and procedures for the DOD to follow in administering cargo preference. Program efforts concentrate on meetings and discussions with DOD component commands, contractors, suppliers, freight forwarders, and shipping companies to focus attention on meeting the needs of all constituents within the context of U.S.-flag carriage requirements.

Cargo shipped for DOD is subject to the Military Cargo Preference Act of 1904. The preponderance of DOD dry cargo is booked on U.S.-flag vessels by the Military Traffic Management Command for the various DOD shipper services as part of the Defense Transportation System (DTS). The rates and services provided by the ocean carriers constitute their transportation contracts with MTMC.

MARAD has been receiving quarterly reports from MTMC on the movement of DOD-sponsored shipments of personal effects. This exchange of information is the result of a Memorandum of Agreement signed on March 2, 1996, between MARAD and MTMC.

MARAD also receives data from MTMC for the movement of privately owned vehicles (POV's) belonging to DOD service members being transported between points in the continental United States and points overseas. Data is derived from MTMC's contract, new in 1998, with a single service provider responsible for managing the shipment of all POV's for military personnel.

A significant amount of DOD cargo moves in the commercial sector outside the DTS. Unfortunately, the cargo that is shipped by DOD contractors utilizing commercial corporate traffic departments or second- or third-party providers, such as freight forwarders and logistics managers, frequently moves without data being reported to either DOD or MARAD.

Consequently, the tonnage and revenue data from commercial sources is typically less than complete and unable to be accurately reflected in Appendix 7, as noted in footnotes 15 and 16. Under DOD acquisition regulations, cargo preference does not apply to subcontractors providing commercial off-the-shelf items when ocean transportation is not the purpose of the contract. Therefore, there may be no requirement for tonnage or revenue to be reported for some DOD commercial shipments.

Agricultural Cargoes

The statutory sources of agricultural cargo preference programs are Titles I, II, and III of Public Law 83-480; Section 416(b) of the Agricultural Act of 1949; and the Food for Progress Act of 1985. These programs have a 75 percent U.S.-flag shipping requirement. Section 17 of the Maritime Security Act of 1996 permits Great Lakes ports to participate in handling Title II-packaged commodities awarded on a lowest-landed cost basis without reference to flag of vessel.

Certain events occurred during the past CPY that had an impact on agricultural cargo subject to preference. (Note: CPY's run April 1-March 31.) Shipments of 3.1 million metric tons under the Section 416(b) Program were completed, most of which were bulk wheat. A substantial amount of the commodity remaining under the pilot program Global Food for Education Initiative was also completed.

Although a portion of these programs was shipped in the subsequent CPY, shipments during CPY 2001/2002 remained approximately the same as the previous CPY. Collectively, 74.4 percent of the six million metric tons of humanitarian food-aid commodities were transported on U.S.-flag vessels during the CPY. Wheat again was the primary commodity shipped during the year. Liner-type vessels transported 31.8 percent of the six million metric ton total of food aid cargoes, while tankers and bulk carriers carried 18.7 percent and 49.5 percent, respectively, of the commodities.

The Agricultural Act of 1949 provides the following cargo preference programs:

- **Title I** – Provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. Approximately 754,000 metric tons of food aid was shipped during CPY 2001/2002. This was about 105,000 metric tons (12 percent) less than the prior year, and 820,000 metric tons (52 percent) less than shipments during CPY 1994/1995.

- **Title II** – A donation program administered by AID generated approximately 1.8 million metric tons of packaged, processed, and bulk commodities for least-developed countries. Shipments decreased by 387,000 metric tons (18 percent) over the previous CPY. However, this is one million metric tons (37 percent) less than shipped during CPY 1994/1995.

- **Title III –** This category is still referred to by the title covering it in the 1949 act, but it now covers the Food for Development Program, which was established by the

Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Farm Bill). Under this bilateral grant program, agricultural commodities are donated to least-developed countries. Shipments under the Title III program began during CPY 1991/1992. Congress did not appropriate any funding for this program during CPY 2001/2002. As a result, no cargo was shipped. This represented a decrease of 24,000 metric tons from the previous year, and compares with about 1.1 million metric tons of Title III shipments made during CPY 1994/1995.

- **Section 416(b)** is a donation program established primarily to distribute surplus commodities to the extent such surpluses exist. There were over 3.1 million metric tons shipped for the current year under the wheat initiative and the Global Food for Education Initiative. Shipments were 440,000 metric tons (17 percent) more than the prior year, and 2.9 million metric tons (18 times) greater than shipped during CPY 1994/1995.

- **Food for Progress** provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the current CPY, 421,000 metric tons of commodities were donated. This was 6,000 metric tons (1.5 percent) more than the previous CPY, and 173,000 metric tons (29 percent) less than CPY 1994/1995 shipments.

Ocean Freight Differential (OFD)

The Food Security Act of 1985 (Public Law 99-198) increased the required percentage for U.S.-flag carriage from 50 to 75 percent of gross tonnage of certain agricultural programs (P.L. 480, Food for Progress, and Section 416(b) programs).

DOT is responsible for financing any increased ocean freight charges resulting from the application of the increased U.S.-flag portion. MARAD reimburses USDA for its share of the OFD costs above 50 percent of the gross tonnage up to, but not exceeding, the additional 25 percent. OFD cost is defined as the difference between the cost of shipping cargo on a U.S.-flag vessel as compared to shipping the same cargo on a foreign-flag vessel.

MARAD reimbursed the Commodity Credit Corporation (CCC) $57.6 million for OFD invoices and documents submitted during FY 2002. None of the payments were for OFD obligations incurred on shipments during the current CPY. OFD obligations covering CPY 2001/2002 remain outstanding, and will be paid upon receipt of invoices from USDA. CCC was not reimbursed for OFD, which included inland freight and bagging and stacking costsBased on payments made during FY 2002, the average OFD cost for which MARAD reimbursed USDA was $42.22 per metric ton, an increase of $8.87 per metric ton, or 27 percent, from the previous year. This increase was due, in part, to payments made for prior-year shipments, and an increase in shipments with foreign-flag offers. OFD obligations that remain outstanding are expected to increase the average OFD rate paid for shipments made during CPY 2001/2002.

Under the 1985 Act, if the total obligations incurred by USDA and CCC for ocean freight and OFD on exports of agricultural commodities and products under certain agricultural programs exceed 20 percent of the value of the commodities exported under these programs, plus the ocean freight and OFD, MARAD must reimburse CCC for the excess.

In 1994, MARAD paid USDA $35.2 million for such excess freight costs relating to FY 1992. That payment was in addition to the OFD reimbursement during the year. During FY 2002, USDA invoiced MARAD $125.3 million for excess freight costs for FY's 1994 and 1995. MARAD's analysis indicates that such shipping costs did not exceed the 20 percent threshold for these fiscal years.

Minimum Tonnage

The minimum tonnage for agricultural products was created by the Food Security Act of 1985, and established under Section 901c(a)(1) of the Merchant Marine Act of 1936, as amended. This includes Public Law 480, Section 416(b), and the Food for Progress programs. The purpose of formulating a minimum tonnage was to ensure that U.S.-flag carriers continue to receive a fair share of Government-generated agricultural exports.

Based on MARAD's preliminary program tonnage for FY 2001, a total of 5,609,741 metric tons of such agricultural products were exported. The minimum tonnage calculated for FY 2001 is 3,516,884 metric tons. This represents a surplus of 2,092,857 metric tons.

Even though congressional appropriations for FY 2001 were lower than the previous year, the foreign food aid tonnage exported during the period was above the base period. This was due to lower commodity costs and shipments of surplus wheat under the Section 416(b) program. Since FY 1994, shipments had been declining; however, this was reversed in FY's 1998 and 1999. The prior lack of tonnage resulted in a substantial downsizing in the dry-bulk U.S.-fleet, and the virtual elimination of the break-bulk U.S.-fleet.

MARAD is encouraged by a new Global Food for Education Initiative being implemented by the Administration.

During FY 2002, USDA was unable to convince participating countries to obligate all program funds and funds carried over from the previous year. Some of the commodity provided by the funding carryover will be transported in FY 2003.

Fair and Reasonable Rates

Section 901(b)(1) of the Merchant Marine Act of 1936, as amended, requires a percentage of Government-impelled cargoes to be carried on U.S.-flag vessels provided the vessels are available at rates that are deemed to be fair and reasonable. MARAD is responsible for providing the shipper agencies with guidance on whether an offered rate is fair and reasonable. Regulations governing the calculation of fair and reasonable guideline rates are codified in 46 CFR Part 382.

During FY 2002, MARAD developed and initiated a broad new customer focus and outreach program that benefited all interested parties. More extensive personal contacts—reaching out to vessel operators and government shipper agencies—were made. MARAD has explored and implemented ways to increase communication and services to MARAD's customers.

MARAD is now making better use of electronic communication to provide more timely, accurate, fair, and reasonable guideline rate determinations. As a result, in an increasingly complex cargo movement environment with smaller cargo parcels of multiple types moving to and from multiple ports, MARAD was able to maintain a 97 percent 24-hour turnaround time for guideline rate determinations.

International Negotiations

The U.S. maritime industry must contend with barriers imposed by foreign governments that restrict market access. These restrictions impinge on U.S. maritime companies' access to foreign transportation markets, add to costs, limit revenues, and impede efficient operations of the U.S. maritime industry in international trade. Removal of such barriers improves the operating efficiency of U.S. shipping companies. For these reasons, MARAD has concentrated on several 'high-impact' areas during FY 2002.

Market-Opening Efforts in China

During the fiscal year, MARAD continued its efforts to open China's restrictive maritime sector. In December of 2001, China's Ministry of Communications (MOC) issued new regulations on International Maritime Transportation that either impose new restrictions on non-Chinese ocean carriers or confirm existing limitations.

The regulations also restrict the market access of ocean transportation intermediaries and shippers who use their services. In June, the MOC issued draft implementing rules that either confirmed or increase the restrictions on non-Chinese companies. Subsequently, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) issued a document that restricted foreign companies seeking to engage in the intermodal transportation and logistics business in China.

Working in conjunction with the Department of State and the Office of the U.S. Trade Representative (USTR), MARAD has communicated U.S. objections to the regulations and draft rules to authorities in Beijing. In March 2002, the Maritime Administrator met with Chinese officials in Beijing, and stated U.S. objections to the regulations. In addition, the Administrator has written letters to the Chinese on behalf of the United States. MARAD has also consulted extensively with U.S. industry groups on the business effects of the regulations, and has informed foreign trading partners, including the European Union and Japan, of U.S. concerns.

The following is a summary of the major restrictions in the MOC Regulations and the MOFTEC Notice:

- Requirement for filing confidential service contract information with the MOC and a lack of a verifiable guarantee of confidentiality to protect sensitive business information gathered by MOC;
- Restrictions on the establishment of wholly foreign-owned vessel agency companies;
- Geographic and other restrictions on the establishment of full service branch offices of wholly foreign-owned shipping companies, including both vessel operators and NVOCC's;
- Restrictions on the normal conduct of international liner operations with China, between China and third countries, and between China and Hong Kong, Macao and Taiwan;
- Limitations on investment in ocean transportation and auxiliary services;
- Imposition of prohibitive cash deposit requirements in lieu of surety bonds for NVOCC's to operate in China, as well as other limitations on foreign NVOCC's;
- MOFTEC's Notice on logistics that appears to restrict the ability to offer a full range of maritime transportation and related logistics services.

Maritime Services in the World Trade Organization (WTO) and Free Trade Negotiations

Following a meeting of trade ministers in November 2001, in Doha, Qatar, that launched a new round of trade negotiations, work began on organizing the new round, including the start of overall services negotiations. The last maritime transport negotiations in the WTO were suspended on June 30, 1996, and the United States made no commitments. MARAD staff have continued to provide technical guidance to the Office of the Special Trade Representative during these negotiations.

The U.S. maritime industry's opposition to coverage of maritime services by the WTO has not changed. Coverage of U.S. maritime policies in the WTO could further limit the already low level of support that the United States maintains in the maritime sector, such as cargo preference. Coverage by the WTO could also compromise the ability of the maritime industry to seek relief from restrictive foreign practices under existing unilateral measures that are administered by the Federal Maritime Commission.

MARAD also participated in negotiations led by theUSTR on a number of regional and bilateral free trade agreements. These included the Free Trade Area of the Americas (FTAA) and Free Trade Agreements (FTA's) with Chile and Singapore. MARAD staff participated in a negotiating meeting with Chile held in Santiago in April 2002, and took part in a number of video conferences with both Singapore and Chile. MARAD's chief objective in this process was to ensure that U.S. maritime laws and regulations are not adversely affected by these agreements.

Organization for Economic Cooperation and Development (OECD)

In three meetings of the OECD's Maritime Transport Committee (MTC), the Acting Deputy Maritime Administrator served as the committee's chairman, and MARAD staff participated on the U.S. delegation.

In December 2001, the MTC focused on the problems created by substandard shipping. A Workshop on Liner Shipping Competition Policy was also held. The exchange of views included presentations by U.S. speakers on the benefits of the Ocean Shipping Reform Act (OSRA).

The MTC met in a special workshop session in March 2002, to outline a new work program on maritime security issues, which are in line with the OECD's role as a non-regulatory, policy advisory international organization. At its next full meeting in July 2002, the committee decided to undertake work immediately on two projects and to consider two others later. The first priority project is to increase transparency in the ownership and control of ships through a thorough review of ship registration practices globally. The second is to analyze risks to which the transport sector is exposed, the economic costs and impacts of mitigating those risks, and the economic costs of failing to secure the transport system against identified risks. The other two projects being considered if resources permit involve verification of cargoes and best security practices.

MARAD also continued to advise and assist the USTR on international shipbuilding policy.

MARAD monitored activities of the OECD's Council Working Party on Shipbuilding, in which other parties decided to begin negotiations in late 2002 on a new agreement to eliminate shipbuilding subsidies and other trade distorting practices.

International Maritime Organization Marine Environmental Protection Committee Session 47 (MEPC 47)

MARAD is a member participant on the U.S. delegation to the International Maritime Organization Marine Environmental Protection Committee through the U.S. Shipping Coordination Committee (SHC) and related interagency working groups. MARAD was instrumental in developing the U.S. position for submission to the IMO at the 47th session in London, England. Major actions taken at MEPA 47 that MARAD helped facilitate include the development of an international convention for the control and management of ships' ballast water and sediments, the agreement to develop guidelines on ship recycling and the inclusion of the declaration with the IMO that the U.S. will not be bound by the recently adopted amendments to regulation 13G of Annex 1 of the MARPOL Convention. MARAD is working on language for MEPC 48 to include establishing working groups on ballast water, recycling of ships, and greenhouse emissions from ships.

Africa Initiative

Since 1999, at the request of the White House, DOT has been providing technical assistance to the Government of Nigeria in the areas of port management, aviation, roadways, railways and urban transport. MARAD has been assisting in this effort through training of Ministry of Transport personnel and assisting Nigerian Ports Authority personnel in making their international container terminals more efficient and productive. The goal of the assistance is to raise the standards of Nigeria's international container terminal activities to make them more competitive in the global market. Recent efforts have convinced Nigerian Government officials that privatization of container terminals is the most effective way to increase container terminal efficiency and productivity. Additionally, a port security contractor team was sent to several ports in Nigeria to develop a controlled environment that will enhance maritime security in Nigeria's ports. These activities meet the DOT goal of increasing global trade, providing more mobility of goods, and increasing transportation security.