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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

JUN 27 1978

B-124032

The Honorable
The Secretary of Commerce

Dear Madam Secretary:

The Merchant Marine Act of 1936, as amended, (46 U.S.C. 1101) sets forth the goals for the U.S. merchant marine and provides the basis for Federal maritime policy aimed at achieving these goals. To assure the accomplishment of these goals, section 210 of the act requires the Secretary of Commerce to develop and maintain a comprehensive long-range program plan for replacements and additions to the merchant marine fleet. To determine the extent to which this requirement is being met and to determine if the Maritime Administration's (MarAd's) planning activities are serving as an adequate guide for congressional oversight decisions, we reviewed planning documents prepared by MarAd, interviewed MarAd officials, and reviewed recent congressional reports. Our review was performed January 1977 through August 1977.

MarAd has performed numerous studies and developed many plans; however, we found that a single, comprehensive, long-range plan, containing current and future vessel requirements, as required by section 210, has not been maintained. A plan containing such requirements was prepared in 1969; however, this plan was not updated until recently. Although MarAd has informed us that an updated plan will be finalized shortly, we believe it incumbent upon top management to insure that MarAd maintains a current plan, showing present and future capabilities and requirements of the U.S.-flag fleet. In three reports during the past year, members of the House Committee on Merchant Marine and Fisheries--MarAd's legislative oversight committee--have expressed dissatisfaction at the lack of planning data presented during hearings.

BACKGROUND

The requirement to develop a long-range program plan for the U.S. merchant marine was embodied in the 1936 act.

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Section 210 of the act specifically required the U.S. Maritime Commission "* * *" to determine what additions and replacements are required to carry forward the national (maritime) policy "* * *." The U.S. Maritime Commission was also directed

"* * * to study, perfect, and adopt a long-range program for replacements and additions to the American merchant marine (in order to accomplish specific maritime objectives) * * *."

First among these objectives was

"* * * the creation of an adequate and well-balanced merchant fleet, including vessels of all types, to provide shipping service on all routes essential for maintaining the flow of the foreign commerce of the United States, the vessels in such fleet to be so designed as to be readily and quickly convertible into transport and supply vessels in a time of national emergency. In planning the development of such a fleet the Commission is directed to cooperate closely with the Navy Department as to national defense needs and the possible speedy adaptation of the merchant fleet to national-defense requirements."

In 1970 the Congress indicated its desire that these planning requirements be continued by updating section 210 of the act to provide for the Secretary of Commerce to develop a long-range plan, instead of the U.S. Maritime Commission which was no longer in existence.

EVALUATION OF MARAD PLANNING

Officials of MarAd's Office of Policy and Plans stated that MarAd met the statutory long-range planning requirement through the preparation of numerous studies and reports rather than a single document. We were told that all of these planning documents contribute to the administration of MarAd's programs. MarAd officials agreed to provide us with a list of these planning documents.

MarAd's Office of Policy and Plans provided us two lists containing over a hundred planning documents. One of the documents dated as far back as 1969. MarAd officials

believe that collectively these documents meet the requirements of section 210. We reviewed these documents and found that they were not easily relatable to each other because they either did not contain a similar data base, were incomplete, or contained varying assumptions. For example, studies concerning vessel needs used different timeframes and scenarios. Consequently, it was not possible to readily develop a single perspective showing precisely how MarAd planned to meet the objectives specified in section 210. We could not discern the number and types of vessels currently needed for an adequate and well-balanced merchant marine fleet or the number of additions and replacements needed to meet overall national maritime goals.

One of the documents reviewed was a plan dated August 1969 which set forth estimated U.S. vessel requirements through 1982, and provided MarAd management and the Congress with a complete program plan for achieving national maritime goals. The plan, which we believe met section 210 requirements, categorized vessel requirements as to military or commercial and by general vessel classification--tanker, liner, or bulk. These fleet vessel requirements became the basis for the 300-ship construction program provided for in the Merchant Marine Act of 1970, which amended the 1936 act.

After the enactment of the Merchant Marine Act of 1970, many new factors arose in the maritime industry which had not been envisioned during the preparation of the 1969 plan. These factors, including the energy crisis and new U.S. tanker requirements due to larger tanker vessels, have outdated the 1969 plan. During our review of other planning documents listed by MarAd, we could not find a single document or a combination of documents that could readily be used to update the U.S.-flag vessel capabilities and requirements, as provided in the 1969 plan.

On August 8, 1977, we met with MarAd officials, informing them of the results of our review and expressing our opinion that the planning documents provided us do not adequately meet MarAd's responsibility under section 210. We were informed that MarAd would prepare a comprehensive planning document showing MarAd's concept of the type of fleet needed to meet the goals of the Merchant Marine Act of 1936, as amended. On November 14, 1977, we received a draft of this document. We believe this draft showing U.S.

shipping capabilities and requirements by number, type, and size of vessel, is responsive to section 210 requirements. The document also projects the capabilities and requirements for the U.S.-flag fleet for 1985. We were informed that the document would soon be finalized and would be available to both the Congress and the executive branch to assist their review and implementation of national maritime policy.

CONCLUSIONS

MarAd has not adequately fulfilled section 210 requirements. Although MarAd develops numerous studies and plans, all contributing to MarAd's program administration, a comprehensive long-range plan, providing additions and replacements to the U.S.-flag merchant fleet to implement national maritime policy, has not been maintained since 1969. MarAd has recently prepared a draft planning document containing the type of planning data required by section 210. This report will be finalized soon. In conclusion, we believe that MarAd has not maintained the type of plan required by section 210 and has not been able, therefore, to provide the Congress with the type of data necessary to fully execute its oversight responsibilities.

RECOMMENDATION TO THE SECRETARY OF COMMERCE

To meet the requirements of section 210 and to provide the Congress with adequate information to exercise its oversight responsibilities, we recommend that the Secretary direct the Assistant Secretary for Maritime Affairs, after finalization of the draft plan, to insure maintenance of a current plan containing present and future U.S.-flag capabilities and requirements.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations, to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

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We are sending copies of this report to the above Committees; applicable legislative committees; and the Acting Director, Office of Management and Budget. Copies are also being sent to the Assistant Secretary of Maritime Affairs; the Assistant Secretary for Administration; and the Director, Office of Audits.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege". The signature is written in dark ink and is positioned above the typed name and title.

Henry Eschwege
Director

