

Chronological: Merchant Marine Subcommittee re. Maritime Admin Nomination, 1985-10-17

Senator Daniel K. Inouye Papers
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October 17, 1985 - NOMINATION HEARING
John A. Gaughan
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STATEMENT OF SENATOR DANIEL K. INOUE

TODAY THE COMMITTEE IS CONSIDERING NOMINATIONS FOR:

- o THE ADMINISTRATOR OF THE MARITIME ADMINISTRATION
- o MEMBERSHIP ON THE FEDERAL MARITIME COMMISSION

THE MARITIME ADMINISTRATION, OF COURSE, HAS THE RESPONSIBILITY FOR PROMOTING THE U.S. MARITIME INDUSTRY. OUR MERCHANT FLEET AND OUR COMMERCIAL SHIPYARDS HAVE BEEN IN A PRECIPITOUS DECLINE FOR SEVERAL YEARS. IN THE JUDGMENT OF MANY, THAT RATE OF DECLINE HAS BEEN ACCELERATED BECAUSE THE GOVERNMENT HAS ELIMINATED OR CURTAILED MOST OF THE TRADITIONAL SUPPORT PROGRAMS, WHILE AT THE SAME TIME OFFERING NO SUITABLE ALTERNATIVES. INSTEAD, IT HAS SUBSTITUTED PIECEMEAL SOLUTIONS TO THE PROBLEMS WHICH HAVE ARISEN.

IN MY VIEW, THIS AD HOC APPROACH HAS EXACERBATED THE DECLINE, BECAUSE IT HAS DIVIDED THE MARITIME HOUSE, AND SET ONE INTEREST AGAINST ANOTHER.

YESTERDAY, UNDER THE LEADERSHIP OF THE DISTINGUISHED CHAIRMAN OF THE SUBCOMMITTEE, WE MET WITH MANY OF THE LEADERS IN THE MARITIME INDUSTRY TO EXPLORE THE POSSIBILITY OF REACHING A CONSENSUS ON PRECISE REMEDIES FOR THE EXISTING SITUATION. I AM HOPEFUL WE WILL EVENTUALLY BE SUCCESSFUL, BUT IF THE ADMINISTRATION CONTINUES TO ADVANCE DIVISIVE PROPOSALS WHILE WE ARE TRYING TO UNITE THE INDUSTRY, I AM AFRAID OUR EFFORTS ARE PRE-ORDAINED TO FAILURE.

SO THIS MORNING I WOULD HOPE THE NOMINEE TO BE ADMINISTRATOR OF THE MARITIME ADMINISTRATION WILL REASSURE THE SUBCOMMITTEE ON THIS POINT.

THE FEDERAL MARITIME COMMISSION, OF COURSE, HAS THE RESPONSIBILITY FOR REGULATING OUR INTERNATIONAL AND DOMESTIC LINER TRADES.

DURING THE SEVERAL YEARS I HAVE BEEN A MEMBER OF THE MERCHANT MARINE SUBCOMMITTEE, THE SINGLE GREATEST THREAT TO THE STABILITY OF OUR INTERNATIONAL LINER TRADES AND THE ABILITY OF U.S.-OPERATORS TO COMPETE IN THOSE TRADES, HAS BEEN THE PRACTICE OF CARRIERS SECRETLY DEPARTING FROM THEIR PUBLISHED TARIFFS, I.E., OFFERING ILLEGAL REBATES. THESE KICKBACKS TO FAVORED SHIPPERS NOT ONLY DESTROY THE ABILITY OF CARRIERS TO COMPETE HONESTLY BUT THEY ALSO GIVE AN UNFAIR ADVANTAGE TO FOREIGN CARRIERS OVER THEIR U.S. COUNTERPARTS. THE RECORDS OF FOREIGN CARRIERS ARE FAR MORE DIFFICULT TO OBTAIN, PARTICULARLY IN THOSE COUNTRIES WITH SO-CALLED "BLOCKING" STATUTES.

SOME YEARS AGO AFTER EXTENSIVE HEARINGS AND INVESTIGATIONS CONGRESS PASSED A LAW GREATLY STRENGTHENING THE FMC'S POWER TO DEAL WITH THIS PERNICIOUS PRACTICE.

IT HAS COME TO MY ATTENTION RECENTLY THAT THERE MAY BE OTHER PRACTICES IN OUR INTERNATIONAL LINER TRADES THAT COULD HAVE THE SAME EFFECT AS REBATING.

ONE OF THESE PRACTICES IS QUOTING RATES TO SHIPPERS THAT ARE NOT IN THE CARRIER'S TARIFF WITH THE UNDERSTANDING THAT THE RATES WILL NOT BE FILED UNTIL THE CARGO IS BOOKED. THESE RATES MAY BE QUOTED WEEKS OR EVEN MONTHS BEFORE THE CARGO IS SHIPPED. MEANWHILE, OTHER CARRIERS AND SHIPPERS HAVE NO KNOWLEDGE OF THE QUOTED RATES.

OTHER PRACTICES INCLUDE NARROWLY DRAFTED COMMODITY RATES THAT CAN BE USED BY ONE SHIPPER; AND THE ABUSE OF SHIPPING ACT PROVISIONS WHICH PERMIT A CARRIER TO CORRECT A CLERICAL OR ADMINISTRATIVE ERROR IN ITS TARIFFS AFTER THE SHIPMENTS TAKES PLACE.

EITHER WAY, WHEN THESE KINDS OF PRACTICES FORM PART OF A GENERAL PATTERN, THE INTEGRITY OF OUR TARIFF FILING AND PUBLISHING LAWS IS UNDERMINED. IF TARIFFS DO NOT REALLY CONTAIN THE RATES THAT A CARRIER IS OFFERING, IS THERE ANY VALID REASON TO CONTINUE TO REQUIRE THEIR FILING AND PUBLICATION?

I WOULD HOPE THEREFORE THAT THE FMC WILL AGGRESSIVELY AND VIGILANTLY PREVENT ANY PRACTICES WHICH UNDERMINE THE INTEGRITY OF OUR TARIFF FILING AND PUBLICATION REQUIREMENTS.