President Franklin Roosevelt recognized the need for a privately owned and operated merchant marine. Without the U.S.-flag merchant marine, Great Britain would not have had the supplies to survive the onslaught of Germany. Today, the world would be a very different place had it not been for the men who served our nation during World War II in the U.S. merchant marine. President Roosevelt proposed, and Congress passed, the Merchant Marine Act of 1936. This program established the Operating Differential Subsidy program to help pay U.S. shipowners for the higher cost of operating their vessels under the U.S.-flag.

By 1951 there were 1,238 privately owned U.S.-flag vessels sailing on the oceans of the world. Unfortunately, it has been all down hill from there. Today, there are 94 U.S.-flag vessels in the U.S. foreign trade and seven U.S.-flag vessels ''in trade between foreign countries.

The question is: Why has this happened? The answer: The higher cost of operating a vessel under the U.S.-flag due to various Federal requirements.

Today, shipowners can buy quality ships from many countries in the world. Containerships, tankers, and cruise ships all must be built to high standards established by the International Maritime Organizations. However, which country the owner chooses to register the ship can significantly affect the cost of the operating the ship. Shipowners change their vessel's registration every day to avail themselves of lower costs offered by different flags. If you choose to register your ship in Panama, you don't have to pay any income taxes on your shipping income. You can hire low cost crews from countries like the Philippines and Malaysia. And, if you register in these countries you don't have to worry about the cost of being sued when a seaman is injured or killed.

All of the European countries have seen similar declines in their flag fleets, because shipowners choose to transfer their country of registry to lower cost countries. However, in the past several years, countries such as Norway, Germany, and Great Britain have changed their laws to make their fleets more competitive in the international market. In the past 18 months, the size of the British fleet has increased by 40 percent due to the changes in their tax and maritime policies.

It is time for the United States, once the greatest maritime power in the world, to make similar changes. Instead of proposing a subsidy program like the one proposed by President Roosevelt, it is time to look at the underlying laws that increase the cost of operating under the U.S.-flag.

Today, I have introduced H.R. —, the ''Merchant Marine Cost Parity Act of 2001''. This legislation, which Transportation and Infrastructure Committee Chairman DON YOUNG has cosponsored, addresses four areas that significantly increase the cost of operating a vessel under the U.S.-flag: tax costs, wage costs, insurance costs, and vessel inspection costs.

This act will help to decrease the tax liability for operating a vessel under the U.S. flag. Currently, a shipowner must pay a traditional ''income tax'' on his profits if the vessel is registered in the United States. H.R. — is modeled after the British Tonnage Tax system that replaced its tax based on income with a flat tax based on the tonnage of the ship.

For example, under H.R. —, if the container ship *Regina Maersk* (43,399 net tons) were registered under the U.S.-flag it would pay a flat tax of $17,476 a year to the U.S. Government. This is computed by the shipowner being allocated a daily income for the ship based on the tonnage of the ship at a rate of $.40 for each ton up to 25,000 net tons and $.20 for each ton over 25,000 net tons. Therefore, the owner of the *Regina Maersk* would have a daily income of $136.80. When multiplied by 365 days, this totals an annual income of $49,932. This amount is taxed at the 35 percent U.S. corporate income tax rate to establish a total tax liability of $17,476 a year for the shipping income of the *Regina Maersk*. This is comparable to the tax liability that would be due if this ship were registered under the British flag. What is ironic is that this provision should not cost the Federal treasury much money because with fewer than 100 ships currently operating under the U.S.-flag in the foreign trade, there will be a minimal amount of tax revenue lost. In addition, most foreign-flag vessels don't have to pay the treasury any income taxes on their shipping income today. Therefore, if they transfer to the U.S. flag and pay $17,000 in tonnage taxes, it's certainly more than the amount they're paying in income taxes now under a foreign flag.

Federal law requires seamen employed on U.S.-flag vessels to be U.S. citizens. We in the United States have the benefit of a much higher standard of living than many of the countries that supply seafarers for foreign-flag vessels. However, U.S. tax laws do not treat U.S. seamen the same as we treat other U.S. citizens working overseas. If a U.S. citizen is working overseas for any other industry, such as a bank or oil company, he or she do not have to pay any U.S. 'income tax on their first $80,000 in income. While seamen are working overseas, they do not get any similar tax break. H.R. __ helps to decrease the cost of operating on a U.S.-flag vessel by granting seamen working on U.S.-flag vessels in the foreign trade the same exclusion from taxation on their first $80,000 in income as we grant every other U.S. citizen working overseas.

H.R. __ also seeks to address the higher vessel design costs imposed by complying with U.S. Coast Guard standards. My bill exempts the vessel from Coast Guard standards as long as the vessel meets the safety standards established by the International Maritime Organization. This provision will allow U.S.-flag vessels 'in the foreign trade to meet the same standards as their foreign-flag competitors.

The cost of buying insurance for U.S.-flag vessels engaged in the foreign trade is also higher than the costs for foreign-flag vessels. H.R. __ allows the shipowner and the employee representative to agree upon an ''insurance policy that will adequately compensate seamen when they are injured or killed onboard these vessels. To ensure that the shipowner does not force the policy limits too low, the Secretary of Transportation win establish a minimum amount of coverage that must be provided, such as the amounts provided in the Longshore Act.

Mr. Speaker, capital investments go to where you can make money. For more than 100 years, the United States Government has placed financial burdens on the U.S.-flag vessel shipowner that has driven these vessels from our shores. I cannot accept the United States Government continuing to allow the decline of our fleet until there are no privately owned U.S.-flag vessels engaged in our foreign trade.

The United States must develop a long-term and integrated strategy that will adequately address all of the cost issues that drive capital investment away from the U.S.-flag shipping industry. I believe that H.R. __ can provide the foundation for that strategy. I look forward to working with the Administration, shipowners, and labor to ensure we can truly put U.S. merchant marine on a cost parity with their quality foreign-flag competition.

When Great Britain announced its intention to develop the tonnage tax system, P&O Nedlloyd Lines announced that they would bring at least 50 ships to the UK register. Today, I would like to challenge the maritime industry to make a similar commitment to the U.S. flag.

With the help of the Administration, maritime industry, and labor, we can ensure that Old Glory is raised on the sterns of hundreds more U.S.-flag vessels.

PERSONAL EXPLANATION

HON. BETTY McCOLLUM

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 8, 2001

Ms. MCCOLLUM. Mr. Speaker, I unavoidably missed votes on November 6, 2001 because I was in my congressional district on official business. I would like the record to reflect that had I been present, I would have voted yea on roll call votes 426, 427, and 428.

LEADERS TAKING ACTION FOR INCLUSION

HON. JAMES P. McGOVERN

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 8, 2001

Mr. MCGOVERN. Mr. Speaker, I rise today to join Worcester County and The National Conference for Community and Justice in honoring four individuals for their promotion of understanding and respect among all races, religions and cultures. John S. Hamilton, Dr. Ogretta V. McNeil, Most Rev. Daniel P. Reilly, and Albert M. Toney III, dedicated themselves to fighting bias, bigotry and racism in America and making the nation a better place for all of us.

Mr. Hamilton put into action his belief that small, culturally diverse businesses make the difference in the economic viability of their communities. He has been a strong advocate for under-served populations, especially minority and women owned small businesses. Active with Centro Las Americas and the Business Inclusion Council, and the Martin Luther King Business Empowerment Center, he was named Massachusetts Financial Services Advocate of the Year (1999) by the US Small Business Administration. Mr. Hamilton was the driving force behind obtaining funding for the establishment of the Martin Luther King Business Empowerment Center. He was instrumental in Bay State Savings Bank sponsorship of the successful grant application for the renovation of the Odd Fellows Hall on Main