



Maritime Administration Report to Congress



Maritime Administration

**Annual Report
To Congress
Fiscal Year 2006**

**U. S. Department of Transportation
Mary Peters
Secretary**

**Maritime Administration
Sean T. Connaughton
Administrator**

**Headquarters
1200 New Jersey Avenue, SE
Washington, DC 20590**

TABLE OF CONTENTS

INTRODUCTION	1
EXECUTIVE SUMMARY	3
INDUSTRY OVERVIEW	4
REDUCED CONGESTION	11
GLOBAL CONNECTIVITY	17
SECURITY, PREPAREDNESS AND RESPONSE	22
ENVIRONMENTAL STEWARDSHIP	36
ORGANIZATIONAL EXCELLENCE	40
Appendix: FINANCIAL STATEMENTS	43
Appendix: ORGANIZATIONAL CHART	52
Appendix: PRESIDENTIAL PROCLAMATION	53

INTRODUCTION

A Message from the Administrator



Sean T. Connaughton
Maritime Administrator

THE BEGINNING OF A SEA CHANGE

A sea change is a profound transformation. It can start small and become pervasive and powerful. As you read this Annual Report for fiscal year 2006, you will see the beginning of a sea change for the Maritime Administration, the maritime industry, and the United States transportation system.

The Maritime Administration is taking a leading role in relieving congestion in our ports, which will help ease the congestion throughout the national transportation system. Greater use of our marine highway—our coastal and inland waterways — will relieve stress on the overall transportation system so that it can carry the increased traffic we expect in the coming decades. In this Annual Report you will see how the Maritime Administration is laying the groundwork for this important change.

This agency is also enhancing the role it plays in national security. Even as the Nation was recognizing that recovery from natural disaster is an important part of national security, the Maritime Administration was already playing a vital role in the recovery of the Gulf Coast region. This unprecedented and imaginative use of our vessels and other resources has stimulated important thinking about how waterborne transportation assets can fill vital transportation gaps and be used as recovery assets. This enhances our important role in supporting sealift, which in turn is critical to supporting the American military overseas.

We continue to promote a strong American maritime industry, whether carriers, ports and port services, shipyards, shippers, or investors. Our programs to maintain and increase American presence in the marine transportation industry are crucial to the United States economy.

Our work in protecting the environment is growing. The Maritime Administration is developing practical ways of treating ballast water and cleaning hulls, which will in turn prevent the spread of invasive species. The ship disposal program removes obsolete ships from the environment in a responsible way. This agency is also developing new methods to reduce air pollution from the main and auxiliary engines of vessels.

Our efforts in supporting the marine workforce continues to expand as do opportunities for skilled American mariners worldwide. In this report you will read about our initiatives to increase job opportunities and prepare men and women to work in the maritime industry both ashore and afloat.

Last year was a busy year for the Maritime Administration and we expect this year will be even busier as we work to bring a sea change to this agency, the maritime industry, and the overall transportation system.

EXECUTIVE SUMMARY

This Annual Report for fiscal year 2006 serves to document how the Maritime Administration supports the U.S. Department of Transportation's goals of Reduced Congestion; Security, Preparedness and Response; Global Connectivity; and Environmental Stewardship; as well as the President's Management Agenda goals for Organizational Excellence.

This Annual Report fulfills the reporting requirements under Section 208 of the Merchant Marine Act of 1936, as amended. It also fulfills requirements of reporting to Congress on Cargo Preference activities, plus the requirements for reporting on Maritime Guaranteed Loan (Title XI) activities, as mandated in 2003.

The Industry Overview section puts the work of the Maritime Administration in context, with a statistical snapshot of the U.S. maritime industry.

The Reduced Congestion section outlines the work of the Maritime Administration in strategic planning for the Marine Transportation System (MTS) and the agency's work with U.S. ports. It also shows the success of the Maritime Administration's work with various public and private entities in making the Nation's waterborne transportation more efficient and effective.

The Global Connectivity section briefly outlines the Maritime Administration's role in agreements with Russia, Brazil, Vietnam, and China. It also provides a short summary of the agency's work in the licensing of deepwater ports for the transfer of liquefied natural gas (LNG), and provides the required summary of cargo preference activities.

The Environmental Stewardship section outlines the work of the ship disposal program; a high-profile program that exceeded its targets in fiscal year 2005 for the numbers of ships disposed, and kept the cost of such work well under the target figure. This section also outlines the leadership role the Maritime Administration has taken in ballast water technology to combat the spread of invasive species, as well as the agency's work on mitigating port and vessel emissions.

The Organizational Excellence section outlines the work of the agency in "getting to green," that is, getting the highest possible score in the areas emphasized by the President's Management Agenda: Budget and Performance Integration, Improved Financial Performance, Competitive Sourcing, Strategic Management of Human Capital, Real Property Asset Management, and Expanded Electronic Government. It also contains the required reporting on lawsuits and actions under Admiralty Law.

INDUSTRY OVERVIEW

“Such therefore are the advantages of water carriage, it is natural that the first improvements of art and industry should be made where this convenience opens the whole world for a market to the produce of every sort of labor.”

– Adam Smith
‘Enquiry Into the Wealth of Nations’ 1776

It is the mission of the Maritime Administration to strengthen the U.S. maritime transportation system, including infrastructure, industry, and labor, to meet the economic and security needs of the Nation. The U.S. water transportation industry serves the needs of both foreign and domestic commerce. It comprises companies that carry freight or passengers on the open seas or inland waterways, offer towing services, charter vessels, and operate canals and terminals.

Freight

In 2005, U.S. waterborne commerce amounted to 2.3 billion metric tons. International commerce accounted for 59 percent of the total, up from 55 percent 5 years earlier (Table 1). The change in composition was due largely to a 12 percent rise in tanker imports and a 14 percent decline in coastal (domestic) tanker trades—import substitution in U.S. tanker trades.

Container trades accounted for 15 percent of U.S. foreign trade (metric tons), up from 12 percent 5 years before. Container imports increased by 52 percent and exports rose by 25 percent over the last 5 years.

As container trades increased, there has been a significant increase in the size of containerships calling at U.S. ports (Table 2). Over the last 5 years, containership calls at U.S. ports increased by 9 percent, but the average size of containerships per call increased by 19 percent.

Table 1. Waterborne Trades, 2001-2005
(Thousand Metric Tons)

Trade	2001	2002	2003	2004	2005	% Ch. 2001-05
Total	2,103.2	2,057.6	2,131.5	2,255.6	2,282.2	8.5
Foreign	1,157.5	1,131.3	1,209.6	1,305.7	1,348.8	16.5
Imports	830.1	813.9	879.9	954.6	995.2	19.9
Tanker	572.8	568.9	604.5	630.1	643.2	12.3
Container	80.7	91.9	98.1	112.9	123.6	53.2
Exports	327.4	317.4	329.7	351.1	353.6	8.0
Tanker	55.3	51.8	52.9	57.2	55.5	0.4
Container	63.8	62.3	68.0	74.4	81.7	28.1
Domestic	945.7	926.3	921.9	949.9	933.4	-1.3
Coastwise	202.8	196.3	202.8	200.1	193.8	-4.4
Tanker	85.1	80.3	81.3	78.8	73.1	-14.1
Inland	562.3	551.6	553.0	568.1	566.1	0.7
Lakes	90.7	92.1	81.5	93.9	87.3	-3.7
Other	89.9	86.3	84.6	87.8	86.2	-4.1

Sources: U.S. Bureau of Census for foreign trade; PIERS for container trades; and U.S. Army Corps for domestic trades.

Table 2. Containership Calls at U.S. Ports, 2001-2005

Type	2001	2002	2003	2004	2005	% Ch. 2001-06
Calls	17,076	17,138	17,287	18,279	18,542	8.6
TEU's/Call	2,801	3,020	3,144	3,241	3,321	18.6
Million. TEU's	48	52	54	59	62	29.2

Source: Maritime Administration, *Vessel Calls at U.S. Ports, 2005*

Also, in 2005, the average size of containerships calling at U.S. ports was 17 percent larger than for those calling at world ports. The difference was due largely to a scarcity of U.S. feeder and short-sea services. These services, which use smaller vessels than linehaul services, are common in intra-European and intra-Asian trades.



Working a container ship at the Port of New Orleans. (Photo by Donn Young)

As of year-end 2005, there were about 39,000 U.S. privately-owned cargo-carrying vessels available for operation in U.S. foreign and domestic trades (Table 3). Over the last 5 years, the largest growth has been in the offshore supply vessel (serving offshore oil exploration), gas, ferry and double-hull tank vessel fleets.

As of year-end 2005, 70 percent of U.S. owned tankers were equipped with double-hulls, up from 46 percent 5 years earlier.

Of the U.S.-owned ocean vessels, 443 were under foreign registries, up from 415 five years earlier.

The Jones Act (cabotage) segment of the fleets are those that are constructed in the United States, owned by U.S. citizens, and registered under the U.S. flag; or those wrecked in U.S. waters and rebuilt in the U.S. and re-flagged U.S.; or those forfeited for violation of U.S. law and reflagged U.S. As of year-end 2005, the Jones Act segments included all the coastal and waterways vessels, 435 offshore supply vessels, 48 lakers and 106 ocean vessels (56 tankers, 29 containerships, 15 roll-on/roll-off vessels, four dry bulk carriers and two general cargo vessels).

North American Cruise Passengers

The cruise industry continues to boom in U.S. and other North American ports, with capacity continuing to grow, and with the cruise traffic spreading to more ports.

In 2005, 63.7 million passenger nights were booked on North American cruises, up 19 percent from 2 years earlier. About 9.8 million passengers were carried on 4,435 cruises by the 17 largest cruise lines (Table 4).

Table 3. U.S. Privately-Owned Fleets, 2001-2005

(Vessels)						% Ch.
Trade	2001	2002	2003	2004	2005	2001-05
Ocean & Lakes	687	634	651	665	688	-0.5
Tanker	286	271	287	290	275	-3.8
Double-Hull	131	138	173	187	193	47.3
Dry Bulk	198	174	163	175	201	1.5
Lakers	52	51	50	49	48	-7.7
Container	84	80	82	85	86	2.4
Ro-Ro	54	53	54	53	58	7.4
Gas	16	17	17	17	18	12.5
Combination	13	13	15	11	12	-7.7
General Cargo	37	26	33	34	38	2.7
Offshore Supply	465	479	490	518	532	14.4
Coastal & Waterways	38,769	38,094	37,082	37,209	37,936	-2.1
Tugs	5,180	5,150	5,172	5,314	5,290	2.1
Dry Cargo barges	28,888	28,281	27,272	27,197	27,876	-3.5
Tank Barges	4,122	4,068	4,031	4,069	4,151	0.7
Double-Hull	2,717	2,820	2,809	2,895	3,014	10.9
Ferries	579	595	607	629	619	6.9
Total	39,892	39,237	38,223	38,392	39,156	-1.8

Sources: *Clarksons Ship Register for ocean and offshore; U.S. Army Corps Transportation Lines of the United States for coastal and waterways.*

Table 4. North America Cruise Statistics, 2003-2005

				% Ch.
	2003	2004	2005	2003-05
Cruises	4,094	4,465	4,435	9.0
Ships	101	112	114	12.9
Capacity (Mil.)				
Passengers	7.88	8.72	8.89	12.8
Pass. Nights	51.31	58.00	59.04	15.1
Traffic (Mil.)				
Passengers	8.35	9.42	9.75	16.8
Pass. Nights	53.53	61.63	63.73	19.1
Occupancy (%)				
Passengers	106	108	110	
Pass. Nights	104	106	108	

Source: *Maritime Administration, North American Cruise Statistics.*

Over the same period, the occupancy rate for North American cruises rose from 106 to 110 percent (Note: A double stateroom with two passengers is considered 100 percent occupied. Since many double staterooms can accommodate three or four people, occupancy can be more than 100 percent.).

The North American cruise market is highly concentrated, with Carnival, Royal Caribbean and Star accounting for 95 percent of the passenger nights (Table 5).

By itself, Carnival accounted for 51 percent of the passenger nights. Star's affiliate, Norwegian Cruise Lines America operates three foreign-built, U.S.-flag cruise ships in the Hawaiian Islands.

The top five departure ports for passengers accounted for 55 percent of the North American departures during 2005, down from 62 percent 2 years earlier (Table 6).

The cruise lines have been expanding the number of home ports for their fleets, reducing the cost of cruising by eliminating air fares to major cruise ports. Cape Liberty, Mobile, Houston and Jacksonville have emerged as significant cruise ports in recent years. Furthermore, to ensure future growth and reduce congestion, cruise lines are increasingly building and managing their own port facilities. For example, Carnival built its own terminal at Long Beach (2003) and Royal Caribbean built its own cruise port at Bayonne, NJ (Cape Liberty) (2004) contributing to significant growth in departures from these ports over the last 3 years.

Table 5. North America Cruise Passenger Nights by Cruise Line 2003-2005 (Millions)

	2003	2004	2005	% Ch. 2003-05
Carnival Corp.	26.92	31.64	32.7	21.5
Royal Caribbean Int.	18.3	20.79	20.63	12.7
Star Group	5.61	6.09	7.19	28.2
NCL America	0	0.36	1.15	
Other	2.7	3.08	3.2	18.5
Total	53.53	61.62	63.73	19.1

Source: Maritime Administration, North American Cruise Statistics.

Table 6. North America Cruise Passengers by Departure Port 2003-2005 (Thousands)

	2003	2004	2005	% Ch. 2003-05
Miami	1,867	1,683	1,771	-5.1
Port Canaveral	1,114	1,230	1,233	10.7
Fort Lauderdale	1,100	1,237	1,200	9.1
Los Angeles	517	435	615	19.0
San Juan	579	678	580	0.2
Galveston	377	433	530	40.6
Vancouver, CA	465	436	435	-6.5
Tampa	419	399	408	-2.6
New York	431	548	369	-14.4
Long Beach	171	401	363	112.3
Seattle	165	291	336	103.6
New Orleans	296	396	309	4.4
Honolulu	172	170	236	37.2
San Diego	92	172	235	155.4
Cape Liberty	0	0	147	
Jacksonville	6	113	137	2,183.3
Houston	13	91	99	661.5
Whittier	0	88	96	
San Francisco	53	85	89	67.9
Mobile	0	29	88	
Boston	69	73	80	15.9
Seward	151	75	68	-55.0
Baltimore	57	104	67	17.5
Philadelphia	24	30	50	108.3
Norfolk	15	47	45	200.0
Charleston	31	39	41	32.3
St. Thomas	8	8	4	-50.0
Gulfport	58	3	0	-100.0
Other Ports	95	122	115	21.1
All Ports	8,349	9,418	9,746	16.7

Source: Maritime Administration, North American Cruise Statistics



The cruise industry has rebounded strongly in Hawaii. Here the *Pride of America* cruises in the waters of Hawaii.

Industry Growth

The U.S. water transportation industry is in a period of renewal and expansion, with a 22 percent increase in value added (gross output less intermediate inputs), a 125 percent increase in annual investment, a 35 percent increase in industry assets and over 6,000 jobs added over the last 5 years (Tables 7 and 8).

Of the more than 60,000 water transportation workers 35.8 thousand are mariners and nearly eight thousand of these are qualified to crew deep sea vessels and Ready Reserve Force (RRF) and DOD sealift ships.

Table 7. Water Transportation Investment, Fixed Assets and Labor, 2001-2005

Type	2001	2002	2003	2004	2005	% Ch 2001-05
Investment (\$Bil)	3.6	4.9	4.8	7.4	8.1	125.0
Communications	1.7	2.3	2.2	3.6	4.0	135.3
Vessels	1.1	1.8	1.8	2.4	2.5	127.3
Other	0.8	0.8	0.8	1.4	1.6	200.0
Fixed Assets (\$Bil.)	35.6	37.6	39.7	43.7	48.0	34.8
Communications	9.4	10.2	10.9	12.8	14.9	58.5
Vessels	22.2	23.4	24.6	26.1	27.8	25.2
Other	4.0	4.1	4.2	4.8	5.4	35.0
Labor (000 Jobs)	148.5	147.8	148.3	147.9	154.5	4.0
Transportation	54.0	52.6	54.5	56.4	60.6	12.2
Passenger	15.1	15.3	15.8	17.1	18.9	25.2
Port Services	94.5	95.2	93.8	91.5	93.9	-0.6

Sources: Bureau of Economic Analysis for fixed assets; Bureau of Labor Statistics

Table 8. Water Transportation Gross Output, 2001-2005 (Billion Dollars)

Segment	2001	2002	2003	2004	2005	% Ch. 2001-05
Gross Output	28.8	28.1	31.3	34.2	35.8	24.3
Value Added	7.4	7.0	8.7	9.0	9.0	21.6
Labor	3.6	3.8	3.8	4.2	4.5	25.0
Intermediate Inputs	21.4	21.1	22.6	25.2	26.7	24.8
Energy	0.9	1.1	1.5	2.2	3.0	233.3
Other	20.5	20.0	21.1	23.0	23.7	15.6
Energy/Gross Output (%)	3.1	3.9	4.8	6.4	8.4	171.0

Source: Bureau of Economic Analysis, KLEMS NAICS accounts.

Despite a tripling of energy costs, the industry's value added continued to rise. In 2005, water ranked second among transportation modes in terms of energy efficiency (energy costs per dollar of gross output, Figure 1.)

Over the last 5 years, U.S. carriers have significantly upgraded their fleets with 119 new ocean vessels, 183 new tugs, 3,942 barges, 80 new offshore supply vessels and 69 new ferries. The investments in new vessels have contributed to a 25 percent increase in the value of the industry's vessel assets, the highest 5-year growth in 25 years.

U.S. carriers have ordered a significant number of new vessels from U.S. and foreign shipyards. These include: 61 double-hull tankers, 16 gas carriers, 11 bulkers, 76 large double-hull tank barges units (ATB's) which will replace aging product tankers in U.S. coastal trades, and 102 offshore supply vessels.

Based on existing orders, U.S. shipyard deliveries of new double-hull tankers and coastal tank barges (10,000+ DWT) will be up significantly from those of the previous five years, and additional orders are likely for 2008-2010 (Table 9).

The investments in new vessels are being driven by customer needs and many are tied to long-term customer commitments. Such arrangements integrate marine transportation into the production and distribution processes, improve service to customers; and contribute to stable growth in industry output, employment and earnings.

Figure 1. Energy Inputs as a Percent of Gross Output by Mode, 2005

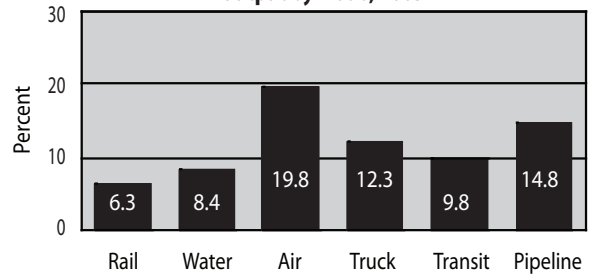


Table 9. U.S. Shipyard Deliveries and Orders, 2001-2010

Vessel Type	2001-2005 Deliveries	2006-2010 Orders
Ocean Tankers	13	23
Coastal Tank Barges	7	19
	38	76

Sources: Clarkson Research Studies for Ocean Vessels and Colton and Company for Coastal Tank Barges.



The *Alaskan Legend* floats out at NASSCO shipyard in San Diego, August, 2006. This was the fourth in a series of double-hull tankers built for British Petroleum. As of year end, 70 percent of U.S.-owned tankers were equipped with double-hulls. (Photo courtesy of NASSCO-General Dynamics.)

REDUCED CONGESTION

The Maritime Administration promotes and facilitates a United States maritime transportation system that improves the safe and efficient movement of goods and people. Its activities in this area during fiscal year 2006 were concentrated in strategic planning for the Marine Transportation System (MTS), supporting shipbuilding through the Title XI program, and in managing the licensing of deepwater ports for the safe and effective transportation of liquefied natural gas.



The Port of Long Beach is the second-busiest port in the United States, and the 12th busiest container port in the world. *(Maritime Administration photo)*

FREIGHT GATEWAYS

Current trade patterns are producing complex congestion challenges at freight gateways: ports, land border crossings, and intermodal connectors. The U.S. Department of Transportation (DOT) has made congestion relief a top priority. The Maritime Administration is working extensively with other DOT modes on efforts to reduce transportation system congestion, and is the lead mode for the Department's congestion mitigation efforts in the Southern California National Freight Gateway Area. By working to create a cooperative alliance with other Federal, State and local governments as well as private interests and the public, the Maritime Administration seeks to attain the transportation solutions needed to improve freight transportation throughput in Southern California while also attaining healthful air quality and reducing the impact of freight transport on the community.

TRANSPORTATION EFFICIENCY

The Maritime Administration continued its efforts to strengthen the MTS by sponsoring the Marine Transportation System National Advisory Council (MTSNAC). The MTSNAC was established in 2000 to provide a structured approach for non-Federal stakeholders to provide input on MTS national-level issues. The Council advises the Secretary of Transportation on issues.

It is comprised of leaders from 30 commercial transportation stakeholders, trade associations, State and local public entities, academics, and environmental groups.

During fiscal year 2006, the Council developed and presented the Secretary with an Intermodal Report containing 10 specific private/public sector system improvement recommendations. These 10 recommendations address – among other things – freight system congestion; recruitment and retention of personnel; more timely, consistent, and accurate measurement of capacity and productivity throughout the system; and the need to support regional freight solutions.

In response to this report, the South Atlantic Marine Transportation System Organization (SAMTSO), one of MTSNAC's regional councils, has spearheaded a program in the Hampton Roads area of Virginia to provide training to prospective truck drivers. The recruitment and retention of skilled harbor truck drivers has been identified as a serious issue in many port areas. The SAMTSO has also helped create a truck chassis pool in the Hampton Roads area. This chassis pool has increased equipment quality and reliability and reduced the number of chassis required on the participating maritime terminals, thereby producing savings to both the vessel operators and maritime terminal truckers.

MARINE HIGHWAYS

The Maritime Administration continues to actively investigate and promote the potential commercial viability of marine highways. To encourage public dialogue on the issue of increased waterborne freight movements, the Maritime Administration and Transport Canada jointly sponsored the North American Short Sea Shipping Conference in Vancouver in the spring of 2006. The Vancouver conference culminated in the signing of the “Trilateral Declaration” with Canada and Mexico. This Declaration committed the three nations to encourage expanding marine highways operations in North America by establishing a steering committee focused on the creation of a trilateral marine highways strategy.

ECONOMIC MODELING

During fiscal year 2006, the Maritime Administration updated some economic modeling tools and developed others to assess the economic value of the MTS, and to make this economic data available in user-friendly forms to ports and other entities involved in MTS. The MTS includes all of America's coastal and inland waters, more than 300 public and private ports, a network of navigable channels, pipelines, vessels, marine terminals, intermodal connections, and associated management and safety information systems. Because the MTS affects a broad range of transportation sectors, and thus has an important impact on the Nation's economy, modeling tools are vital to effective planning. The

multifaceted, multiphase approach to the project involves updating the Port Economic Impact Model to include improved software, capital expenditure input screens, maritime sector databases, State economic databases, and U.S. input-output relationship databases, as well as to the model handbook to include trade disruptions and trade diversions.

The modeling capabilities make it possible to undertake initial quantitative assessment for three coastal regions (West Coast, East Coast and Gulf Coast) using publicly available and survey data sources.

The model will be enhanced to allow assessment of port capital expenditures and ongoing marine activities. It will also include tools that capture the economic value of port-dependent sectors, as well as an expanded section on scenario development and applications (e.g., how to model the closure of a port or shifts in the use of ports or inland modes).

This groundbreaking effort will allow the Maritime Administration to close information gaps dealing with the economic value of the maritime industry in the United States, and help all concerned parties deal with difficult situations such as work disruptions and environmental challenges.

A cooperative effort was begun in fiscal year 2006 with Transport Canada to measure the economic value of the Great Lakes and St. Lawrence Seaway to Canada and the United States.

PORT INFRASTRUCTURE

The Maritime Administration is the lead Federal agency in a public-private partnership with the Port of Anchorage for redevelopment of the port complex. As the major gateway for the State of Alaska, the Port of Anchorage has seen steady growth in the past decade, and is expected to continue to grow in the future. The Maritime Administration is assisting the port with implementing major infrastructure improvements to accommodate larger ships with deeper drafts, newer advanced container cranes, and an on-site railroad trailer and container yard to improve efficiency and reduce truck traffic pollution and energy use in the area.

The Maritime Administration has also entered into agreements with the Harbors Division of the Hawaii Department of Transportation, and the Hawaii Harbors Users Group, to initiate the beginning phases of a large and comprehensive port improvement and expansion program for the multiple ports in the State of Hawaii. The program will allow for the necessary expansion and separation of the facilities while allowing greater efficiency and growth. The expansion program will involve demolition of old and obsolete structures, reorganizing the layout of the port facilities, and improving commerce flow and security. Planning phases began in fiscal year 2006 and construction is expected to begin in the summer of 2007. Other important infrastructure projects with which the Maritime Administration is involved include improvements at the Port of Port Arthur, TX and the Philadelphia Regional Port Authority.



The North Backlands Expansion at the Port of Anchorage: The land in the foreground is 21.5 acres of land constructed for the project. The plans are to extend this surface out approximately 400 feet west from the face of the existing pile support dock, running north to south approximately 9,000 feet for a total of 128.7 acres. *(Photo courtesy of Port of Anchorage)*

PORT CONVEYANCE

The Maritime Administration conveys surplus Federal property to eligible applicants, at no cost, to support the Department of Defense's Base Realignment and Closure program for the purposes of port development, economic development and port expansion. During fiscal year 2006, the Maritime Administration received one port conveyance application, processed 10 port conveyance inquiries, and conveyed 64 acres of Federal land to port entities.

In November of 2005, the Defense Base Closure and Realignment Commission (BRAC) finalized a list of bases to be realigned and closed. As a result, numerous military facilities will become available in the near future for port development purposes. These facilities, when ultimately conveyed to local port authorities, will expand the capacity of the Nation's Marine Transportation System (MTS) and help to build the Nation's maritime and economic infrastructure. The Maritime Administration is creating a Web site to educate the public about the program.

TITLE XI

Maritime Guaranteed Loan (Title XI) Program

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 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.-flagged vessels or eligible export vessels constructed, reconstructed, or reconditioned in U.S. shipyards, and
- (2) U.S. shipyards for the purpose of financing advanced and modern shipbuilding technology of a privately owned general shipyard facility located in the United States.

The 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 2006

During fiscal year 2006, the Maritime Administration did not issue any new commitments for Title XI loan guarantees.

Nevertheless, the Maritime Administration did complete one previous commitment to guarantee obligations with respect to two ferries owned by Hawaii Superferry, Inc. The Title XI guaranteed amount was \$139,731,000. The 105-meter, high-speed roll-on/roll-off (Ro/Ro) passenger ferries are being constructed at Austal USA L.L.C., in Mobile, AL. The two Ro/Ro vessels will provide passenger, cargo, and vehicle ferry among the four major Hawaiian Islands. The first vessel is projected to be delivered in April 2007 with the second being delivered in early 2009. Later in fiscal year 2006, the Maritime Administration converted the project's financing from floating rate to fixed rate obligations.



Towed by two tugs, Hawaii Superferry's first vessel returns to the Mobile, AL shipyard of its builder, Austal USA. The company plans to begin service in Hawaii in July 2007. *(Photo courtesy of Austal USA)*

In addition, the Maritime Administration closed on the sale of one vessel and the assumption of the related Title XI obligations, and the sale of a promissory note relating to another vessel, which the Maritime Administration had acquired through foreclosure then subsequently sold. The Maritime Administration also assumed the obligations of one shipowner. The Maritime Administration litigated issues in two earlier bankruptcies related to two Title XI companies and one consolidated bankruptcy related to four Title XI companies, and litigated issues in U.S. District Court, U.S. Court of Appeals, and U.S. Court of Federal Claims to defend its sales of property.

As of September 30, 2006, the Title XI loan guarantee portfolio consists of \$2.94 billion in loan guarantees outstanding. Currently, all Title XI commitments have been funded. The portfolio consists of 77 projects, which include drill rigs, tankers, barges, containerships, Ro/Ro vessels, fast ferries, passenger vessels, supply vessels, tugs, and shipyard modernization projects. There currently are nine pending applications for over \$600 million in Title XI loan guarantees, and \$7.35 million in subsidy appropriations remain available to issue new guarantee commitments. Additional information on the Title XI program can be reviewed online at the program's Web site <http://www.marad.dot.gov/TitleXI>.

All companies in the Maritime Administration's Title XI portfolio undergo periodic financial reviews; however, companies with a higher potential for default receive additional monitoring. This activity involves the preparation of detailed financial reports for senior management review. Summaries of these reports are presented to the DOT Credit Council. The Credit Council is an oversight and financial guidance body that objectively reviews all discretionary loans made by DOT. A total of \$183 million in guaranteed projects, or 6 percent of the Title XI portfolio, has been identified as experiencing financial difficulties and, as such, is receiving the 18 highest level of monitoring. For the fourth straight year, the Title XI loan guarantee program did not experience any defaults.

During fiscal year 2006, the Maritime Administration continued to implement the recommendations contained in program audits conducted by the DOT's Inspector General and the Government Accountability Office. Included among these activities was selecting a developer for the creation of a computer based credit program portfolio management system that will be used by all of the DOT's credit programs beginning in fiscal year 2007.

GLOBAL CONNECTIVITY

INTERNATIONAL MARITIME ACTIVITIES

U.S.-Brazil Maritime Agreement

The Maritime Administration concluded the renegotiation of a maritime agreement with Brazil in fiscal year 2005, and the U.S. Secretary of Transportation and Brazil's ambassador to the United States signed the agreement Sept. 30, 2006. The objectives of the agreement are promoting trade between the United States and Brazil and strengthening the important political and economic relations between the two countries. The impact of U.S.-Brazil trade is significant to the Nation's economy. In 2005, American exports to Brazil topped \$15 billion, while the United States imported more than \$24 billion in Brazilian goods. The agreement is consistent with United States maritime policy, which seeks to preserve and expand opportunities in the international marketplace by reaffirming the mutual commitment of both the United States and Brazil to open access for each nation's carriers. Through this agreement, U.S.-flagged vessels are assured access to international trade cargoes to Brazilian and to cross-trades with other countries, which benefits both countries and trade in general in the region.

Vietnam

Negotiation of a bilateral maritime agreement with Vietnam was successfully completed after several meetings were held with Vietnamese officials over a period of 18 months. The Maritime Administration led the interagency delegation that included representatives from the State Department and Department of Homeland Security. The agreement is expected to be signed in March 2007 and is expected to benefit U.S. carriers' operations in Vietnam, and facilitate the flow of cargo in the bilateral trade.

Russia

The Maritime Administrator traveled to St. Petersburg, Russia, to meet with Russian maritime officials for annual consultations that are provided for under the bilateral maritime agreement signed in 2001.

The 2006 meeting took place September 20-21 and provided the opportunity for the exchange of information on developments in maritime transport, both bilateral and international in scope.

The list of topics was wide ranging and highlighted the growing importance of maritime transport to U.S. bilateral trade. As an example, the role of tanker and gas carrier transport to move Russian oil and gas from the Sakhalin Island region to the United States was a particularly relevant topic in view of U.S. energy needs and the Maritime Administration's role in LNG terminal permitting.



Maritime Administrator Sean T. Connaughton and Alexey Y. Klyavin, Russia's Director of the Department of State Policy for Maritime and River Transport in the Ministry of Transport sign the agreed minutes on sea transport. (*Department of Transportation photo*)

The delegations discussed Russia's overall development priorities in the maritime sector, which, in order of importance, are to: build infrastructure; make maritime transportation services widely available; promote competitiveness; develop public/private partnerships; and adopt effective security measures. The United States Merchant Marine Academy (USMMA) is working with the Admiral Makarov Academy, its Russian equivalent, to develop an academic exchange program.

International Collaboration in Maritime Education

The United States Merchant Marine Academy reached an agreement with the Korean Maritime University that led to three Korean students coming to USMMA for one year. The same agreement will also provide an opportunity for midshipmen from the Academy to sail on the Korean university's training ship. During fiscal year 2006, USMMA also hosted delegations from China, Thailand, Malaysia, and Panama. Under the terms of an ongoing agreement with Panama, there are several Panamanian students in each class at the Academy.

The Global Maritime and Transportation School (GMATS) conducts annual research projects examining maritime industry issues and operations worldwide. The GMATS teams traveled to China and Turkey. During fiscal year 2006, 24 foreign students from 13 different countries received training at GMATS.

China

A delegation from China met with Maritime Administration officials on March 23, 2006, to review the operation and implementation of the Bilateral Maritime Agreement and other matters in the maritime transport sector.

The discussion covered such issues as China's progress toward implementation of Regulations on Maritime Transport, maritime security, treatment of Chinese seafarers in U.S. ports, and efforts to ease congestion in the transportation system.

To combat port congestion and improve port efficiency both delegations agreed to seek opportunities for exchange activities and cooperation in relevant areas in the future.



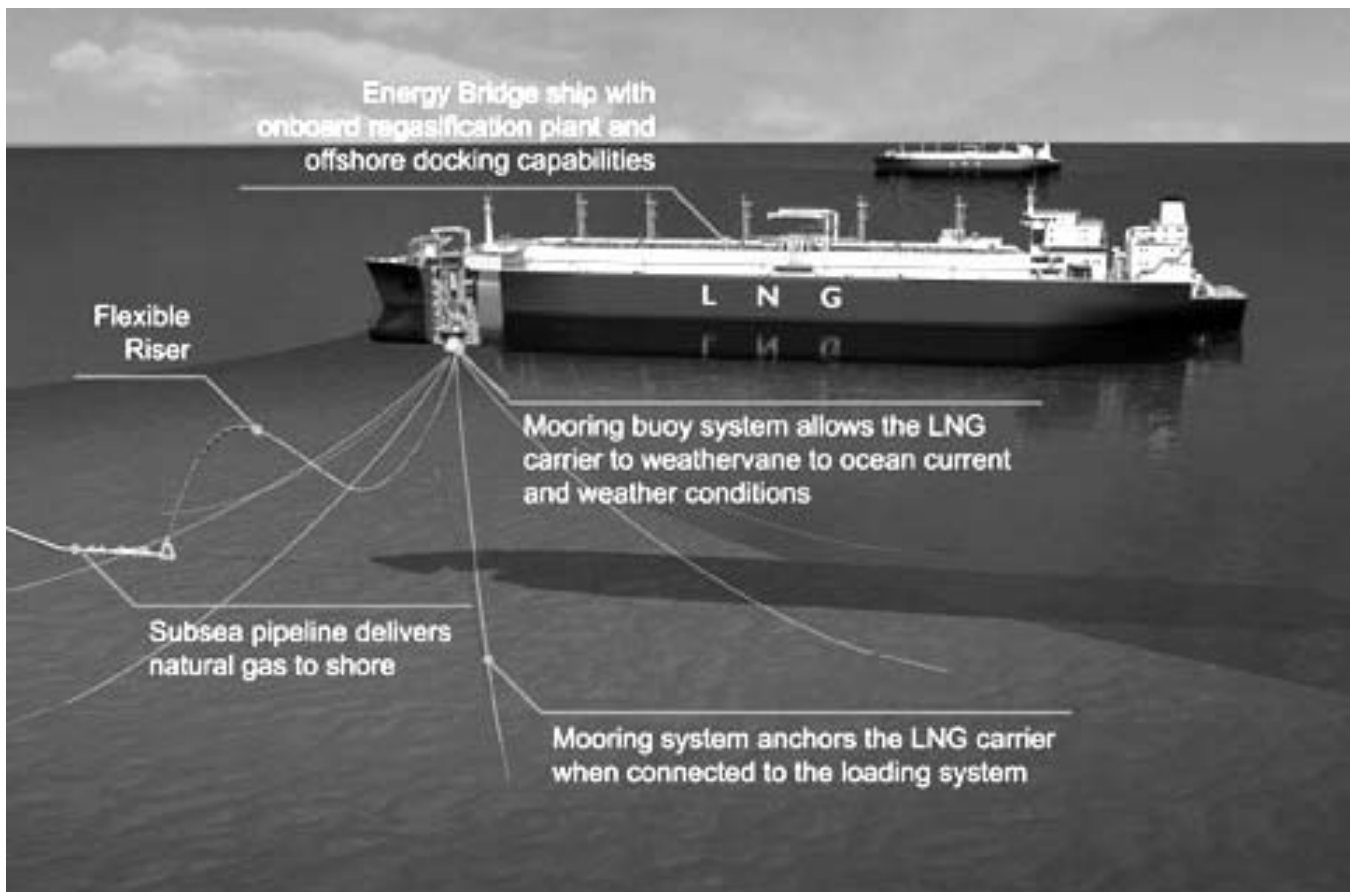
Forest products from Brazil are offloaded at the Port of Beaumont, TX. (Photo courtesy of the Port of Beaumont)

International Labor Organization

The Maritime Administration led the U.S. Delegation to the 94th (Maritime) International Labor Conference at the International Labor Organization (ILO) in Geneva. The conference adopted an unprecedented Maritime Labor Convention that updated, modernized and consolidated nearly 70 existing ILO maritime labor conventions and recommendations dating as far back as 1919. The new convention establishes a comprehensive set of minimum requirements governing working conditions for the world's seafaring labor force including hours of work and rest, recreation, food, health protection, medical care, and conditions of employment. The Maritime Administration delegate served as chair of the "Conference Committee of the Whole."

DEEPWATER PORTS

Deepwater ports are offshore facilities providing a safe and efficient means for the delivery of liquefied natural gas (LNG). Importation of LNG through deepwater ports will help to ensure an adequate supply for the United States, as well as address safety concerns and relieve port congestion. The Maritime Administration's Deepwater Ports Program processes applications submitted by private energy companies to construct, own, and operate deepwater ports. During fiscal year 2006, the Maritime Administration received five applications, participated in seven public license comment hearings, attended three Department of Energy public outreach forums, and issued one Record of Decision on a single license.



Conceptual drawing of Northeast Gateway Deepwater Port Facility proposed for operation in the Massachusetts Bay area. The deepwater port application for this facility is currently under review. (Graphic courtesy Energy Bridge LLC.)

Legal Challenge

The licensing process involves coordination with 15 Federal agencies as well as State and local governments. To date, 15 applications have been filed and four licenses have been issued. All of the licensed projects are located in the Gulf of Mexico region. Ten projects are currently under review, including projects in California, Massachusetts, New York, Florida, and on the Gulf Coast; as many as six more applications may be filed within the next year. Legal issues arising out of the licensing process are often complex and novel such as State and Federal jurisdictional disputes, environmental impact and siting concerns; endangered and protected species; navigation and national security concerns; citizenship; Constitutional issues; and license condition negotiation.

This year, the Maritime Administration successfully defended a legal challenge to the issuance of a license to Gulf Landing, LLC, a subsidiary of Shell Oil Company, for a deepwater port facility in the Gulf of Mexico. In an opinion dated June 8, 2006, the Fifth Circuit Court of Appeals held that the Maritime Administration properly interpreted and applied the Best Available Technology standard of the Deepwater Port Act in issuing a license to Gulf Landing for a facility that will use seawater as the heat source for regasifying cryogenic LNG. The court also upheld the scope of the cumulative impacts analysis in the Environmental Impact Statement for the project.

CARGO PREFERENCE

The Maritime Administration uses economic incentives to encourage operation of vessels under U.S. registry, which are essential to the military and economic security of our Nation. Although the U.S. Government provides limited direct assistance through the Maritime Security Program, the primary form of assistance to 118 U.S.-flagged vessels is provided through the cargo preference laws. In fiscal year 2006, these vessels supported more than 5,500 merchant mariner jobs and a larger number of maritime and transportation-related jobs shoreside. The cargo preference laws generated over 10 million revenue tons of cargo and \$1.3 billion of ocean freight revenue in fiscal year 2006. Varying by corporate size, these cargoes represent from 7 percent to more than 50 percent of a carrier's annual revenues and are vital to retaining vessels operating under the U.S. flag.

The Cargo Preference office provides assistance to shippers seeking to utilize U.S.-flag vessels, and extensive statistical information on military, civilian agency, and humanitarian cargo on the Web site <http://www.marad.dot.gov/offices/cargo/>.

SECURITY, PREPAREDNESS AND RESPONSE

“There’s only one reason why the port was able to come back, and that was the Maritime Administration.”

Gary LaGrange, President and CEO of the Port of New Orleans

A NEW DIMENSION TO NATIONAL SECURITY

On October 1, 2005, when fiscal year 2006 began, the Gulf Coast still reeled from the destruction wrought by hurricanes Katrina and Rita. Eleven ships from the Maritime Administration’s National Defense Reserve Fleet (NDRF) had begun an unprecedented mission, one that would last for another five months. The mission would also change the way many people thought about national security and the role of the merchant marine in time of a national disaster. Other ships, all from the Ready Reserve Force component of NDRF, were going about their accustomed business, supporting the U.S. Armed Forces. Two were taking cargo to and from the Middle East and three others were performing pre-position support duties in the Indian Ocean.

Maritime Administration ships working in the stricken areas of Louisiana and Texas provided shelter, meals, electrical power, and dozens of other services large and small for harbor pilots, longshore workers, students, firefighters, police, refinery workers, and workers from more than a dozen government agencies. The ships stayed in the area for as long as 6 months; the last ship to leave, the Training Ship Empire State, departed New Orleans on March 3, 2006. During their 6-month mission, Maritime Administration ships served more than 169,000 meals and provided more than 83,000 beds for the night.

The response to the hurricanes in the Gulf Coast area marked the first time ships of NDRF had been activated for a domestic emergency. Because the performance of the ships, their officers and crews in this mission was so successful, NDRF became more widely recognized as an important asset in the following emergency responses:

- ***Hurricane Relief Story: Port of New Orleans***

The Ready Reserve Force ship Cape Kennedy is homeported in New Orleans, and weathered Hurricane Katrina at the Poland Street wharf. It quickly became the de facto headquarters for the Port of New Orleans, providing meals, electrical power, telephone service, and shelter for the people who were working to get the port back in operation.

The Port of New Orleans is vital not only for the people of Louisiana, but for the immense cargo traffic traveling on the Mississippi River. A 2005 economic impact report determined that more than 380,000 American jobs were related to cargo activity at the Port of New Orleans.

By December 2005, the port was nearly back to full operations, and in the first five months of 2006 cargo levels were up more than 4 percent compared to the same period's average over the prior four years.

Gary LaGrange, president and CEO of the Port of New Orleans, grateful for the support from the Cape Kennedy and other Maritime Administration ships, said, "There's only one reason why the port was able to come back, and that was the Maritime Administration."



The Port of New Orleans: busy again in April 2006. (Photo by Donn Young)

- ***Port Recovery Monitoring***

The Maritime Administration also assisted in the recovery efforts of the transportation sector, playing a leadership role by developing reviews on hurricane recovery efforts. Accurate information was essential to the recovery effort, but was often difficult to obtain. The Maritime Administration monitored more than two dozen Gulf Coast ports during September and October 2005, and issued detailed reports each day on conditions. After the initial crisis period, the Maritime Administration continued to monitor six ports: Mobile, AL; New Orleans; Port Fourchon, AL; and Gulfport, Pascagoula, and Port Bienville, MS, issuing detailed monthly reports. The Maritime Administration has stayed integrally involved with recovery and restoration of the port system in the Gulf Coast Region.

- *Medals Awarded for Hurricane Recovery Work*

On National Maritime Day, May 22, 2006, Secretary of Transportation Norman Y. Mineta and Acting Deputy Maritime Administrator Julie Nelson awarded the Merchant Marine Medal for Outstanding Achievement to 28 individuals, representing five ship management companies and 14 Maritime Administration ships, for their work in hurricane recovery in the Gulf Coast Region.

The Merchant Marine Medal for Outstanding Achievement is awarded to mariners whose expertise and service bring honor and distinction to the United States merchant marine. At the ceremony, held at the DOT headquarters in Washington, DC Secretary Mineta said, “The Ready Reserve Force ships brought in emergency cargo, generated electricity, helped restore port activities and provided shelter and meals to relief workers. Their hard work was nothing short of extraordinary.”



Barbara Shipley (center), who served as bosun on the Cape Florida, received a Merchant Marine Medal for Outstanding Achievement from Secretary of Transportation Norman Y. Mineta and Deputy Maritime Administrator Julie Nelson. *(Department of Transportation photo)*

- ***Port Preparedness***

The Maritime Administration is part of DOT efforts to ensure that the Nation's transportation network is able to quickly recovery after natural disasters or other incidents. As a result of the 2005 hurricane season, the Maritime Administration and its regional offices are part of teams that provided multimodal solutions to emergency transportation preparedness. The Maritime Administration is developing an internal review of its owned assets and those of commercial maritime entities that can be allocated and used for future response and recovery efforts on a regional basis. Special attention will be given to the Louisiana region.

Additionally, the Maritime Administration is providing detailed input to help define, develop, and prepare requirements for emergency transportation services nationwide. Maritime Administration efforts assist DOT in defining what resources are needed to support critical emergency operations, commercial services to rapidly reopen marine transportation systems, and transport options for commodities and passengers through vessel services to support emergencies commercial freight movement. These activities are expected to lead to a departmental contract to have ready the needed transportation platforms to provide national disaster relief assistance.

SEALIFT PROGRAMS: MARITIME SECURITY PROGRAM, VOLUNTARY INTERMODAL SEALIFT AGREEMENT, READY RESERVE FORCE

The Maritime Administration is charged with maintaining a merchant marine capable of service as a military auxiliary in time of war or national emergency. Two interlocking sealift programs, the Maritime Security Program (MSP) and the Voluntary Intermodal Sealift Agreement (VISA), are a joint effort with the U.S.-flagged commercial fleet. The Ready Reserve Force fleet is comprised of ships owned and operated by the Maritime Administration, using the services of commercial ship management companies.

- ***Sixty-ship Maritime Security Program Fleet***

The The MSP and VISA programs make commercial ships and intermodal sealift capacity available to the U.S. military. The programs are designed primarily for sustainment sealift, which is maintaining sealift capacity when the initial surge period has passed. VISA is sponsored jointly by Maritime Administration and the Department of Defense (DOD), and includes nearly all of the U.S.-flagged oceangoing cargo fleet. VISA participants commit specific vessel capacity, intermodal equipment, and management services to DOD. The VISA program is the means used by DOD to pre-plan the availability of militarily-useful commercial vessels for DOD in times of emergency. In return for their capacity commitments, VISA participants receive priority consideration for the award of DOD peacetime cargoes.

The MSP-generated capacity is a significant component of VISA; MSP participants are required to enroll 100 percent of their MSP ships and a corresponding level of intermodal resources and services in the VISA program. These two interlocking programs serve to maintain a U.S.-flagged fleet in oceangoing commerce, both in peace and war. During 2006, the Maritime Administration maintained the

enrollment of 60 ships in the MSP and an overall enrollment of 118 ships in the VISA program. Since January 2003, a total of 79 VISA ships have been used to support Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF), including 57 MSP ships. One additional VISA ship supported the rebuilding of Iraq.

On October 1, 2005, MSP operators began operations in U.S. international trade under the reauthorized MSP. Subject to the availability of funds, MSP companies will receive \$2.6 million per ship per year for fiscal years 2006 through 2008, \$2.9 million per ship per year for fiscal years 2009 through 2011, and \$3.1 million per ship per year for fiscal years 2012 through 2015. The current MSP fleet includes 35 containerships, five geared containerships, 14 roll-on/roll-off vessels, two heavy-lift ships, one lighter aboard ship, and three product tankers. A chart illustrating the 60 ships, their types, and their operating companies, is available for review online at www.marad.dot.gov/Offices/MSP_Fleet.xls.

MARITIME SECURITY

The Maritime Administration is significantly involved in the interagency process for the development of the National Strategy for Maritime Security and its eight supporting plans. Although the implementation plans address different aspects of maritime security, they are mutually linked and reinforce each other. Together, the National Strategy for Maritime Security and its supporting plans represent the beginning of a comprehensive national effort to promote global economic stability and protect legitimate activities, while preventing hostile or illegal acts within the maritime domain. The Maritime Administration provided public and private sector insight to ensure that these plans reflected maritime industry concerns and knowledge.

STRATEGIC PORTS

The Maritime Administration administers the Strategic Ports Program, under which 15 U.S. ports are designated by DOD for possible use during a military contingency or other national emergency. The commercial ports must handle military cargo securely, efficiently, and in a way that minimizes disruption of commercial cargo. In addition, the Maritime Administration chairs the National Port Readiness Network (NPRN) which promotes the readiness of the Strategic Ports. The NPRN is based on the NPRN Memorandum of Understanding on Port Readiness–Revision 6 and is made up of nine Federal agencies: the Maritime Administration, U.S. Coast Guard, U.S. Army Corps of Engineers, Transportation Security Administration, Military Surface Deployment and Distribution Command, U.S. Army Forces Command, U.S. Northern Command, U.S. Transportation Command, and Maritime Defense Zone (MARDEZ). All have deployment-related missions. The NPRN organization is composed of a steering group, working group, and local Port Readiness Committees.

The DOD, in conjunction with the Maritime Administration, negotiates a Port Planning Order with each strategic port, specifying which facilities will be needed to conduct a military deployment. Each port is expected to be able to make these facilities available to the military within 48 hours of notification.

<p>Performance Summary: The target for availability of strategic port facilities within 48 hours was 93 percent; performance was 100 percent. Target was exceeded.</p>

The target was exceeded despite the continued commercial cargo growth. The Maritime Administration is working with DOD's Surface Deployment and Distribution Command on restructuring plans to accommodate anticipated growth to ensure that military cargoes are not delayed in the future.



PORT SECURITY GRANTS

The Maritime Administration continued its assistance to the Department of Homeland Security through a number of initiatives. In 2006, the Maritime Administration provided expertise in port infrastructure development by assisting in the awarding of \$168 million in port security grants. The 2006 program provided funds to create sustainable, risk-based efforts to protect critical port infrastructure from terrorism. The U.S. Coast Guard developed a list of critical ports for the submission of proposals. The ports were grouped into four tiers, with Tier 1 representing the highest risk and Tier 4 representing the lowest risk. Funding was awarded for specific projects within each port area based on that port's relative risk and the relationship of each project to identified port security priorities. Since 2002, more than \$876 million has been awarded to enhance security at the Nation's ports and maritime facilities.

The Maritime Administration also assisted Homeland Security in the continued evaluation of the Transportation Worker Identification Credential (TWIC). The TWIC will assist in providing uniform identification requirements for transportation workers.

A seafarer raises the U.S. flag on the RRF ship Alliance in New York, October, 2005. The ship is part of the MSP. *(Photo by Jordan Biscardo)*

NATIONAL DEFENSE RESERVE FLEET

The Maritime Administration maintains militarily-useful vessels in the National Defense Reserve Fleet (NDRF). The Ready Reserve Force is the active reserve component, and other vessels may be activated to support cargo movement requirements during national emergencies. Some NDRF ships may be operated infrequently, being in long-term storage in a preserved condition. Others may be scheduled for sale, donation, or disposal. The NDRF program was started after World War II when the Merchant Ship Sales Act of 1946 was enacted. As ships used for the war were retired, the program grew to a high point of 2,277 ships in 1950. When ships are no longer militarily useful, the Maritime Administration arranges for their responsible disposition. Ship sales, donations, and disposal efforts have reduced the inventory while other initiatives have added newer ships to the program.

As of September 30, 2006, there were 231 vessels in the NDRF of which 44 were in the RRF, 35 were in long-term storage (retention), and 152 were ready for disposal or being prepared for disposal (non-retention). An additional 20 vessels, owned by other Federal agencies, were also maintained at NDRF facilities on a cost reimbursable basis. The total number of vessels in custody associated with the NDRF program at the end of fiscal year 2006 was 251.

There are three main NDRF anchorages. As of September 30, 2006, 56 ships were in the James River Reserve Fleet at Fort Eustis, VA; 45 in the Beaumont Reserve Fleet at Beaumont, TX; and 76 ships were in the Suisun Bay Reserve Fleet at Benicia, CA. In addition, there are 74 vessels assigned to port facility locations. A current inventory of the NDRF may be reviewed online at http://www.marad.dot.gov/Offices/Ship/Current_Inventory.pdf.

- ***Ready Reserve Force***

The ships of the RRF not only provided hurricane recovery support in fiscal year 2006, but also continued operations to the Middle East in support of U.S. Armed Forces. Five RRF ships were activated to provide sustainment sealift to Kuwait.

Numbers and types of RRF vessels held in reserve are determined by the U.S. Transportation Command (USTRANSCOM). As of October 1, 2005, there were 58 ships in the RRF. However, USTRANSCOM ordered a reduction in the number of RRF vessels effective at the end of the fiscal year, reducing the number of active ships to 44.

MERCHANT MARINER AVAILABILITY

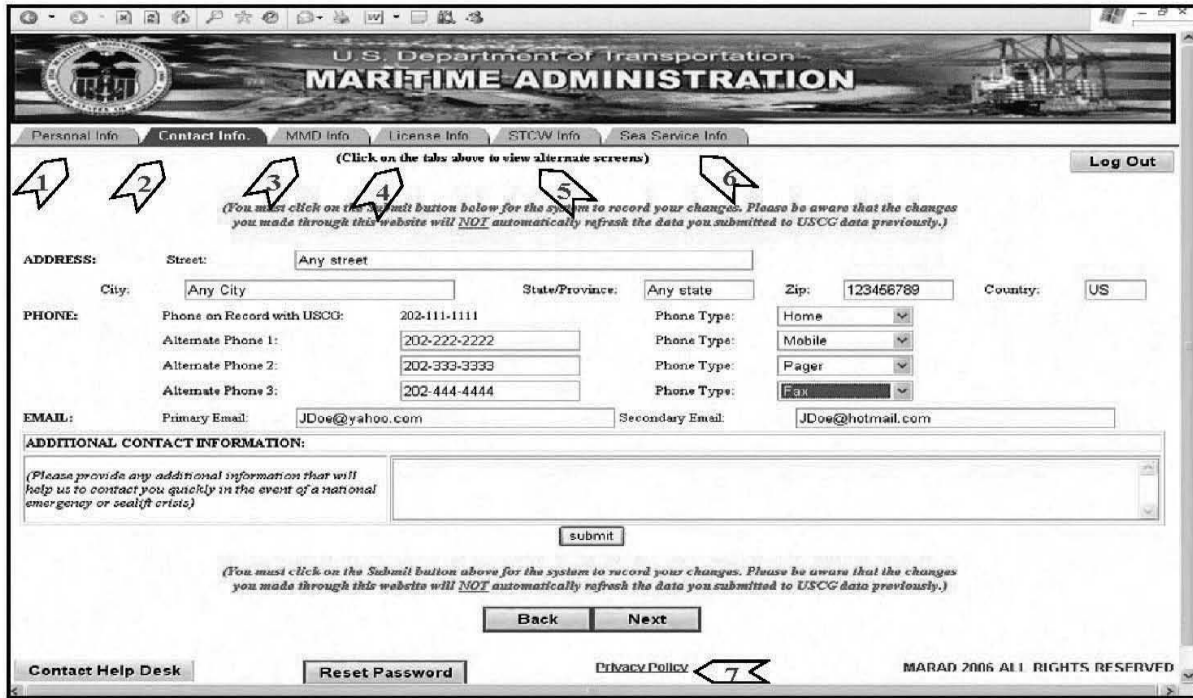
An essential component of assuring sufficient sealift is confirming that enough qualified mariners are available to sail the required number of ships. The Maritime Administration monitors the availability of qualified mariners to facilitate swift and efficient crewing.

On June 1, 2006, the Maritime Administration launched the Internet-based Mariner Outreach System (MOS). This allows mariners who agree to participate to review their qualifications and sea service, and to provide updated and more detailed contact information. The MOS provides a systematic way to monitor the adequacy of our Nation's merchant mariner workforce. Should normal crewing practices ever prove to be inadequate, MOS could be used to assist those in need of mariners.

As of October 1, 2006, there were 107,846 mariners holding a U.S. Merchant Mariner's Document, and 25 percent of those mariners had consented to participate in the MOS—an encouraging set of numbers for the new system's first four months of operation.

In fiscal year 2006, no ships activated for DOD missions were delayed or failed to sail because of crewing issues. The estimated number of willing and available mariners in the merchant mariner labor pool was

approximately 115 percent of the number required to fully crew the commercial and government fleets. This increase over the previous year was partly due to the training of additional mariners, and partly to a reduction in the number of active RRF vessels late in the year.



A screen shot of the Mariner Outreach System portal, which was launched in June 2006.

MERCHANT MARINE OFFICERS

The Maritime Administration operates the U.S. Merchant Marine Academy at Kings Point, NY, and provides assistance to six State academies.

U.S. Merchant Marine Academy

The U.S. Merchant Marine Academy educates young men and women for service in the American merchant marine, in the U.S. Armed Forces, and in the Nation's intermodal transportation system.

Graduates receive a bachelor of science degree and U.S. Coast Guard-issued licenses as deck or engineering officers, and commissions in the U.S. Navy Reserve or another uniformed service. The Maritime Administration owns and operates USMMA's primary training vessel, Kings Pointer, which is used to supplement midshipman training aboard commercial vessels.

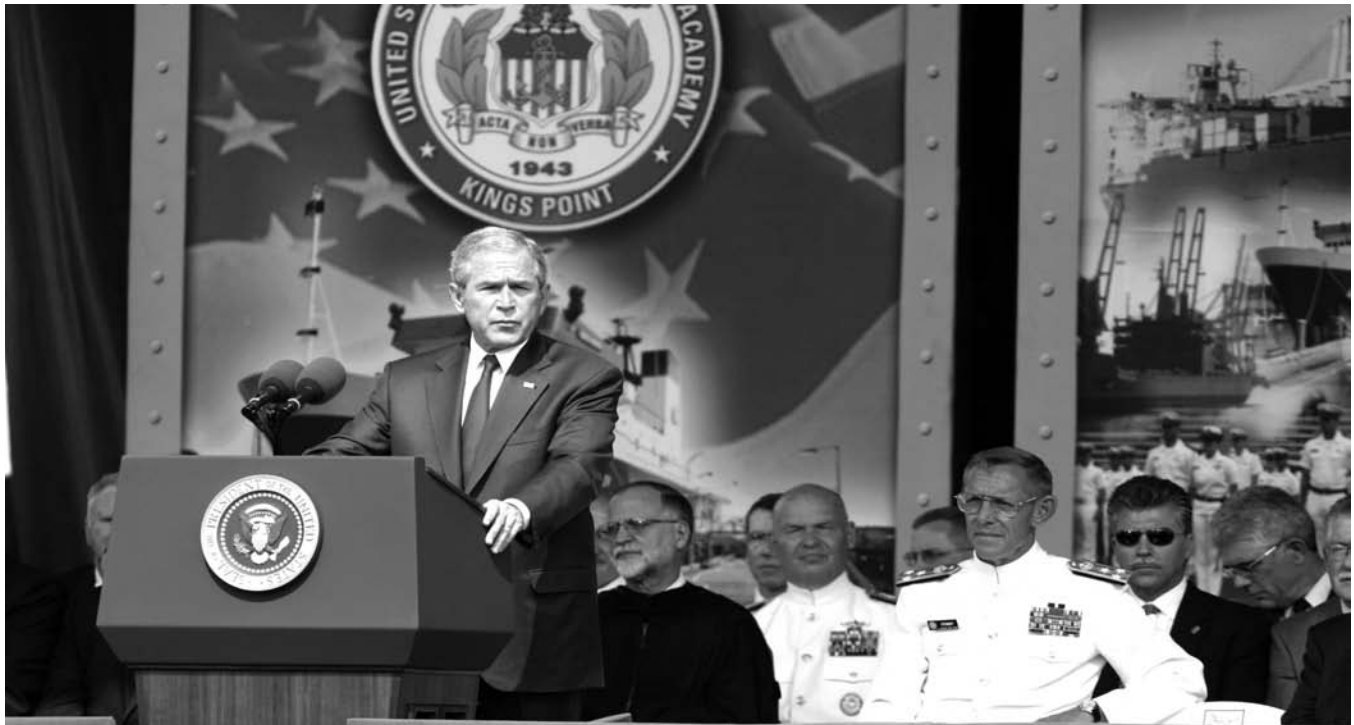


The Training Ship *Kings Pointer* is anchored at the U.S. Merchant Marine Academy, Kings Point, NY.
(Photo courtesy of the USMMA)

As a key component of our national security effort, Academy graduates incur an 8-year U.S. Navy Reserve commitment (unless they are accepted in another uniformed service) that obligates them to serve in time of war or national emergency. The critical maritime and logistical skills developed with their military training significantly increases our Nation's homeland security and defense readiness.

Academy graduates are required to obtain a merchant marine officer's license in order to graduate from the Academy, and to maintain the license for at least six years. Graduates are also committed to a 5-year maritime employment service obligation, which may be satisfied in the merchant marine as an officer aboard U.S. merchant ships, or in shoreside maritime transportation or logistics industry positions if afloat employment is not available, and with the permission of the Maritime Administrator.

Active duty in the U.S. Armed Forces or service with the National Oceanic and Atmospheric Administration also satisfies the service obligation.



President George W. Bush addresses the student body at the USMMA during graduation ceremonies June 19, 2006. “America has invested in you, and she has high expectations,” said President Bush. “My call to you is this: Trust your instincts, and use the skills you were taught here to give back to your nation. Do not be afraid of mistakes; learn from them. Show leadership and character in whatever you do. The world lies before you. I ask you to go forth with faith in America, and confidence in the eternal promise of liberty.” *(Photo courtesy of the USMMA)*

President George W. Bush’s visit to the Academy as the keynote commencement speaker on June 19, 2006—the first visit to USMMA by a sitting U.S. President—was the highlight of the 2006 academic year and resulted in USMMA receiving the DOT Outstanding Unit Award. The Class of 2006, which represented 34 States and the U.S. Virgin Islands, was comprised of 116 third mates and 86 third assistant engineers. The 28 women graduates in 2006 brought to 552 the total number of female graduates since the first coeducational graduating class in 1978. Within 6 months after graduation, nearly 100 percent of the 202 graduates had obtained employment in the maritime and transportation industry, afloat and ashore, or were serving on active military duty.

In July 2006, 275 men and women comprising the Class of 2010 reported to the Academy. The plebe class included eight international students from the Republic of Panama. Since 1982, USMMA has trained 130 Panamanians on a reimbursable basis to provide skilled personnel for the operation of the Panama Canal. Joining the Class of 2007 were three South Korean exchange students who will remain at USMMA through June 2007.

The USMMA’s academic programs were reviewed and reaccredited in 2006 by both the Middle States Committee on Higher Education and the Accreditation Board for Engineering and Technology. These two initiatives involved comprehensive, multi-year self-study efforts, followed by external peer reviews. The Academy continued to perform satisfactorily against its program goals established through the Office of Management and Budget’s Program Assessment Rating Tool (PART) process.

The USMMA has continued to aggressively pursue its Alternative Energy Program. In June 2006, the Solar-Hydrogen Home, jointly developed with New York Institute of Technology, went into service. This structure had been an entry in DOE's 2005 Solar Decathlon, where it was hailed for its innovative engineering design. The home now serves as a test-bed for alternative energy concepts for both maritime and domestic use.

The Academy installed two new state-of-the-art navigation simulators in Bowditch Hall, including a 16-station RADAR/Advanced Radar Plotting Aid lab and a 16-station Electronic Chart Display and Information System lab. Upgrades were performed to the full-mission Computer-Aided Operations Research Facility bridge simulator.

These high-technology facilities are used to train midshipmen, NOAA Corps officers and Navy reservists in safe bridge and watchstanding practices, and in environmentally sound vessel operations.

The USMMA initiated discussions with the Office of the Secretary of the Army resulting in the assignment of two Army National Guard personnel to the Academy. The strategic goal of this developing plan is to commission Academy graduates into the National Guard of their respective home States. These individuals would form the core of a professional transportation and logistics response team in natural disaster or homeland security crises.

The Maritime Administration's Global Maritime and Transportation School (GMATS), headquartered on the Kings Point campus, established an ongoing cooperative agreement with American Military University and continued as a world leader in professional maritime and intermodal transportation continuing education. GMATS is an official training site for the U.S. Army, U.S. Navy and the National Oceanic and Atmospheric Administration.

Some 2,400 participants attended GMATS courses in fiscal year 2006.

In 2006, USMMA received authorization from the Secretary of Defense for its midshipmen to participate in future state funerals.

State Maritime Academies

Each of the six State academies is funded primarily by its own State government. The Maritime Administration also provides assistance to the State maritime academies, which are located in California, Maine, Massachusetts, Michigan, New York, and Texas. Support includes providing a training ship for each academy. Three of those training vessels served in the recovery efforts on the Gulf Coast in fiscal year 2006.

The State maritime academies' primary purpose is the education of licensed officers to meet the manpower requirements of the U.S. merchant marine.

State maritime academy programs contribute more than half the entry-level officers trained annually. There were 492 graduates of State academies in 2006: 122 from the State University of New York Maritime College, 101 from the Maine Maritime Academy, 96 from the Massachusetts Maritime Academy, 131 from the California Maritime Academy, 29 from the Texas Maritime Academy, and 12 from the Great Lakes Maritime Academy. These mariners are needed to safely operate vessels in the deep sea, coastwise, Great Lakes and other U.S. maritime sectors.

In addition to its core licensed officer programs, the State academies offer numerous additional programs that support the Maritime Administration's strategic objectives of national security, commercial mobility and environmental protection. Graduates who pursue degrees in other disciplines make significant contributions to the American maritime infrastructure.

The State maritime academy programs have provided specialized, geographically focused maritime education and training in other maritime-related fields. The six State academies represent a unique Federal/State partnership that is successful because of its ability to collaborate with related programs to achieve their goal of preparing through education and training highly sought licensed officers for the U.S. Merchant Marine.

Training Voyages

The Maritime Administration provides training ships, also called schoolships, for each of the academies.

The Training Ship State of Maine, in addition to serving for several months providing meals, shelter and other assistance in New Orleans, took students on a training voyage to Spain, Poland, and Ireland.

The TS Empire State served in Belle Chasse, LA and in New Orleans before taking New York Maritime students to Greece, Turkey, Romania, Croatia, and Ireland.

The TS Enterprise voyage took Massachusetts Maritime students to Spain, Italy, the Madeira Islands, and Norfolk, VA.

Sirius, the new training ship for Texas students, served in New Orleans, and then went into the shipyard for refitting.

Texas students doubled up with California Maritime students on the TS *Golden Bear*, which went to Mexico, Peru, Chile, and Costa Rica. The TS *State of Michigan* visited Michigan ports Sault Ste. Marie, Houghton, Marquette and Port Huron. They also visited Duluth, MN.

Scenes from the 2006 training voyage of the TS *Golden Bear*.



Berthing at the Costa Rica port of Golfito: Cadets man the lines and winches, supervised by California Maritime Academy faculty. This maneuver was completed without the use of tugs or shipboard thrusters.

Cadets get training in shipboard fire fighting, teamwork and communication in a crisis.



California Maritime Academy cadets receive instruction in lifeboat operations, maintenance and safety.

(Photos courtesy of California Maritime Academy)

MARITIME RECRUITMENT/CAREERS OUTREACH

The Maritime Administration staff in partnership with the Ship Operations Cooperative Program, Mariner Recruitment and Retention Working Group, and other industry partners have worked to develop and promote a positive image and increase the awareness of the maritime industry for the general public, particularly youth, about career opportunities in the maritime industry. This outreach plays an important role in ensuring that our Nation has adequately trained reliable crews for sealift support in times of peace and national emergency. The partnership has been very resourceful and effective in its outreach initiatives accomplishments, which include co-sponsoring career fairs and trade show booth exhibitions; continued enhancement of the career information Webpage; delivering presentations to various public school career day activities; providing documentary resources such as “Merchant Marine Seal and Flag” and “Serving America in Peace and War” to other Federal Government agencies to utilize at various conferences; and providing assistance to a maritime educational institution in its efforts to host the Summer 2006 Maritime Transportation Teacher Institute program. This program provides a foundation in maritime transportation, its history, current operations and future challenges and facilitation of the development of standards-based lessons in science, mathematics and social studies.

ENVIRONMENTAL STEWARDSHIP

SHIP DISPOSAL

When the ships of the National Defense Reserve Fleet are no longer militarily useful, the Maritime Administration ensures their responsible disposition. Fiscal year 2006 was the fourth year the Maritime Administration received direct appropriations for the Ship Disposal Program. The Maritime Administration used four annual performance measures and goals during the fiscal year for the Ship Disposal Program, and the program was more than successful in each of those measures.

- **Number of obsolete vessels from the National Defense Reserve Fleet (NDRF) sites covered by disposal contract awards for subsequent disposal:** The target was 13; the actual number of contracts awarded for obsolete, non-retention ships was 22, exceeding the fiscal year 2006 target by nine.
- **Number of obsolete vessels removed from the National Defense Reserve Fleet (NDRF) sites for subsequent disposal:** The target was 13 vessels; the actual number of vessels removed in fiscal year 2006 was 25, exceeding the fiscal year 2006 target by 12.
- **Number of obsolete vessels disposed of from the National Defense Reserve Fleet (NDRF) sites:** The target was 15 ships; the actual number of vessels disposed in fiscal year 2006 was 20, exceeding the fiscal year 2006 target by five.
- **Cost-per-ton for obsolete vessel disposal actions from the National Defense Reserve Fleet (NDRF):** The target cost was \$200 per ton; the actual cost-per-ton figure for fiscal year 2006 was \$83.

The Maritime Administration continues to follow its Ship Disposal Comprehensive Management Plan (CMP) that implements disposition of all existing obsolete ships and future transfers in a timely manner, maximizing the use of all available disposal methods. Sound management of disposal contracts under the CMP also contributed to significant savings as shown in the cost-per-ton performance measure. Taken together, the fiscal year 2006 results from these measures have resulted in the reduced likelihood of environmental damage from the obsolete ship inventory now and into the near future, which is a Maritime Administration objective.

In 2006, the Maritime Administration also exceeded the targets for its two long-term ship disposal measures by maintaining the number of high-priority ships available for disposal at no more than 5 percent of the total number of obsolete ships in the NDRF with an actual result of 2.4 percent. The Maritime Administration also exceeded the second long-term measure by removing more vessels in 2006 than the average number of ships designated as obsolete on an annual basis.

The Maritime Administration continues to communicate its disposal plan and impediments to the Congress on a semi-annual basis and continues to address legal, legislative, and regulatory inter-agency issues to ensure the efficient disposal of ships with due regard for the environment and worker safety.

Since January 2005, the Maritime Administration has been using the Federal Acquisition Regulation (FAR) Test Program for Certain Commercial Items for announcing and awarding ship recycling contracts. The Maritime Administration implemented the use of standing quotations (SQ) in fiscal year 2005 and continues to use the SQ process as the primary procurement method for soliciting ship disposal services. The use of SQ is a simplified acquisition procedure for the competitive procurement of commercial services. The result in fiscal year 2006 has been greater efficiency in the award process and more competition in the market place.



The remains of the *Mormacmoon*, which was dismantled at Sparrows Point, MD as part of the Ship Disposal Program.
(Photo by David Condino)

AQUATIC NUISANCE SPECIES / BALLAST WATER INITIATIVE

The Maritime Administration's ballast water initiative continues to grow with projects throughout the United States. Water is frequently taken onto vessels as ballast, to provide stability. When the water is released into another environment, invasive species in the water may also be released. The Maritime Administration is assisting the Northeast Midwest Institute (NEMWI) in developing a facility in the Great Lakes to test promising technologies that will inhibit the introduction of aquatic invasive species through ballast water. The testing facility project was launched in Madison, WI in June 2006 as the part of the "Great Ships Initiative," in partnership with the National Oceanic and Atmospheric Administration, the University of Wisconsin, NEMWI, and other State agencies.

The Maritime Administration is modifying two of its Ready Reserve Force vessels to accommodate "plug and play" ballast water treatment systems. Ballast water technology efforts have been expanded through the schoolship program and cooperation with the State maritime academies. The Maritime Administration partnered with the California Maritime Academy to design modifications to the Training Ship *Golden Bear* to allow for the use of the ship in ballast water-related technology testing.

PORT & VESSEL AIR EMISSIONS

Air emissions economic incentives research has continued through a cooperative agreement with the University of Delaware, College of Marine Studies. In August, the Maritime Administration completed the initial phase of the incentives project, which consists of a report entitled "Overview of Policy Instruments for Reducing Ship Emissions." The final project will be completed in spring of 2007. Because of the significance of this project for the maritime industry, additional funding was provided in mid-summer 2006 to support an industry-based survey to elicit the most valuable incentive opportunities.

ENVIRONMENTAL MANAGEMENT SYSTEM

In 2006, the Maritime Administration implemented an Environmental Management System (EMS) in the James River Reserve Fleet (JRRF). Using the JRRF as a pilot, the Maritime Administration is now expanding EMS implementation to its other four facilities, (i.e., the U.S. Merchant Marine Academy (USMMA), the Suisan Bay Reserve Fleet, the Beaumont Reserve Fleet, and the Fire Training Center.) The EMS effort is designed to improve environmental stewardship at agency facilities.

DECOMMISSIONING THE N.S. SAVANNAH

The Maritime Administration owns the only nuclear-powered merchant ship ever built in the United States, the NS *Savannah*. All nuclear fuel was removed from the ship more than 30 years ago, but in fiscal year 2006 the Maritime Administration took major steps toward completing the decommissioning of the nuclear facilities housed on the ship.

In fiscal year 2006, the Maritime Administration completed organizational changes necessary to undertake an increased level of license activities in accordance with contemporary nuclear practices. External activities ensured transparency of this process. Three communities are being considered for the decommissioning work at this time: Wilmington, NC; Charleston, SC; and Norfolk, VA. Public meetings were held in each of these communities, and members of the local news media attended each meeting.



NS *Savannah* is towed through Norfolk, VA, enroute to the first stage of work on its nuclear decommissioning.
(Photo by Erhard Koehler)

The Maritime Administration facilitated media coverage on August 15, 2006, when the *Savannah* was towed from its long-time mooring at the James River Reserve Fleet to a shipyard in preparation for decommissioning. With flags flying, the *Savannah* departed the fleet anchorage, and passed through the heart of the historic seaport of Norfolk, VA enroute to its shipyard berth.

The Maritime Administration submitted the first of several required license amendments to the Nuclear Regulatory Commission to prepare for decommissioning. The agency plans to eventually select a U.S. East Coast port complex for the decommissioning, and, after drydocking, will move the *Savannah* to that port.

ORGANIZATIONAL EXCELLENCE

The President's Management Agenda (PMA) for reform of government operations has six government-wide initiatives to improve Federal performance and deliver results that matter to the American people. The Maritime Administration's pursuit of organizational excellence has therefore focused on budget and performance integration, improved financial performance, competitive sourcing, strategic management of human capital, Federal real property asset management, and expanded electronic government.

BUDGET AND PERFORMANCE INTEGRATION

The Maritime Administration continued to earn a green status rating in this area. Green is the highest rating available; yellow is lower, and red is the lowest.

The agency produced an integrated performance budget request during fiscal year 2006 for the fiscal year 2008 budget year. This budget request was organized in a manner that continues to tie the budget to specific agency needs and to DOT strategic and performance goals. This budget request also improved the readability of the document, and increased the reader's understanding of the funding request.

The Maritime Administration conducted three Program Assessment Rating Tool (PART) reviews during fiscal year 2006 in support of the fiscal year 2008 budget process. PART is a diagnostic tool used to assess program performance and drive improvements. The top score is 100. PART results are reported in the annual budget request submitted to Congress. Two programs received a final rating of 'effective' with scores of 89 and 88. One program was rated 'moderately effective' with a score of 75. These scores are well above the government-wide average.

IMPROVED FINANCIAL PERFORMANCE

The Maritime Administration continued to make significant progress during fiscal year 2006 in improving financial management. The agency has achieved green status in six areas: Fund Balance with Treasury; Delinquent Accounts Receivable from Public; Interest Penalties Paid; Electronic Payment; Travel Card Delinquency Centrally Billed Account; and Purchase Card Delinquency Rate.

The Maritime Administration is expected to be yellow in one area and red in two areas. Those needing continued improvement are: Electronic Payments; Suspense Clearing; Percent Non-Credit Card Invoices Paid on Time.

COMPETITIVE SOURCING

The Maritime Administration continued to advance the PMA agenda by, among other things, satisfactorily completing an OMB Circular A-76 competition. The competition resulted in the agency's continued green status for competitive sourcing.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

The Maritime Administration Human Capital Council was established three years ago to prescribe and implement best practices for human resources management in accordance with the PMA. During fiscal year 2006, the Maritime Administration's Human Capital Council focused on numerous PMA items, including workforce planning, closing information technology skill gaps, mission critical occupations, and leadership gaps.

In addition, the Maritime Administration has aggressively pursued updating its Performance Management Program through revising policies and conducting formal training sessions for all employees, managers and supervisors. The agency also participated in a DOT initiative to provide an Internal Control Action Plan for Human Resources Management activities in accordance with the Office of Management and Budget's Circular A-123 Internal Control Assessment Review Program.

The Maritime Administration remains committed to supporting the DOT in accomplishing the Human Capital initiatives of the Department, which continues to earn a green status from the Office of Personnel Management.

The Maritime Administration's employment totaled 790 at the end of fiscal year 2006. During the fiscal year the agency hired a total of 58 permanent employees; 45 percent of the hires were female, 32 percent were minority employees.

REAL PROPERTY ASSET MANAGEMENT

As required by the President's Management Agenda, the Maritime Administration updated its Asset Management Plan as a part of the Department of Transportation's Asset Management Plan and updated the departmental electronic system for real property asset management (REMS) as it pertains to the Maritime Administration. Given its geographic location, it is no surprise that the United States Merchant Marine Academy is one of DOT's top five real property investment areas. Investment priorities were established using three parameters: mission criticality, facility condition index, and utilization rate. All assets were reviewed and performance measures were validated during fiscal year 2006.

EXPANDED ELECTRONIC GOVERNMENT

In fiscal year 2006 the Maritime Administration implemented the Federal Personnel and Payroll System (FPPS) for human resource management. The agency also implemented QuickHire to automate human resource recruitment, and made progress in transitioning to DOT's financial management solution, Delphi. The Maritime Administration plans to sunset its legacy system in fiscal year 2007.

The Maritime Administration automated its mariner workforce projection capabilities using data from the U.S. Coast Guard and deployed an online portal to allow mariners to easily register to crew RRF ships during emergencies, thus strengthening national security.

LEGAL SERVICES

The Maritime Administration is required to report on certain activities under the Suits in Admiralty Act.

- ***Admiralty Actions***

The United States prevailed in two lawsuits in which a total of \$1.7 million in damages was awarded based on damage to Maritime Administration vessels.

- ***Admiralty Claims***

An Admiralty Extension Act claim has been filed by various insurance companies seeking \$5 million in compensation for pollution damage to new automobiles in Belgium.

- ***Admiralty Personal Injury Matters***

The United States is currently the named defendant in 11 personal injury cases filed in Federal district courts as of September 30, 2006. Although liability for each case cannot be determined with precision, it is estimated that probable contingent liability for the current cases may be up to \$1.2 million.

FREEDOM OF INFORMATION ACT

The Maritime Administration began fiscal year 2006 with 111 carryover Freedom of Information Act (FOIA) requests for access to records, and received 120 new requests. One hundred twenty-four requests were processed during fiscal year 2006, and 107 were pending at year's end. There were three FOIA administrative appeals; one was partially upheld and the Department concurred with the other two initial responses.

CIVIL RIGHTS

The Office of Civil Rights partnered with the Office of Human Resources to develop an educational initiative on Alternative Dispute Conflict resolution skills for the agency's executive leaders and managers during the fiscal year.

This major initiative aligns with DOT's focus on developing and strengthening the organization's leadership and management skills. In addition, the Maritime Administration's positive approach in using ongoing education of executives and managers on conflict management has resulted in increased use of mediation and facilitation to resolve disputes. Strategic facilitations also were productive in globally addressing issues, conflicts, and complaints.

In fiscal year 2006, the Maritime Administration made preparations to hire two recruiters at the U.S. Merchant Marine Academy to assist in increasing the diversity of applicants and midshipmen. The agency also partnered with the Hispanic Association of Colleges and Universities, and Patriots Technology Institute, in Springdale, MD to educate potential future transportation leaders on the challenges and opportunities available in the maritime industry.

Financial Statements

AS OF SEPTEMBER 30, 2006 AND 2005

The Financial Statements include:

Balance Sheet (Pages 44 and 45)

Statement of Net Cost (Page 45)

Statement of Changes in Net Position – Cumulative Result of Operations (Page 46)

Statement of Changes in Net Position – Unexpended Appropriations (Page 47)

Statement of Budgetary Resources (Pages 48 and 49)

Statement of Financing (Pages 50 and 51)

There are 23 Notes to the Financial Statement, and 4 Supplemental Financial Information documents. They are available online for review at www.marad.dot.gov.

Maritime Administration Financial Statements

Balance Sheet As of September 30, 2006 and 2005

(Dollars in Thousands)

	FY 2006	FY 2005
Assets (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	639,732	690,876
Investments (Note 4)	151,766	64,800
Accounts Receivable, Net (Note 5)	45,949	39,592
Loans Receivable	0	0
Other Assets (Note 6)	507	405
Total Intragovernmental Assets	837,954	795,673
Cash and Other Monetary Assets	10	10
Investments (Note 4)	0	0
Accounts Receivable, Net (Note 5)	0	2,836
Loans Receivable and Related Foreclosed Property, Net (Note 7)	28,357	65,890
Inventory and Related Property, Net (Note 8)	257,798	287,286
General Property, Plant and Equipment, Net (Note 9)	641,254	718,547
Other Assets (Note 6)	0	0
Total Assets	1,765,373	1,870,242
Stewardship PP&E (Note 10)		
Liabilities (Note 11)		
Intragovernmental:		
Accounts Payable	277	205
Debt (Note 12)	271,307	254,525
Other Intragovernmental Liabilities (Note 13)	229,292	367,918
Total Intragovernmental Liabilities	500,876	622,648
Accounts Payable	36,165	40,108
Loan Guarantee Liability (Note 7)	345,342	392,870
Federal Employee and Veterans' Benefits (Note 11)	20,730	20,133
Environmental Cleanup and Disposal Liabilities (Note 15)	380,371	407,049
Grant Accrual (Note 14)	0	0
Other Liabilities (Notes 13, and 17)	124,863	39,091
Total Liabilities	1,408,347	1,521,899
Commitments and Contingencies (Note 17)		

Maritime Administration Financial Statements

Balance Sheet As of September 30, 2006 and 2005

Continued

(Dollars in Thousands)

	FY 2006	FY 2005
Net Position		
Unexpended Appropriations - Earmarked funds (Note 18)	0	0
Unexpended Appropriations - Other funds	197,812	203,255
Cumulative Results of Operations - Earmarked funds (Note 18)	53,792	53,054
Cumulative Results of Operations - Other funds	105,422	92,034
Total Net Position	357,026	348,343
Total Liabilities and Net Position	1,765,373	1,870,242

Maritime Administration Financial Statements

Statement of Net Cost for Periods Ended September 30, 2006 and September 30, 2005

(Dollars in Thousands)

	FY 2006	FY 2005
Program Costs (Notes 19 and 20):		
Gross Costs	851,955	753,071
Less: Earned Revenues	394,430	474,157
Net Cost of Operations	457,525	278,914

Maritime Administration Financial Statements

Statement of Changes in Net Position - Cumulative Results of Operations for Periods Ended

September 30, 2006 and September 30, 2005

(Dollars in Thousands)

	FY 2006	FY 2005
Beginning Balances	145,088	-299,066
Adjustments (+/-)	0	
Changes in Accounting Principle	0	0
Corrections of Errors	-200	-36,519
Beginning Balances, Adjusted	144,888	-335,585
Budgetary Financing Sources:		
Other Adjustments (Rescissions, etc.) (+/-)	0	0
Appropriations Used	564,778	784,150
Non-Exchange Revenue	0	0
Donations and Forfeitures of Cash and Cash Equivalents	2,151	2,504
Transfers-In/Out Without Reimbursement (+/-)	10,700	0
Other Budgetary Financing Sources (+/-)	-263	-131
Other Financing Sources:		
Donations and Forfeitures of Property	0	0
Transfers-In/Out Without Reimbursement (+/-)	-104,943	-42,819
Imputed Financing From Costs Absorbed by Others	7,308	7,765
Other (+/-)	-7,880	8,118
Total Financing Sources	471,851	759,587
Net Cost of Operations	457,525	278,914
Net Change	14,326	480,673
Cumulative Results of Operations	159,214	145,088

Maritime Administration Financial Statements

Statement of Changes in Net Position - Unexpended Appropriations for Periods Ended
September 30, 2006 and September 30, 2005
(Dollars in Thousands)

	FY 2006	FY 2005
Beginning Balances	203,255	124,564
Adjustments (+/-)		
Changes in Accounting Principle	-114	0
Corrections of Errors	0	0
Beginning Balances, Adjusted	203,141	124,564
Budgetary Financing Sources:		
Appropriations Received	560,653	870,440
Appropriations Transferred-In/Out (+/-)	5,342	0
Other Adjustments (Rescissions, etc.) (+/-)	-6,546	-7,599
Appropriations Used	-564,778	-784,150
Total Budgetary Financing Sources	-5,329	78,691
Total Unexpended Appropriations	197,812	203,255

Maritime Administration Financial Statements

Statement of Budgetary Resources for Periods Ended September 30, 2006 and September 30, 2005
(Dollars in Thousands)

	FY 2006	FY 2005
Budgetary Resources:		
Unobligated Balance, Brought forward, October 1 (+/-)	553,165	439,385
Recoveries of Prior Year Unpaid Obligations	32,008	3,374
Budget Authority:		
Appropriations Received	560,653	870,440
Borrowing Authority	269,300	282,260
Contract Authority	0	0
Spending Authority From Offsetting Collections:		
Earned	0	0
Collected	469,736	523,288
Change in receivables from Federal Sources	6,820	-927
Change in Unfilled Customer Orders	0	0
Advance Received	-3,106	16,124
Without Advance from Federal Sources	-51,980	37,050
Expenditure transfers from trust funds	10,700	0
Anticipated for Rest of Year, Without Advances	0	0
Previously unavailable	0	0
Subtotal	1,262,123	96,417
Non Expenditure transfers, Net, Anticipated and Actual	5,342	0
Temporarily Not Available Pursuant to Public Law	0	0
Permanently Not Available	-261,573	-578,112
Total Budgetary Resources	1,591,065	1,592,882

Maritime Administration Financial Statements

Statement of Budgetary Resources for Periods Ended September 30, 2006 and September 30, 2005

Continued

(Dollars in Thousands)

	FY 2006	FY 2005
Status of Budgetary Resources:		
Obligations Incurred:		
Direct:	692,894	585,977
Reimbursable:	381,289	453,741
Subtotal	1,074,183	1,039,718
Unobligated Balance:		
Apportioned	0	0
Exempt from apportionment	6,378	6,367
Subtotal	6,378	6,367
Unobligated Balance Not Available:	510,504	546,797
Total Status of Budgetary Resources	1,591,065	1,592,882
Change in Obligated Balance:		
Obligated Balance, Net,		
Unpaid obligations, brought forward, Oct 1st (+)	344,414	149,690
Uncollected customer payments from Fed sources, brought forward, Oct 1(-)	-168,301	0
Total, unpaid obligated balance, brought forward, net	176,113	149,690
Obligations Incurred (+):	1,074,184	1,039,718
Gross Outlays (-)	-1,088,723	-973,797
Obligated Balance Transfers, Net:	0	0
Actual transfers, unpaid obligations (+ or -)	0	0
Actual transfers, uncollected customer payments from Federal sources (+ or -)	0	0
Total, unpaid obligated balance transferred, net	0	0
Recoveries of prior-year unpaid obligations, actual (-)	-32,008	-3,255
Change in uncollected customer payments from Federal sources (+/-)	45,159	1,777
Obligated Balances, Net, End of Period:	0	0
Unpaid Obligations (+)	297,866	343,731
Uncollected Customer Payments from Federal Sources (-)	-123,141	-129,819
Total, unpaid obligated balance, net, end of period	174,725	213,912
NET OUTLAYS		
Gross Outlays (+)	1,088,723	973,797
Less: Offsetting Collections (-)	477,330	539,412
Less: Distributed offsetting receipts	-13,616	0
Net Outlays	625,009	434,385

Maritime Administration Financial Statements

Statement of Financing for Periods Ended September 30, 2006 and September 30, 2005

(Dollars in Thousands)

	FY 2006	FY 2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	1,074,184	1,039,718
Less: Spending Authority From Offsetting Collections & Recoveries	464,178	578,909
Obligations Net of Offsetting Collections and Recoveries	610,006	460,809
Less: Offsetting Receipts	-13,616	0
Net Obligations	623,622	460,809
Other Resources:		
Donations and Forfeitures of Property	-104,943	0
Transfers In/Out Without Reimbursement (+/-)	7,308	-42,819
Imputed Financing from Costs Absorbed by Others	0	7,765
Other	-7,880	8,118
Net Other Resources Used to Finance Activities	-105,515	-26,936
Total Resources Used to Finance Activities	518,107	433,873
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	12,887	2,526
Resources that Fund Expenses Recognized in Prior Periods	118,384	232,809
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	-96,363	-58,517
Other	11,465	-2,504
Resources That Finance the Acquisition of Assets (+/-)	84,417	28,270
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations (+/-)	94,557	80,140
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	225,347	282,724

Maritime Administration Financial Statements

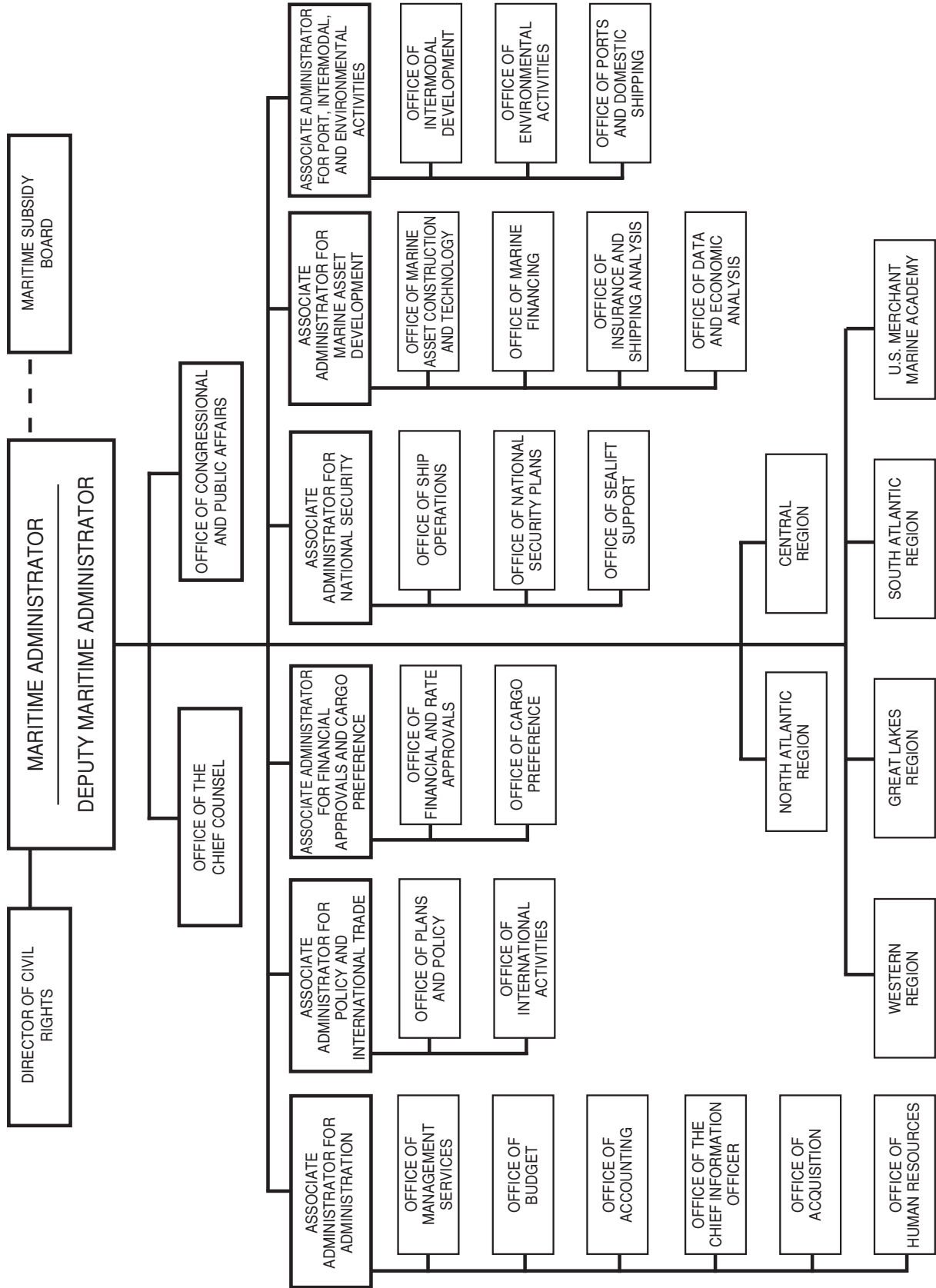
Statement of Financing for Periods Ended September 30, 2006 and September 30, 2005

Continued

(Dollars in Thousands)

	FY 2006	FY 2005
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring/Generating Resources in Future Periods:		
Increase in Annual Leave Liability	0	455
Increase in Environmental and Disposal Liability	0	0
Upward/Downward Reestimates of Credit Subsidy Expense (+/-)	111,943	19,287
Increase in Exchange Revenue Receivable from the Public	0	0
Other	-22,694	27,438
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	89,249	47,180
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	75,516	80,585
Revaluation of Assets or Liabilities (+/-)	0	0
Other	0	0
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	75,516	80,585
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	164,765	127,765
Net Cost of Operations	457,525	278,914

MARITIME ADMINISTRATION





THE WHITE HOUSE
PRESIDENT
GEORGE W. BUSH

For Immediate Release
Office of the Press Secretary
May 19, 2006

National Maritime Day, 2006

A Proclamation by the President of the United States of America

The United States Merchant Marine plays an important role in ensuring our national security and strengthening our economy. As we celebrate National Maritime Day and the 70th anniversary of the Merchant Marine Act, we pay tribute to merchant mariners and their faithful service to our Nation.

Since 1775, merchant mariners have bravely served our country, and in 1936, the Merchant Marine Act officially established their role in our military as a wartime naval auxiliary. During World War II, merchant mariners were critical to the delivery of troops and supplies overseas, and they helped keep vital ocean supply lines operating. President Franklin D. Roosevelt praised these brave merchant mariners for persevering “despite the perils of the submarine, the dive bomber, and the surface raider.” Today’s merchant mariners follow those who courageously served before them as they continue to provide crucial support for our Nation’s service men and women. America is grateful for their commitment to excellence and devotion to duty.

In addition to helping defend our country, merchant mariners facilitate commerce by importing and exporting goods throughout the world. They work with our Nation’s transportation industry to share their valuable skills and experience in ship maintenance, navigation, and cargo transportation. This past year, the good work and compassion of merchant mariners also played an important role in hurricane relief efforts. Ships brought urgently needed supplies to the devastated areas, provided assistance for oil spill cleanup, generated electricity, and provided meals and lodging for recovery workers and evacuees.

In recognition of the importance of the U.S. Merchant Marine, the Congress, by joint resolution approved on May 20, 1933, as amended, has designated May 22 of each year as “National Maritime Day,” and has authorized and requested that the President issue an annual proclamation calling for its appropriate observance.

NOW, THEREFORE, I, GEORGE W. BUSH, President of the United States of America, do hereby proclaim May 22, 2006, as National Maritime Day. I call upon all the people of the United States to mark this observance by honoring the service of merchant mariners and by displaying the flag of the United States at their homes and in their communities. I also request that all ships sailing under the American flag dress ship on that day.

IN WITNESS WHEREOF, I have hereunto set my hand this nineteenth day of May, in the year of our Lord two thousand six, and of the Independence of the United States of America the two hundred and thirtieth.

GEORGE W. BUSH

U.S. Department of Transportation

Maritime Administration



1200 NEW JERSEY AVENUE, SE

Washington, DC 20590

1-800-99-MARAD

<http://www.marad.dot.gov>