Case Number: 2016-0152-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title:
Chron File - April 1994 #1 [3]
Staff Office-Individual:
Defense Policy-Bell, Robert
Original OA/ID Number:
264

Row:	Section:	Shelf:	Position:	Stack:
31	3	4	2	V

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9402540
RECEIVED: 04 APR 94 10

TO: PETERSON, R

FROM: ITOH

DOC DATE: 07 APR 94
SOURCE REF:

KEYWORDS: DEFENSE POLICY

LEGISLATIVE REFERRAL

PERSONS:

SUBJECT: DOD PROPOSED RPT RE HR-4149 NATL GUARD BUREAU ACT OF 1994

ACTION: REED SGD MEMO

DUE DATE: 07 APR 94 STATUS: C

STAFF OFFICER: HAHN

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BELL
		EXECSEC
		FEAVER

COMMENTS:

DISPATCHED BY [signature] DATE 4/8 BY HAND W/ATTCH

OPENED BY: NSJDA CLOSED BY: NSJDA

DOC 3 OF 3

UNCLASSIFIED

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	HAHN	Z	94040410	PREPARE MEMO ITOH TO PETERSON
002	ITOH	Z	94040719	FOR SIGNATURE
003		X	94040811	REED SGD MEMO

DISPATCH DATA SUMMARY REPORT

DOC	DATE	DISPATCH FOR ACTION	DISPATCH FOR INFO
003	940407	PETERSON, R	

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 7, 1994

MEMORANDUM FOR RONALD K. PETERSON

FROM: for ~~WIL~~LIAM H. ITOH JWR

SUBJECT: DOD Proposed Report Re. HR-4149, National Guard Bureau Act of 1994

The National Security Council staff concurs in the proposed report.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 6, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL RGB

FROM: PETER FEAVER PDF

SUBJECT: DOD Proposed Report Re. HR-4149, National Guard Bureau Act of 1994

At Tab II is a proposed report, prepared by the Department of Defense, on HR 4149, the National Guard Bureau Act of 1994. HR 4149 would provide a charter for the National Guard Bureau. The report details several amendments recommended by the Department of Defense. Tab I is a proposed memorandum indicating NSC staff concurrence.

Concurrence by: ~~Jeremy~~ Rosner

RECOMMENDATION

That you sign and forward the memorandum at Tab I indicating NSC staff concurrence in the proposed report.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

2540

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

April 1, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-2380

TO: Legislative Liaison Officer -

JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
NSC - William H. Itoh - (202)395-3723 - 249
OPM - James N. Woodruff - (202)606-1424 - 331
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226

FROM: RONALD K. PETERSON (for) [signature]
Assistant Director for Legislative Reference

OMB CONTACT: MIKE GOAD (395-7301)
Secretary's line (for simple responses): 395-6194

SUBJECT: Defense Proposed Report RE: HR 4149, National Guard Bureau Act of 1994

DEADLINE: 10:00 A.M., FRIDAY, April 8, 1994

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
W. Waites
R. Adkins
B. Rideout
K. MacIntyre
D. Coyle

6 pages

LRM #I-2380

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: MIKE GOAD
Office of Management and Budget
Fax Number: (202) 395-5691
Analyst/Attorney's Direct Number: (202) 395-7301
Branch-Wide Line (to reach secretary): (202) 395-6194

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: Defense Proposed Report RE: HR 4149, National Guard Bureau Act of 1994

The following is the response of our agency to your request for views on the above-captioned subject:

______ Concur

______ No objection

______ No comment

______ See proposed edits on pages ______________

______ Other: ______________________

______ FAX RETURN of _____ pages, attached to this response sheet

The Honorable Ronald V. Dellums
Chairman, Committee on Armed Services
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your request for the views of the Department of Defense on H.R. 3180, 103rd Congress, a bill "to amend title 10, United States Code to provide a charter for the National Guard Bureau, and for other purposes." A revised version of this legislation was introduced as H.R. 4149, a bill "to amend title 10, United States Code, to provide a charter for the National Guard Bureau, otherwise to improve the administration of the National Guard, and for other purposes," on March 24, 1994. The Department's comments and recommendations refer to H.R. 4149.

The Department of Defense supports the legislation, subject to the modifications recommended below. The bill would clarify the purposes and functions of the National Guard Bureau and the Chief, National Guard Bureau. It would provide statutory authorization for the position of Vice Chief, National Guard Bureau and provide that the Vice Chief would act as Chief, National Guard Bureau when there is a vacancy in that office or in the absence or disability of the Chief. The bill would also provide for separate accountability for certain reserve component general and flag officers and provide a statutory definition of the term "active Guard and Reserve duty."

Section 2(a) of the bill would amend title 10, United States Code by inserting a new chapter 12, "National Guard Bureau." The new chapter would consist of seven sections, designated as sections 291 through 298. The new chapter would replace section 3040 of title 10, which currently sets out the functions of the National Guard Bureau, the qualifications, grade, and term of office of the Chief, National Guard Bureau, and procedures for assignment of an acting Chief.

Section 291 of title 10, as added by the bill, would establish the organizational alignment and purposes of the bill. Section 292 would provide for the appointment, term of office, functions and grade of the Chief, National Guard Bureau. The Department of Defense recommends that the first sentence of the proposed section 291(b) be deleted. This would require a conforming modification in the second sentence of section 291(b) by striking "also". The reason for this recommendation is that the intent of the proposed language is unclear in relation to the language of section 291(a). This sentence could be interpreted as establishing the National Guard Bureau as an independent agency within the Department of Defense. Such interpretation could serve to undercut the existing authorities of the Secretaries of the Army and the Air Force and the Chiefs of Staff of the Army and the Air Force in relation to the National Guard Bureau.

The Department also recommends two modifications to section 292. First, the Department recommends that subsection (c)(2) be deleted. This provision is inconsistent with existing statutory responsibilities of the Chairman of the Joint Chiefs of Staff and could be seen to disadvantage the chiefs of the other Reserve components.

Second, in subsection (d), the Department recommends that the following be substituted for the language contained in H.R. 4149:

"(d) GRADE.--The Chief of the National Guard Bureau shall be appointed to serve in the grade of lieutenant general. An officer while serving as Chief of the National Guard Bureau is in addition to the number that would otherwise be permitted for the Army or the Air Force in the grade of lieutenant general under section 525(b)(1) or (2) of this title. Notwithstanding any other provision of law, the Chief of the National Guard Bureau shall be appointed for service, and serve, as a Reserve in the officer's armed force for service in the Army National Guard of the United States or the Air National Guard of the United States, as the case may be."

The language recommended by the Department would ensure that the designation of a new Chief will not impact on the number of officers in the grade of lieutenant general authorized for the Army or the Air Force. It would also preserve the existing statutory authority now set out in section 3040(c) of title 10, United States Code.

Section 293, as added by the bill, would set out the functions of the Chief, National Guard Bureau. The Department of Defense recommends several modifications to section 293. First, in the first sentence, the Department recommends that the language "the Secretary of Defense," after "and control of" be deleted as surplusage. Second, in paragraph (1), the Department recommends substitution of "Recommending" for "Allocating" as the more appropriate description of the role of the National Guard Bureau within the Departments of the Army and the Air Force. In paragraph (9), "of the United States" should be inserted after "Army National Guard" and "Air National Guard", respectively. The Active Guard and Reserve program is applicable to the National Guard in its role as a Reserve component. In paragraph (12), the Department again recommends deleting the words "the

Secretary of Defense" as surplusage.

Section 294, as added by the bill, would require the Chief of the National Guard Bureau to submit to the Secretary of Defense an annual report on the state of readiness of the National Guard. Section 294(b) would require the Secretary of Defense to transmit the annual report of the Chief of the National Guard Bureau to Congress at the same time as the Secretary's annual report required by section 113(c) of title 10 is submitted. The Department of Defense recommends that section 294 be stricken from the bill as a statutory requirement for the report would duplicate the reports currently forwarded through the Services to the Congress. Moreover, the requirement for another statutory report is inconsistent with the objective of both the legislative and executive branches to reduce reporting requirements.

Section 295 would provide for the appointment, term of office, functions as Acting Chief, duties and grade of the Vice Chief, National Guard Bureau. It would also provide for succession to the duties of Acting Chief when there is a vacancy in the offices of both the Chief and Vice Chief of the National Guard Bureau. The Department of Defense recommends several modifications to section 295. First, the Department recommends that language restricting the Chief and Vice Chief from both being members of the same armed force (section 294(a)(2)), setting the term of the Vice Chief (section 294(a)(3), and providing for temporary waiver authority (section 294(a)(4), be omitted. These provisions, while reasonable on their face, would be unnecessarily restrictive and, in the interest of the economy and efficiency of government, are best left to the judgement of the Executive Branch. In section 294(c), the Department recommends that the language "a grade above brigadier general" be replaced by "the grade of major general" for clarity and precision.

Section 296 of title 10, as added by the bill, would establish in statute other senior National Guard Bureau positions. Section 295(a)(1) would create two general officer positions in the National Guard Bureau for general officers of the Army and the Air Force respectively. This would conform to longstanding practice.

Section 297 of title 10, as added by the bill, would provide for designation of an assignment in the Office of the Chief of the National Guard Bureau as a joint duty assignment for the purpose of section 668 of title 10. The Department of Defense recommends that this provision not be included in the bill. Such designation should be determined in accordance with established procedures within the Joint Staff and the Office of the Secretary of Defense.

Section 3 of the bill would amend section 526 of title 10 by adding a new subsection (d). The new subsection would specify 21 general and flag officer positions to be filled by Reserve officers of the armed forces within the Department of Defense. Reserve officers filling these positions would be counted within the numbers of general and flag officers authorized to be on active duty under the authority of section 526. It would also clarify that Reserve general or flag officers on active duty for training or active duty under a call or order specifying a period of less than 180 days would not be counted against the numerical limitations of section 526. The Department of Defense does not support the proposed section 526(d) as it would unnecessarily restrict the ability of the Secretaries of the Military Departments to utilize the limited numbers of senior military officers that they are authorized in the most effective manner.

Section 4 of the bill would define the term "active Guard and Reserve duty". It would provide that members of the National Guard or Reserve would not count against the statutory limitations on members serving on such duty unless their order to active service specified a period of more than 180 consecutive days. It would also provide that certain types of duty would not be included in this definition. The Department of Defense does not object to this provision, however the proposed section 101(d)(7)(A) should be revised by inserting "of the Army, Navy, Air Force or Marine Corps" after "of a reserve component." There are no statutory provisions requiring the separate authorization of members of the Coast Guard Reserve who serve on active duty to organize, administer, recruit, instruct or train the Coast Guard Reserve.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of the report for the consideration of the Committee.

Sincerely,

> 1

HR4149 Montgomery (D-MS) 03/24/94 (361 lines)
Introduced in House

To amend title 10, United States Code, to provide a charter for the National Guard Bureau, otherwise to improve the administration of the National Guard, and for other purposes.

Special typefaces used in this bill version:
// \\ Italic
!! !! Bold roman
Item Key: 10952

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103D CONGRESS
2D SESSION

H. R. 4149

To amend title 10, United States Code, to provide a charter for the National Guard Bureau, otherwise to improve the administration of the National Guard, and for other purposes.

======================

IN THE HOUSE OF REPRESENTATIVES

March 24, 1994

Mr. MONTGOMERY introduced the following bill; which was referred to the Committee on Armed Services

======================

A BILL

To amend title 10, United States Code, to provide a charter for the National Guard Bureau, otherwise to improve the administration of the National Guard, and for other purposes.

//Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,\\

!!SECTION 1. SHORT TITLE.!!

This Act may be cited as the "National Guard Bureau Act of 1994".

!!SEC. 2. REVISION OF NATIONAL GUARD BUREAU CHARTER.!!

(a) IN GENERAL.--(1) Subtitle A of title 10, United States Code, is amended by inserting after chapter 11 the following new chapter:

!!"CHAPTER 12--NATIONAL GUARD BUREAU!!

!!"S 291. National Guard Bureau!!

"(a) NATIONAL GUARD BUREAU.--There is in the Department of Defense the National Guard Bureau, which is a joint bureau of the Department of the Army and the Department of the Air Force.

"(b) PURPOSES.--The National Guard Bureau is the supervisory and operating agency within the Department of Defense for the Army National Guard of the United States and the Air National Guard of the United States. The Bureau is also the channel of communications on all matters pertaining to the National Guard, the Army National Guard of the United States, and the Air National Guard of the United States between (1) the Department of the Army, Department of the Air Force, and other components of the Department of Defense, and (2) the several States.

!!"S 292. Chief of the National Guard Bureau: appointment; adviser on National Guard matters; grade!!

"(a) APPOINTMENT.--There is a Chief of the National Guard Bureau, who is responsible for the organization and operations of the National Guard Bureau. The Chief of the National Guard Bureau is appointed by the President, by and with the advice and consent of the Senate. Such appointment shall be made from officers of the Army National Guard of the United States or the Air National Guard of the United States who--

"(1) are recommended for such appointment by their respective Governors or, in the case of the District of Columbia, the commanding general of the District of Columbia National

Guard;

"(2) have had at least 10 years of federally recognized commissioned service in an active status in the National Guard; and

"(3) are in a grade above the grade of brigadier general.

"(b) TERM OF OFFICE.--An officer appointed as Chief of the National Guard Bureau serves at the pleasure of the President for a term of four years. An officer may not hold that office after becoming 64 years of age. An officer may be reappointed as Chief of the National Guard Bureau.

"(c) ADVISER ON NATIONAL GUARD MATTERS.--(1) The Chief of the National Guard Bureau is the principal adviser to the Secretary of the Army and the Chief of Staff of the Army, and to the Secretary of the Air Force and the Chief of Staff of the Air Force, on matters relating to the National Guard, the Army National Guard of the United States, and the Air National Guard of the United States.

"(2) The Chief of the National Guard Bureau is an adviser to the Secretary of Defense and the Chairman of the Joint Chiefs of Staff on matters relating to the National Guard, the Army National Guard of the United States, and the Air National Guard of the United States.

"(d) GRADE.--The Chief of the National Guard Bureau shall be appointed to serve in a grade above major general.

!!"S 293. Chief, National Guard Bureau: functions!!

"Subject to the authority, direction, and control of the Secretary of Defense, the Secretary of the Army, and the Secretary of the Air Force, the Chief of the National Guard Bureau is responsible for the following:

"(1) Allocating unit structure, strength authorizations, and other resources to the Army National Guard of the United States and the Air National Guard of the United States.

"(2) Prescribing the training discipline and training requirements for the Army National Guard and the Air National Guard and the allocation of Federal funds for the training of the Army National Guard and the Air National Guard.

"(3) Ensuring that units and members of the Army National Guard and the Air National Guard are trained by the States in accordance with approved programs and policies of, and guidance from, the Chief, the Secretary of the Army, and the Secretary of the Air Force.

"(4) Monitoring and assisting the States in the organization, maintenance, and operation of National Guard units so as to provide well-trained and well-equipped units capable of augmenting the active forces in time of war or national emergency.

"(5) Planning and administering the budget for the Army National Guard of the United States and the Air National Guard of the United States.

"(6) Supervising the acquisition and supply of, and accountability of the States for, Federal property issued to the National Guard through the property and fiscal officers designated, detailed, or appointed under section 708 of title 32.

"(7) Granting and withdrawing, in accordance with applicable laws and regulations, Federal recognition of (A) National Guard units, and (B) officers of the National Guard.

"(8) Establishing policies and programs for the employment and use of National Guard technicians under section 709 of title 32.

"(9) Supervising and administering the Active Guard and Reserve program as it pertains to the National Guard.

"(10) Issuing directives, regulations, and publications consistent with approved policies of the Army and Air Force, as appropriate.

"(11) Facilitating and supporting the training of members and units of the National Guard to meet State requirements.

"(12) Performing such other functions as may be prescribed by the Secretary of Defense, the Secretary of the Army, or the Secretary of the Air Force.

!!"S 294. Chief of National Guard Bureau: annual report!!

"(a) ANNUAL REPORT.--The Chief of the National Guard Bureau shall submit to the Secretary of Defense an annual report on the state of readiness of the National Guard and the ability of Governors or, in e case of the District of Columbia,
be prepared in
conjunction with the Secretary of the Army and the Secretary of the Air Force and may be submitted in classified and unclassified versions.

"(b) SUBMISSION OF REPORT TO CONGRESS.--The Secretary of Defense shall transmit the annual report of the Chief of the National Guard Bureau to Congress, together with such comments on the report as the Secretary considers appropriate. The report shall be transmitted at the same time each year that the annual report of the Secretary under section 113(c) of this title is submitted to Congress.

!!"S 295. Vice Chief of the National Guard Bureau!!

"(a) APPOINTMENT.--(1) There is a Vice Chief of the National Guard Bureau, selected by the Secretary of Defense from officers of the Army National Guard of the United States or the Air National Guard of the United States who--

"(A) are recommended for such appointment by their respective Governors or, in the case of the District of Columbia, the commanding general of the District of Columbia National Guard;

"(B) have had at least 10 years of federally recognized commissioned service in an active status in the National Guard; and

"(C) are in a grade above the grade of colonel.

"(2) The Chief and Vice Chief of the National Guard Bureau may not both be members of the Army or of the Air Force.

"(3)(A) Except as provided in subparagraph (B), an officer appointed as Vice Chief of the National Guard Bureau serves for a term of four years, but may be removed from office at any time for cause.

"(B) The term of the Vice Chief of the National Guard Bureau shall end upon the appointment of a Chief of the National Guard Bureau who is a member of the same armed force as the Vice Chief.

"(4) The Secretary of Defense may waive the restrictions in paragraph (2) and the provisions of paragraph (3)(B) for a limited period of time to provide for the orderly transition of officers appointed to serve in the positions of Chief and Vice Chief of the National Guard Bureau.

"(b) DUTIES.--The Vice Chief of the National Guard Bureau performs such duties as may be prescribed by the Chief of the National Guard Bureau.

"(c) GRADE.--The Vice Chief of the National Guard Bureau shall be appointed to serve in a grade above brigadier general.

"(d) FUNCTIONS AS ACTING CHIEF.--When there is a vacancy in the office of the Chief of the National Guard Bureau or in the absence or disability of the Chief, the Vice Chief of the National Guard Bureau acts as Chief and performs the duties of the Chief until a successor is appointed or the absence or disability ceases.

"(e) SUCCESSION AFTER CHIEF AND VICE CHIEF.--When there is a vacancy in the offices of both Chief and Vice Chief of the National Guard Bureau or in the absence or disability of both the Chief and Vice Chief of the National Guard Bureau, or when there is a vacancy in one such office and in the absence or disability of the officer holding the other, the senior officer of the Army National Guard of the United States or the Air National Guard of the United States on duty with the National Guard Bureau shall perform the duties of the Chief until a successor to the Chief or Vice Chief is appointed or the absence or disability of the Chief or Vice Chief ceases, as the case may be.

!!"S 296. Other senior National Guard Bureau officers!!

"(a) ADDITIONAL GENERAL OFFICERS.--(1) In addition to the Chief and Vice Chief of the National Guard Bureau, there shall be assigned to the National Guard Bureau--

"(A) two general officers selected by the Secretary of the Army from officers of the Army National Guard of the United States who have been nominated by their respective Governors or, in the case of the District of Columbia, the commanding general of the District of Columbia National Guard, the senior of whom while so serving shall hold the grade of major general and serve as Director, Army National Guard, with the other serving as

Deputy Director, Army National Guard; and

"(B) two general officers selected by the Secretary of the Air Force from officers of the Air National Guard of the United States who have been nominated by their respective Governors or, in the case of the District of Columbia, the commanding general of the District of Columbia National Guard, the senior of whom while so serving shall hold the grade of major general and serve as Director, Air National Guard, with the other serving as Deputy Director, Air National Guard.

"(2) The officers so selected shall assist the Chief of the National Guard Bureau in carrying out the functions of the National Guard Bureau as they relate to their respective branches.

"(b) OTHER OFFICERS.--There are in the National Guard Bureau a legal counsel, a comptroller, and an inspector general, each of whom shall be appointed by the Chief of the National Guard Bureau. They shall perform such duties as the Chief may prescribe.

!!"S 297. Assignment of officers: joint duty assignment!!

"Under such regulations as the Secretary of Defense may prescribe, a duty assignment to the Office of the Chief of the National Guard Bureau shall be considered to be a joint duty assignment for the purposes of section 668 of this title.

!!"S 298. Definition!!

"In this chapter, the term `State' includes the District of Columbia, the Commonwealth of Puerto Rico, and Guam and the Virgin Islands.".

(2) The table of chapters at the beginning of subtitle A of title 10, United States Code, and at the beginning of part I of such subtitle, are each amended by inserting after the item relating to chapter 11 the following:

"12. National Guard Bureau.............. 291".

(b) CONFORMING REPEAL.--(1) Section 3040 of title 10, United States Code, is repealed.

(2) The table of sections at the beginning of chapter 305 of such title is amended by striking out the item relating to section 3040.

(c) CONFORMING AMENDMENT.--The text of section 108 of title 32, United States Code, is amended to read as follows:

"If, within a time fixed by the President, a State fails to comply with a requirement of this title, or a regulation prescribed under this title, the National Guard of that State is barred, in whole or in part, as the President may prescribe, from receiving money or any other aid, benefit, or privilege authorized by law.".

!!SEC. 3. RESERVE GENERAL AND FLAG OFFICERS ON ACTIVE DUTY.!!

Section 526 of title 10, United States Code, is amended by adding at the end the following:

"(d)(1) Within the numbers authorized under subsections (a) and (b), there shall be Reserve general and flag officers serving in the National Guard Bureau, the Office of a Chief of a reserve component, or the headquarters of a reserve component command as follows:

Army National Guard of the United States	4 general officers.
Army Reserve	4 general officers.
Naval Reserve	3 flag officers.
Marine Corps Reserve	1 general officer.
Air National Guard of the United States	4 general officers.
Air Force Reserve	3 general officers.

"(2) Within the numbers authorized under subsections (a) and (b), there shall be a Reserve general or flag officer who is assigned as the Military Executive to the Reserve Forces Policy Board and a Reserve general or flag officer who is assigned as an Assistant to the Chairman of the Joint Chiefs of Staff.

"(e) The limitation of thic section does not apply to a reserve general or flag officer who is on active duty for training or who is on active duty under a call or order specifying a period of less than 180 days.".

!!SEC. 4. DEFINITION OF ACTIVE GUARD AND RESERVE DUTY.!!

Section 101(d) of title 10, United States Code, is amended by adding at the end thereof the following:

"(7)(A) The term `active Guard and Reserve duty' means active duty or full-time National Guard duty performed by a member of a reserve component or of the National Guard pursuant to an order to active duty or full-time National Guard duty for a period of more than 180 consecutive days for the purpose of organizing, administering, recruiting, instructing, or training the reserve components or the National Guard.

"(B) Such term does not include the following:

"(i) Duty performed as a member of the Reserve Forces Policy Board provided for under section 175 of this title.

"(ii) Duty performed as a property and fiscal officer under section 708 of title 32.

"(iii) Duty performed in connection with drug interdiction and counter-drug activities under section 112 of title 32.

"(iv) Duty performed as a general or flag officer.

"(v) Service as a State director of the Selective Service System under section 10(b)(2) of the Military Selective Service Act (50 U.S.C. App. 460(b)(2)).".

!!SEC. 5. EFFECTIVE DATE.!!

The amendments made by this Act shall take effect at the end of the 90-day period beginning on the date of the enactment of this Act.

There are no more items to read.

Enter one or more numbers or ALL to display item(s),
Enter another display command and one or more numbers or ALL,
Enter MARK or SAVE and one or more numbers to limit or save your set,
Enter SMARTMATCH and a number to find comparable items,
Or enter BACK, HELP, or STOP
>

2663

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT BELL RGB

FROM: PETER FEAVER PDF

SUBJECT: Proposed Secretary of Defense Meeting with President

Secretary of Defense William Perry has requested a meeting with the President prior to the Secretary's April 15 departure to Korea. He intends to discuss the situation on the Korean peninsula. Secretary Perry would also like to discuss the pending decision to realign the Defense Finance and Accounting System. Tab I is a scheduling proposal from you to Ricki Seidman asking for a meeting as soon as possible, but in any case before April 14.

RECOMMENDATION

That you sign and forward to Ricki Seidman the scheduling proposal at Tab I.

Attachment
Tab I Scheduling Proposal

Schedule Proposal

THE WHITE HOUSE

WASHINGTON

date ____/____/____

____ACCEPT ____REGRET ____PENDING

TO:	Ricki Seidman Assistant to the President and Director of Scheduling and Advance
FROM:	Anthony Lake
REQUEST:	That the President meet with Secretary Perry before the Secretary's trip to Korea
PURPOSE:	To discuss the situation in Korea and other pending Department of Defense business.
BACKGROUND:	Secretary of Defense William Perry is leaving for Korea on April 15. He would like to meet with the President prior to that trip in order to discuss the situation on the Korean peninsula. Secretary Perry would also like to discuss the pending decision to realign the Defense Finance and Accounting System.
PREVIOUS PARTICIPATION:	Regular
DATE AND TIME:	As soon as possible, but before April 14
DURATION:	30 minutes
LOCATION:	Oval Office
PARTICIPANTS:	President Secretary Perry Anthony Lake
OUTLINE OF EVENTS:	Secretary Perry and the President will discuss the situation in Korea and the pending decision on the Defense Finance and Accounting System realignment.
REMARKS REQUIRED:	None
MEDIA COVERAGE:	None
FIRST LADY'S ATTENDANCE:	No
VICE PRESIDENT'S ATTENDANCE:	No

cc: Stephanie Streett

SECOND LADY'S ATTENDANCE:	No
RECOMMENDED BY:	Robert Bell Senior Director for Defense Policy and Arms Control
CONTACT:	Robert Bell 5-5022

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9402357
RECEIVED: 28 MAR 94 18

TO: FORSGREN, J

FROM: ITOH

DOC DATE: 07 APR 94
SOURCE REF:

KEYWORDS: DEFENSE POLICY DEFENSE BUDGET
LEGISLATIVE REFERRAL

PERSONS:

SUBJECT: DOD DRAFT BILL GRP LIFE INSURANCE FOR MEMBERS OF RETIRED RESERVE OF UNIFORMED SERVICE

ACTION: REED SGD MEMO DUE DATE: 31 MAR 94 STATUS: C

STAFF OFFICER: HAHN LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BELL
		EXECSEC
		FEAVER

COMMENTS:

DISPATCHED BY Jpk DATE 4/8 BY HAND W/ATTCH

OPENED BY: NSGP CLOSED BY: NSJDA DOC 3 OF 3

UNCLASSIFIED

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	HAHN	Z	94032818	PREPARE MEMO ITOH TO FORSGREN
002	ITOH	Z	94040719	FOR SIGNATURE
003		X	94040811	REED SGD MEMO

DISPATCH DATA SUMMARY REPORT

DOC	DATE	DISPATCH FOR ACTION	DISPATCH FOR INFO
003	940407	FORSGREN, J	

2357

NATIONAL SECURITY COUNCIL
WASHINGTON D C 20506

April 7, 1994

MEMORANDUM FOR JANET R. FORSGREN

FROM: for WILLIAM H. ITOH JWR

SUBJECT: Defense Draft Bill, Group Life Insurance for Members of the Retired Reserve of the Uniformed Service

The National Security Council Staff concurs in the proposed legislation.

NATIONAL SECURITY COUNCIL
WASHINGTON, D C. 20506

March 30, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: PETER FEAVER PDF

SUBJECT: Defense Draft Bill, Group Life Insurance for Members of the Retired Reserve of the Uniformed Service

Tab II is a legislative proposal, prepared by the Department of Defense, to authorize Serviceman's Group Life Insurance for members of the Retired Reserve who have not received the first increment of retired pay or have not yet reached sixty-one years of age but have completed between 15 and 20 years of service. The proposal would extend the SGLI benefit to service members who opt for the early retirement incentives.

Concurrence by: Jeremy Rosner

RECOMMENDATION

That you sign and forward to Janet Forsgren the memorandum at Tab I concurring in the proposed bill.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

2357

SPECIAL

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

March 28, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #D-676
DRAFT #585

TO: Legislative Liaison Officer -

TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
VA - Robert Coy - (202)535-8113 - 229
NSC - William H. Itoh - (202)395-3723 - 249

FROM: JANET R. FORSGREN (for) Janet R. Forsgren
Assistant Director for Legislative Reference

OMB CONTACT: Matthew WELBES (395-7362)
Secretary's line (for simple responses): 395-7362

SUBJECT: DEFENSE Draft Bill Group Life Insurance for Members of the Retired Reserve of a Uniformed Service

DEADLINE: 10:00 AM April 1, 1994

COMMENTS: DOD draft bill: A bill to authorize Serviceman's Group Life Insurance for members of the Retired Reserve of uniformed service.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
Todd Grams
Jim Fish
Wendell Waites
Chris Bertram
Art Stigile
Bob Damus
Karen MacIntyre
Janet Forsgren
Delphine Motley

LRM #D-676

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: Matthew WELBES
Office of Management and Budget
Fax Number: (202) 395-6148
Analyst/Attorney's Direct Number: (202) 395-7362
Branch-Wide Line (to reach secretary): (202) 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: DEFENSE Draft Bill Group Life Insurance for Members of the Retired Reserve of a Uniformed Service

The following is the response of our agency to your request for views on the above-captioned subject:

_______ Concur

_______ No objection

_______ No comment

_______ See proposed edits on pages ____________

_______ Other: ______________________

_______ FAX RETURN of _____ pages, attached to this response sheet

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D.C. 20301-1600

24 MAR 1994

The Honorable Leon E. Panetta
Director, Office Of Management and Budget
Washington, D.C. 20503

Dear Mr. Panetta:

The attached legislative proposal, Department of Defense Legislative Item 103-044, "To authorize Serviceman's Group Life Insurance for members of the Retired Reserve of uniformed service who have not received the first increment of retired pay or have not yet reached sixty-one years of age and have completed at least 15, and less than 20 years of service computed under Chapter 67, section 1332 of title, United States Code," is forwarded for review in accordance with Office of Management and Budget Circular A-19.

Sincerely,

Samuel T. Brick, Jr.
Director, Legislative Reference
Service

A BILL

To amend title 38, United States Code, to authorize Serviceman's Group Life Insurance for members of the Retired Reserve of a uniformed service who have not received the first increment of retired pay or have not yet reached sixty-one years of age and have completed at least 15, and less than 20, years of service computed under Chapter 67, section 1332 of Title 10, United States Code.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. Section 1965 of title 38, United States Code, is amended--

(1) by redesignating subsection (5) (D) as subsection (5) (E); and

(2) by inserting after subsection (5) (C) the following new subsection:

"(D) a person assigned to the Retired Reserve of a uniformed service who has not received the first increment of retired pay or has not yet reached sixty-one years of age, and has received the notice required by section 1331(d) of title 10, United States Code under the temporary special retirement qualifications authority provided by section 1331a of that title; and"

SEC. 2. Section 1967 (a) (3) of title 38, United States Code, is amended- -

(1) by inserting "or (D)" between "qualifications of section 1965 (5) (C)" and "of this title",

SEC. 3. Section 1968 of title 38, United States Code is amended- -

(1) by striking out "or (C)" in subsection (a) and inserting in lieu thereof "(C) or (D)"; and

(2) by striking out "has completed at least twenty years of satisfactory service creditable for retirement purposes under chapter 67 of title 10" in subsection (a) (4) (B), and inserting in lieu

thereof "has received the notification required by section 1331 (d)"; and

(3) by inserting "or (D)" between "section 1965 (5) (C)" and "of this title," in subsection (a) (5).

SEC. 4. Section 1969 (a) (2) of title 38, United States Code is amended by inserting "or (D)" between "section 1965 (5) (C)" and "of this title".

SECTIONAL ANALYSIS

Sectional analysis of a bill to authorize Servicemen's Group Life Insurance (SGLI) for members of the Retired Reserve of a uniformed service who have not received the first increment of retired pay or have not yet reached sixty-one years of age and have completed at least 15, and less than 20, years of service computed under Chapter 67, section 1332 of title 10, United States Code.

Section 1 of the bill would add a new section 1965 (D) to title 38, United States Code to provide that a person assigned to the Retired Reserve of a uniformed service who has not received the first increment of retired pay or has not yet reached sixty-one years of age, and has received the notice required by section 1331 (d) of title 10, United States Code under the temporary special retirement qualifications authority provided by section 1331a of that title would be eligible for SGLI..

Section 2 would modify section 1967 (a) (3) of title 38, United States Code to add to the definition of persons insured those defined in section 1 of the bill.

Section 3 would modify section 1968 (a) of title 38, United States Code to provide that the SGLI for persons defined in section 1 will continue in force subject to the timely payment of premiums.

Section 4 would modify, section 766 of title 38, United States Code which allows the Services to terminate the SGLI policy of members who fail to make timely payment of premiums when they are not in a pay status and are therefore required by the Secretary of the Military Department to make a direct remittance of SGLI premiums to their respective Service to include persons defined in section 1. The requirements for timely payment of premiums allows termination of any policy which is not being paid for by the member, protecting the solvency of the program and the integrity of its rates.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT BELL RGB

FROM: PETER FEAVER PDF

SUBJECT: Proposed Secretary of Defense Meeting with President

Secretary of Defense William Perry has requested a meeting with the President prior to the Secretary's April 15 departure to Korea. He intends to discuss the situation on the Korean peninsula. Secretary Perry would also like to discuss the pending decision to realign the Defense Finance and Accounting System. Tab I is a scheduling proposal from you to Ricki Seidman asking for a meeting as soon as possible, but in any case before April 14.

RECOMMENDATION

That you sign and forward to Ricki Seidman the scheduling proposal at Tab I.

Attachment
Tab I Scheduling Proposal

Schedule Proposal | THE WHITE HOUSE WASHINGTON | date ____/____/____

____ACCEPT ____REGRET ____PENDING

TO:	Ricki Seidman Assistant to the President and Director of Scheduling and Advance
FROM:	Anthony Lake
REQUEST:	That the President meet with Secretary Perry before the Secretary's trip to Korea
PURPOSE:	To discuss the situation in Korea and other pending Department of Defense business.
BACKGROUND:	Secretary of Defense William Perry is leaving for Korea on April 15. He would like to meet with the President prior to that trip in order to discuss the situation on the Korean peninsula. Secretary Perry would also like to discuss the pending decision to realign the Defense Finance and Accounting System.
PREVIOUS PARTICIPATION:	Regular
DATE AND TIME:	As soon as possible, but before April 14
DURATION:	30 minutes
LOCATION:	Oval Office
PARTICIPANTS:	President Secretary Perry Anthony Lake
OUTLINE OF EVENTS:	Secretary Perry and the President will discuss the situation in Korea and the pending decision on the Defense Finance and Accounting System realignment.
REMARKS REQUIRED:	None
MEDIA COVERAGE:	None
FIRST LADY'S ATTENDANCE:	No
VICE PRESIDENT'S ATTENDANCE:	No

cc: Stephanie Streett

SECOND LADY'S ATTENDANCE: No

RECOMMENDED BY: Robert Bell
Senior Director for Defense Policy and Arms Control

CONTACT: Robert Bell
5-5022

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT G. BELL RGB

FROM: STEVEN P. ANDREASEN SPA

SUBJECT: Letter from Representative Kopetski Regarding CTB Negotiations

Representative Kopetski has written the President regarding the Comprehensive Test Ban (CTB) negotiations at the Conference on Disarmament (CD) in Geneva. Specifically, he recommends that the President set a completion date of March, 1995 for the CTB negotiation and that he change U.S. policy on the question of CD membership expansion to allow CD membership to any country willing to commit itself to the process -- including Iraq.

The response from the President notes our rationale for not setting a deadline for completing a CTB and our reasons for not agreeing at this time to a CD membership expansion package that includes Iraq.

Concurrence: Jeremy Rosner JR

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments
Tab I Memorandum to the President
Tab A Letter to Representative Kopetski
Tab B Letter from Representative Kopetski

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
SUSAN BROPHY

SUBJECT: Letter from Representative Kopetski Regarding CTB Negotiations

Purpose

To respond to a letter from Representative Kopetski regarding the Comprehensive Test Ban (CTB) negotiations.

Background

Representative Kopetski has written you regarding the CTB negotiations at the Conference on Disarmament (CD) in Geneva. Specifically, he recommends that you set a completion date of March, 1995 for the CTB negotiation and that you change U.S. policy on the question of CD membership expansion to allow CD membership to any country willing to commit itself to the process -- including Iraq.

The response from the President notes our rationale for not setting a deadline for completing a CTB and our reasons for not agreeing at this time to a CD membership expansion package that includes Iraq.

RECOMMENDATION

That you sign the response to Representative Kopetski at Tab A.

Attachments
Tab A Letter to Representative Kopetski
Tab B Letter from Representative Kopetski

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Mike:

Thank you for your letter of March 25 regarding the Comprehensive Test Ban (CTB) negotiations in the Geneva Conference on Disarmament (CD).

I remain committed to completing a CTB Treaty at the earliest possible time; however, I do not believe we should set a deadline now for completing the Treaty, nor should we link completion of a CTB to the Non Proliferation Treaty (NPT) Extension Conference in the Spring of 1995. Our goal is, at a minimum, to be able to point to serious progress in the CTB negotiations by the time the NPT Extension Conference opens; however, we cannot guarantee this outcome. Thus, we should be careful not to encourage efforts by other nations to tie their support for indefinite extension of the NPT Treaty in 1995 -- the cornerstone of our nonproliferation efforts -- to completion of a CTB.

On the question of expanding the membership of the CD, the United States supports the concept of membership expansion; however, we cannot support elevating the status of Iraq to full membership in the CD (which, because of the CD's consensus rule, would grant Iraq a veto over any actions taken in the CD) as long as it remains subject to UNSC sanctions. Thus, a membership expansion package that includes Iraq at this time would remain unacceptable unless it disqualified Iraq from voting in the CD as long as Iraq is subject to comprehensive UNSC sanctions. The United States Ambassador to the CD has the authority to pursue other formulas for membership expansion that do not entail granting Iraq full membership at this time.

I look forward to achieving our common goal of a CTB, and appreciate your report "from the front lines" in Geneva.

Sincerely,

The Honorable Michael J. Kopetski
House of Representatives
Washington, D.C. 20515

MICHAEL J. KOPETSKI
5TH DISTRICT, OREGON

218 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3705
202-225-5711
FAX: 202-225-8477

COMMITTEE:
WAYS & MEANS

Congress of the United States
House of Representatives
Washington, DC 20515-3705

HOME
THE EQUITABLE CENTER BUILDING
530 CENTER STREET, NE
SUITE 340
SALEM, OR 97301
503-588-9100
FAX: 503-588-0963

CLACKAMAS COUNTY OFFICE:
815 HIGH STREET
OREGON CITY, OR 97045
503-650-1278

OREGON TOLL FREE: 1-800-648-7170

March 29, 1994

2564

President Bill Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Clinton:

I commend you on your decision to extend the moratorium on United States nuclear weapons testing through September 1995.

In my responsibility as an Observer to the Arms Control talks from the House of Representatives, I recently returned from a visit to the Comprehensive Nuclear Test Ban negotiations in Geneva. I write to recommend you take two simple initiatives which, I believe, will pay enormous political dividends to you and which will help secure success in both the CTB negotiations and in the Nuclear Nonproliferation Review Conference.

I recommend you set a completion date of March, 1995 for the CTB, before the NPT Review Conference begins in April, 1995 and that you adjust U.S. policy at the CTB negotiations to allow expansion of the official participants in the CTB negotiations to include any country willing to commit itself to the process.

I observed a seriousness of purpose and determination at the CTB negotiations. There was also a wellspring of appreciation for the leadership that you personally have taken already to launch the negotiations in a multilateral forum, to extend the nuclear testing moratorium again, and to pursue doggedly your nonproliferation objectives in spite of British and French misgivings and resumed Chinese testing.

However, I know that the multilateral process can be slow and that bureaucracies in Washington, other capitals, and in Geneva can delay. There is also the crucial time factor related to the health of the French President and French elections. Therefore, I urge you to establish a time urgency for the completion of a CTB and I feel confident that it will be effective in jump-starting the bureaucracies, creating momentum, and establishing a time-certain goal. The main arms control reason for such a deadline is that achievement of a CTB will assist enormously in securing a successful NPT review.

Unfortunately, the U.S. vetoed recently a proposal at the CTB negotiations to expand membership. It is my understanding after visiting the negotiations that the U.S. did this because it objected to the inclusion of Iraq, for all the obvious reasons. While I understand the political concerns that are involved, it is my opinion and the opinion of most participants in the CD that it is better to have the Iraqis and other renegade nations on the inside rather than outside the negotiations. My suggestion is that the U.S. position should now recommend opening up membership to any country wanting to join. I am also sure that there are other ways of accomplishing an expansion in membership in the CTB negotiations and that, if you give the order, a politically appropriate way will be found.

I also see political benefits for you and your Administration:

1. You will have two significant arms control achievements in your first term as President.

   There has been criticism from both sides of the aisle in Congress regarding your Administration's nonproliferation policy and a seeming absence of initiatives in that area. These two achievements, which are linked in my mind to achievements of a CTB before the NPT review conference begins, would place you in a position of praiseworthy accomplishments rather than in a position of susceptibility to reproach on proliferation, export controls and problem countries such as Iran, Iraq, and North Korea.

2. Failure to achieve a CTB by March 1995 may delay, deter and certainly hurt significantly chances for a successful NPT review conference.

   Setting a presidential deadline involves no risks to you. And, if it helps in success then you will receive credit for establishing the deadline.

3. An end to nuclear testing was sought by Presidents Eisenhower, Kennedy and Carter but now it is easily within your reach.

   Because there has been discussion of this goal for over 30 years and because it would symbolize both an end to the Cold War and the beginning of an era of disarmament, it should provide you with a pleasant and much deserved increase in international stature.

Your judgment on the nuclear weapons testing issue has been keen, clear and correct. I offer these ideas as tactical suggestions to help you achieve the nonproliferation and arms control objectives that will help make this world a safer place for our children, grandchildren and each other.

Sincerely,

Mike

Mike Kopetski
Member of Congress

2500

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

FROM: ROBERT BELL RGB

SUBJECT: Perry Letter on Defense Cuts

Attached at Tab I is a memorandum to the President forwarding Secretary Perry's letter (Tab A) on defense cuts. The memorandum notes that you discussed this issue with the President yesterday and that you are continuing to work with Perry, Panetta and Griffin on a game plan for restoring the Senate's cuts.

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments
Tab I Memorandum to the President
Tab A Incoming Correspondence from SecDef

THE WHITE HOUSE

WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Perry Letter on Defense Cuts

Attached at Tab A is a letter from Secretary Perry underscoring the Defense Department's concern that the additional reductions in discretionary spending contained in the Senate's version of the Budget Resolution for Fiscal Year 1995 would endanger force structure, readiness and modernization. As we discussed yesterday, I am working closely with Bill, Leon and Pat on a game plan for restoring these cuts in conference.

Attachment
Tab A Letter from Secretary Perry

THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

2500

31 March 1994

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I wanted to share some thoughts on the coming House/Senate conference on the Budget Resolution. The House supported your budget, while the Senate moved to cut defense and domestic discretionary funds. It is important that the conference restore your original budget. Why?

In the State of the Union address, you wisely drew the line against further defense cuts and repeated your commitment to the principle that our military must remain, the best trained, best equipped, and best prepared force in the world. The Senate resolution would undermine that commitment.

There is a practical need to work deficit reduction -- I am in full agreement. The runaway deficits you inherited are the biggest long term threat to America's security. That is why the Department of Defense has worked hard to give you a balanced program that contributes to the Administration's economic program with a substantial 42 percent real decline in defense spending since FY 1985. At the same time this program protects the essential military requirements identified in the Bottom-Up Review.

If we cut an additional \$20 to \$30 billion in defense programs, we cannot carry out the Bottom-Up Review strategy. Further cuts in defense funding would endanger force structure or readiness. Alternatively, we would have to reduce or slip modernization programs leading to more industry-related job loses. A reduction of \$2 billion per year in defense procurement roughly equates to 32,000 jobs.

We are working with the White House staff, as well as our friends in the Congress, to ensure that the budget conferees approve your original budget. I believe your early and strong involvement will be necessary to avoid harmful cuts to defense and other important discretionary programs.

Respectfully yours,

Bill Perry

2703

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 8, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT G. BELL RGB

FROM: ANNE WITKOWSKY AW

SUBJECT: Nomination of General John W. Vessey, Jr., USA (Ret.), for the Presidential Medal of Freedom with Distinction

Attached at Tab I is a memorandum for the President recommending that General John W. Vessey, Jr., USA (Ret.) receive the Presidential Medal of Freedom with Distinction in recognition of his many outstanding contributions and achievements while serving as the Presidential Emissary to Hanoi on Prisoner of War/Missing in Action Matters from 1987 to 1994.

General Vessey's nomination for this award has been developed pursuant to our discussions with Nancy Soderberg and a strong recommendation in favor from LTG Ryan. General Vessey received the Presidential Medal of Freedom from former President Bush in December, 1992. The Medal of Freedom is the highest possible award a President can bestow; thus, in order to appropriately honor Vessey, we propose that he receive a second such medal, this time "with Distinction".

In draft In draft

Concurrences by: Alan Kreczko, Stan Roth and Nancy Soderberg

RECOMMENDATION

That you forward the memorandum to the President.

Attachments
Tab I Memorandum for the President
Tab A Biography of General Vessey

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Presidential Medal of Freedom with Distinction for General Vessey

Purpose

To recommend that General John W. Vessey, Jr., USA (Ret.) receive the Presidential Medal of Freedom with Distinction in recognition of his many outstanding contributions and achievements while serving as the Presidential Emissary to Hanoi on Prisoner of War/Missing in Action Matters from 1987 to 1994.

Background

Serving three presidents during his seven years as Presidential Emissary, General Vessey's inspirational leadership and direction have been a cornerstone in U.S. efforts to account for our missing in Vietnam. Under his leadership, we have made substantial progress. In 1987, General Vessey was instructed to pursue the fullest possible accounting and, as a top priority, extract live Americans if they existed. In order to accomplish this task, General Vessey was given full authority to negotiate with the Government of Vietnam for its critical assistance in an expanded, cooperative effort to search for, recover and return any American remains to anxiously awaiting families in the U.S.

General Vessey's mission has been tremendously successful. Only 73 of the 196 "discrepancy cases" remain without a determination of fate. 596 remains have been returned since 1973, 432 since 1987. Of these remains, 285 have been identified as Americans. We have an official, continuing presence in Hanoi to aid our ongoing efforts. The mechanism for investigating live sighting reports and individual cases is well established, thorough and professional.

General Vessey accomplished four other humanitarian goals as well: seeking the release of all remaining re-education camp inmates, establishing the "Orderly Departure Program" (ODP), establishing a mechanism to retrieve Amerasian children from Vietnam, and negotiating a Vietnamese troop withdrawal from Cambodia.

cc: Vice President
Chief of Staff

A key to General Vessey's important accomplishments over the years has been his ability to improve communications with the Vietnamese. Where once communication and cooperation were virtually non-existent, General Vessey established frank and open discussions on difficult, contentious issues.

General Vessey's performance in this role has been outstanding. In December, 1992, he received a Presidential Medal of Freedom from former President Bush. This medal is the highest Presidential award. Therefore, honoring Vessey now with a second Presidential Medal of Freedom, this time "with Distinction", would be an appropriate way to express your gratitude.

RECOMMENDATION

That you approve the Presidential Medal of Freedom with Distinction for General John Vessey.

Approve ______ Disapprove ______

Attachment
Tab A Biography of General Vessey

GENERAL JOHN W. VESSEY, JR.

General John. W. Vessey has served three Presidents in his seven years as Presidential Emissary to Hanoi on Prisoner of War/Missing in Action Matters, and is the only person ever appointed to this position.

General Vessey began his service to the United States in 1939 as a private in the Minnesota National Guard. He fought in North Africa and Italy in World War II and was commissioned a 2nd Lieutenant on the battlefield at the Anzio Beachhead in May 1994.

He had a long association with our North Atlantic Treaty Forces, serving a total of nine years in combat divisions in Germany, commanding a NATO-committed mechanized division stationed in the United States, and serving three years on the NATO-Military Committee. He also had extensive experience in East Asia with combat service in Vietnam and Laos, and additional service in Thailand, the Philippines, and Korea where his last service was as Commander of the United Nations Command, Commander U.S. Forces Korea, and the first Commander of the Republic of Korea/United States Combined Forces Command.

His other senior positions included service as the Army's Deputy Chief of Staff for Operations and Plans and as the Vice Chief of Staff of the Army.

He was appointed the tenth Chairman of the Joint Chiefs of Staff in 1982 and he ended 46 years of military service in 1985 after his second term as the Chairman of the Joint Chiefs of Staff of the United States.

Following his retirement from the military, General Vessey was appointed in February 1987 as the Presidential Emissary to Hanoi on Prisoner War/Missing in Action Matters. His goals were:

1. To negotiate for necessary cooperation from the government of Vietnam in an expanded effort to achieve the fullest possible accounting for all Americans missing from the war in Vietnam; to search for, recover, and return any American remains to the United States. This was, without a doubt, the overriding and continuing goal for US POW/MIA activities.

2. Within the goal of fullest possible accounting, as the top priority, was the need to shed as much light as possible on the question of whether or not live American POWs were being held by the Vietnamese Government. If there were live Americans either in captivity or living freely, General Vessey was to seek their immediate return.

3. In addition to the POW/MIA matters, General Vessey was tasked to:

a. Seek the release of all remaining reeducation camp inmates. In 1987, it was estimated that about 8,000 former South Vietnamese government and military officers remained in the camps.

b. Establish the "Orderly Departure Program" (ODP). ODP is a program which permits separated Vietnamese families to be reunited.

c. Put in place the necessary mechanism to retrieve Amerasian children and immediate family members from Vietnam. The previous process had been terminated by the Vietnamese authorities in early 1986.

d. Convince the Vietnamese that normalized diplomatic relations with the U.S. could not resume until an acceptable settlement in Cambodia was reached, which included the withdrawal of Vietnamese troops from Cambodia.

Since his appointment, General Vessey has made several trips to Hanoi, meeting with Vietnamese government officials on 16 separate occasions.

In the area of POW/MIA matters, tremendous progress has been made. Since 1987, fullest possible accounting has moved from a national goal to reality. Only 73 of 196 "discrepancy cases" remain without a determination of fate; 596 remains have been returned since 1973 (432 since 1987), 285 remains have been identified as Americans; Joint Task Force-Full accounting has just finished its 28th Joint Field Activity in Vietnam; and we have a continuing presence in Hanoi to aid further efforts. The mechanism for investigating "live sightings" and individual cases is well established, thorough and professional. The Vietnamese are cooperating fully, helping us research the fates of our missing Servicemen, and recover, identify, and repatriate remains.

Significant progress has also been made in other humanitarian issues. First; the Orderly Departure Program is working, and approximately 200,000 Vietnamese families have been reunited to date. Secondly, over 60,000 Amerasian children have been settled in the U.S. Lastly, all of the reeducation camp inmates have been released. Many of those former inmates and immediate family members are now in this country, and the system for processing applications for those who still want to come is working well.

He is a former Army Aviator, whose military decorations include the Distinguished Service Cross, the Army, Navy, Air Force, and Defense Distinguished Service Medals, the Purple Heart, and medals from 19 friendly and allied nations. In 1992, he was awarded the Presidential Medal of Freedom.

He earned a Bachelor of Science Degree from the University of Maryland and a Master of Science Degree from the George Washington University. He is a member of the Honor Society of Phi Kappa Phi.

After retirement from active military service, in addition to his serving as a Presidential Emissary, General Vessey has served on the Commission on Integrated Long Term Strategy, the Moscow Assessment Review Panel, the Defense Science Board and on the Defense Policy Board.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 8, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT BELL RGB

FROM: KEITH HAHN KH

SUBJECT: Request for Presidential Letter RE 100 Million Miles on Nuclear Power

Secretary of Defense Perry requests that the President send a letter to the Secretary of Energy and the Secretary of the Navy recognizing the accomplishment of 100 million miles of travel by nuclear-powered U.S. warships. We concur in the letter with the indicated changes.

Concurrence by: Thomas Ross TR

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the draft letter as modified.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR DAN BURKHARDT

FROM: ANTHONY LAKE

SUBJECT: Request for Presidential Letter RE 100 Million Miles on Nuclear Power

The National Security Council staff believes that the President should sign a letter recognizing 100 million miles of travel by nuclear-powered U.S. warships and concurs in the draft as modified.

please staff
2628

THE WHITE HOUSE

WASHINGTON

April 5, 1994

MEMORANDUM FOR PAT GRIFFIN
ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS

TONY LAKE
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

CHRISTINE VARNEY
DEPUTY ASSISTANT TO THE PRESIDENT AND SECRETARY OF THE CABINET

FROM: DAN BURKHARDT
SPECIAL ASSISTANT TO THE DIRECTOR OF CORRESPONDENCE AND PRESIDENTIAL MESSAGES

THROUGH: MARSHA SCOTT
DIRECTOR OF CORRESPONDENCE AND PRESIDENTIAL MESSAGES

SUBJECT: REQUEST FROM SECRETARY PERRY FOR A LETTER FROM THE PRESIDENT

Attached is a request from Defense Secretary Perry for a letter from the President to the Secretary of Energy and the Secretary of the Navy to recognize 100 million miles of travel by nuclear powered U.S. warships. The letter also would be copied to Speaker Foley.

The request was forwarded to us without comment by the Military Office. We seek your views on whether the President should sign such a letter.

Thank you for your review.

Attachment

cc: Jim Dorskind
Mark Miller

THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

18 MAR 1994

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

This letter requests your signature on a letter (attached) to the Secretary of the Navy and the Secretary of Energy which recognizes an historic milestone for our nuclear powered warships.

This month, U.S. nuclear powered warships will surpass 100 million miles steamed on nuclear power. This capability has provided nearly half of our major combatants virtually unlimited endurance. It gives our naval forces a unique ability to respond to crises around the globe and provides for a secure strategic force.

In addition to acknowledging this milestone, the letter would recognize that for over 40 years, the joint Department of Energy/Navy Naval Nuclear Propulsion Program has handled this complex technology safely and protected the operators, the public and the environment. Given the severe problems that have been encountered in other nuclear programs, this accomplishment is a mark of the effectiveness and excellence of a unique Government program. It represents the kind of program this Administration is seeking to foster throughout government. The letter also recognizes the individual contributions of the thousands of people who have made this achievement possible.

Secretary of Energy O'Leary supports this action.

I recommend you sign the attached memorandum.

Sincerely,

William J. Perry

Attachment

MEMORANDUM FOR THE HONORABLE HAZEL R. O'LEARY
THE SECRETARY OF ENERGY
THE HONORABLE JOHN H. DALTON
THE SECRETARY OF THE NAVY

SUBJECT: Joint DOE/Navy Naval Nuclear Propulsion Program

This month our Navy reaches ~~an~~ a historic milestone -- 100 million miles steamed on nuclear power.

From the time the USS NAUTILUS first went to sea nearly 40 years ago, our nuclear powered fleet has grown to 121 ships, ~~--~~ including submarines, aircraft carriers, and cruisers. ~~representing nearly half the Navy's major combatants.~~ Nuclear propulsion has enabled these ships to make a vital and continuing contribution to our national interest, ~~--~~ greatly enhancing strategic deterrence; maintaining freedom of the seas; and providing ~~a potent~~ an effective means to address regional crises.

This milestone is ~~all the more~~ remarkable because it has been achieved safely and in a way that has protected the public and the environment, both here and abroad. The Naval Nuclear Propulsion Program, with its high standards and efficiency, exemplifies the level of excellence we are working toward throughout our government.

I commend you and your Departments for this great accomplishment. ~~The Program's unique organization, standards and practices maintained under your leadership have my continuing full support.~~ I ~~also~~ know that this ~~record of~~ achievement ~~has come from the~~ could not have been possible if not for the hard work of thousands of committed people -- military and civilian -- both in industry and government. They represent a remarkable blend of the best of our nation's talent and resolve, and I hope you will ~~Please~~ convey to them my personal congratulations for their individual contribution to this milestone.

cc:
Secretary of Defense
President of the Senate
Speaker of the House

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

April 8, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL RGB

FROM: KEITH HAHN KH

SUBJECT: Transportation Qs and As on Transportation Draft Bill Maritime Administration Authorization Act for Fiscal Years 1995 and 1996.

Tab II provides the Department of Transportation answers to questions from the House Subcommittee on Merchant Marine following hearings on March 17, 1994. The answers are consistent with Administration proposals and objectives contained in the Maritime Security Program and the Shipyard Revitalization Program announced last October.

Concurrence by: Jeremy Rosner

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the Transportation answers.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR JAMES J. JUKES

FROM: WILLIAM H. ITOH

SUBJECT: Transportation Qs and As on Transportation Draft Bill Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

The National Security Council staff concurs in the proposed Transportation response.

36 PAGES
2638

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

April 7, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #D-703
DRAFT #460

TO: Legislative Liaison Officer -

AGRIC-CR - Vince Ancell (all testimony) - (202)720-7095 - 230
COMMERCE - Michael A. Levitt - (202)482-3151 - 324
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
LABOR - Robert A. Shapiro - (202)219-8201 - 330
TREASURY - Richard S. Carro - (202)622-1146 - 228
AID - Robert M. Lester - (202)647-8371 - 202
CEA - - (202)395-5036 - 242 (Jonathan Baker)
NEC - Sonyia Matthews - (202)456-6722 - 429
NSC - William H. Itoh - (202)395-3723 - 249
USTR - Fred Montgomery - (202)395-3475 - 223

FROM: JAMES J. JUKES (for) Jim
Assistant Director for Legislative Reference

OMB CONTACT: James A. BROWN (395-3473)
Secretary's line (for simple responses): 395-3454
Meg DiBARI (Wimmer) (395-3834)

SUBJECT: TRANSPORTATION Qs and As on TRANSPORTATION Draft Bill Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

DEADLINE: 5:00 P.M. April 12, 1994

COMMENTS: If we do not hear from you by the deadline, we will assume that you have no objection to clearance of these Qs and As.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
John McClelland
Meg DiBari
Roger Adkins
Ken Schwartz
Michael Schmidt
Carol Dennis
Lisa Witt
Bernie Ascher

LRM #D-709

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: James A. BROWN
Office of Management and Budget
Fax Number: (202) 395-3109
Analyst/Attorney's Direct Number: (202) 395-3473
Branch-Wide Line (to reach secretary): (202) 395-3454

FROM: ______________________ (Date)
______________________ (Name)
______________________ (Agency)
______________________ (Telephone)

SUBJECT: TRANSPORTATION Qs and As on TRANSPORTATION Draft Bill Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

The following is the response of our agency to your request for views on the above-captioned subject:

_______ Concur

_______ No objection

_______ No comment

_______ See proposed edits on pages ______________

_______ Other: ______________________

_______ FAX RETURN of _____ pages, attached to this response sheet

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

The Honorable William O. Lipinski
Chairman, Subcommittee on Merchant Marine
Committee on Merchant Marine and Fisheries
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am enclosing the Department's responses to the questions from your Subcommittee that were enclosed with your letter following the Subcommittee hearing on March 17, 1994.

If you need further assistance, please do not hesitate to contact the Assistant Secretary for Governmental Affairs, Steven Palmer, at 366-4573.

The Office of Management and Budget advises that there is no objection to the submission of this document to Congress.

Sincerely,

Federico Peña

Enclosure

PROGRAM

QUESTION 1: How much would it cost to have the sealift capacity proposed in the Maritime Security Program as part of the Ready Reserve Force or Navy's fleet?

ANSWER: The Department estimates that, over the ten-year period of the proposed Maritime Security Program, approximately equivalent vessel sealift capacity could be added to the Ready Reserve Force at a cost of over $2 billion for the acquisition and lay-up of 52 ships. In addition, the annual maintenance and operation costs to assure the ships are in a reasonable readiness posture would be, at a minimum, $2 million per year for each ship. For the ten-year period, these maintenance and operation costs would total over $1 billion. The total cost of adding equivalent vessel sealift capacity to the Ready Reserve Force would therefore be over $3 billion. The ten-year Maritime Security Program would provide this sealift capacity to the government from the U.S.-flag commercial fleet at a total cost of $1 billion, over $2 billion less.

Rapid crewing and shipyard activation during an emergency of an additional 52 inactive ships would be virtually impossible. The additional activation costs would represent a substantial financial burden compared to an operating U.S.-flag commercial fleet available on demand to the government.

The government would also lack the system-wide intermodal capacity offered by the Maritime Security Program. Owners or operators under the Maritime Security Program would make available commercial transportation resources which include ships, capacity, intermodal systems or equipment, terminal facilities, and intermodal and management services, or any portion thereof, that the Secretary of Transportation determines to be necessary. This cannot be duplicated by the Ready Reserve Force.

The Department defers to the U.S. Navy on the estimated cost of including comparable sealift capacity in the Navy fleet.

PROGRAM

QUESTION 2: I understand that U.S.-flag operators who do not qualify as Section 2 carriers will be eligible for the program under a third priority. Knowing your proposal envisions a 52-vessel fleet, is it possible that any contracts will be awarded to these operators?

ANSWER: Until the Department receives applications for the Maritime Security Program fleet, it is premature to estimate how these contracts would be awarded. First priority would be given to citizens of the United States that meet the requirements of Section 2 of the Shipping Act, 1916, as amended. Currently, there are over 52 U.S.-flag vessels that meet these requirements and are eligible for this program. All of these vessels may not be offered into the program. Some that are offered may not meet the needs of the program as well as other vessels that may be offered into the new program after enactment. For example, Section 2 carriers may acquire foreign-flag vessels, reflag them, and apply to have those vessels enter the program. New vessels currently on order may be offered by Section 2 carriers and new vessels may be built by Section 2 carriers. Any of these factors could impact on whether any non-Section 2 carriers would receive any contracts.

PROGRAM

QUESTION 3: What sort of criteria will you incorporate into the regulations used to select vessels for contracts? What is the purpose of these criteria?

ANSWER: As stated in the proposed legislation, first priority will be given to United States citizen carriers. Other than citizenship, selection criteria being considered include at least the following (not in priority order):

- operating, financial and ship management experience of the operator
- commercial transportation resources (intermodal networks)
- diversity of trading patterns
- age of vessel
- size of vessel
- military utility (speed, size, self-sustaining, cargo type)
- commercial viability
- cost efficiency
- diversity of ship types in program
- net gain to U.S. ownership

The purpose of these criteria is to maximize the number of modern, commercially viable, militarily useful vessels in the U.S. fleet, to guarantee the continued existence of a modern fleet of privately owned, U.S.-flag merchant ships crewed by skilled American civilian seafarers, to ensure a continuing American presence in international commercial shipping and trade, and to ensure that sufficient U.S.-flag vessels remain available to meet national security requirements.

PROGRAM

QUESTION 4: Why have bulk vessels been excluded from participation in your program?

ANSWER: The purpose of the Maritime Security Program is, among other things, to provide national security sealift capacity. United States maritime policy seeks to have a merchant marine composed of the best equipped, safest, and most suitable types of ships available for this purpose. Fiscal limitations require difficult decisions to be made concerning the use of available funds along with other methods of creating incentives for the maritime community. As a result, the Administration has decided that the best interests of our nation are secured by combining direct assistance payments to the liner segment of our merchant fleet, while offering other incentives to the bulk operators.

The proposed Maritime Security and Trade Act of 1994 includes mechanisms to assist in the development of U.S.-flag bulk ship operations. For example, current law requires that foreign-built vessels brought under the U.S. flag wait three years before becoming eligible to carry civilian bulk preference cargoes. The Administration bill would provide immediate eligibility for the carriage of these cargoes, upon registry under the U.S. flag, for foreign-built bulk vessels on order or delivered as of January 1, 1993. We anticipate that this change will facilitate the addition of modern, efficient bulk vessels to the U.S.-flag merchant fleet.

Recipients of operating-differential subsidy (ODS) are currently precluded from owning, chartering, or operating any foreign-flag vessel which competes with any essential U.S.-flag service. The Administration bill would remove this restriction, thereby allowing ODS bulk operators unlimited ability to operate foreign-flag ships. This welcome change will afford ODS bulk operators the opportunity for increased operating flexibility and profitability.

The Department anticipates that newer, more efficient, lower cost bulk vessels that are brought into the preference trades as a direct result of these initiatives will result in lower civilian bulk preference cargo freight rates, and a resulting lower cost to shippers and to the government for the transportation of these commodities.

PROGRAM

QUESTION 5: During the recent industry briefing, Admiral Herberger cautioned that if this program is not enacted this year, it would only be a matter of time before cargo preference and the Jones Act were dismantled. Could you pleased elaborate on this statement and what actually precipitated these concerns?

ANSWER: Enactment of a maritime revitalization program that will enable U.S.-flag liner vessels to remain competitive in the international market is critical to the survival of the U.S. merchant fleet as we know it today.

One of the goals of the Administration's bill is to bring more efficient ships into the preference trades and to increase competition, but this cannot happen without appropriate changes to existing statutes and regulations. Unless actions are taken now to stem the decline in the size of the U.S. fleet, it is unlikely that in the long-run there will be sufficient shipping capacity operating under the U.S. flag to carry our Nation's preference cargoes at fair and reasonable rates. If this happens, the combined effects of a significantly diminished fleet and the efforts of various interests who remain opposed to vigorous adherence to the cargo preference laws would likely lead to the dismantling of existing cargo preference laws.

In a similar fashion, this scenario would give rise to pressures to dismantle other assistance programs to the maritime industry. For example, unless our Nation's shipyards are able to compete for commercial shipbuilding and ship repair orders on an equal footing with other foreign shipbuilding nations, we may see the ultimate demise of the U.S. shipbuilding industry. If this were to happen, I would also expect that there would be a movement to repeal the Jones Act, which requires that cargo moving between U.S. ports be carried on U.S.-built, U.S.-flag ships.

PROGRAM

QUESTION 6: Do you feel that the 52 vessels for the program will be sufficient to meet national security requirements while maintaining an American-flag presence in international commercial shipping? How did you arrive at this figure?

ANSWER: The 52 ships that the Administration envisions will be enrolled in the Maritime Security Program will be able to supplement DOD's organic surge sealift capability as well as meet ongoing sustainment requirements during mobilization. Experience during Operations DESERT SHIELD/DESERT STORM indicates that during the peak of the sealift operations, about 30 percent of the capacity of the U.S.-flag commercial liner fleet was used to support the operations without disrupting normal commercial operations.

The Administration's Maritime Security Program does not specifically limit the number of ships that would be eligible to receive direct financial assistance, instead, the overall cap on the cost of the program and the amount of assistance that each ship would be able to receive per year effectively caps the program at 52 ships. This is about the same level of support, in terms of number of liner vessels, that is currently being provided under the operating-differential subsidy program, but the outlay per vessel would be significantly lower.

PROGRAM

QUESTION 7: You have faced a great deal of opposition in forging a new maritime policy and moved your agenda through an administration where even the Vice President's National Performance Review initially called for a dismantling of the maritime industry. Now that your maritime revitalization program has been finalized, what are you doing to generate a clear message to all the agencies that the President supports the U.S. maritime industry?

ANSWER: The President's support of the U.S. maritime industry is clearly stated in his press statement regarding the Administration's maritime revitalization legislation. Without his support, and the cooperation of other Federal agencies, the Administration would never have been able to produce a comprehensive maritime revitalization proposal. I intend to work personally with the members of Congress and other Administration officials in seeing the enactment of this legislation.

PROGRAM

QUESTION 8: The budget that has been submitted for the program in fiscal year 1995 allows for 32 vessels. Do you intend to sign all 52 contracts for the life of the program in the first year with delayed effective dates or will you continue to consider applications up to fiscal year 1998 for the remaining contracts?

ANSWER: The Administration bill does not permit reserving slots in the program for future use. We will continue to consider applications to fill the available slots until all 52 contracts have been signed. However, we will not sign any contracts until slots are available for those vessels. If some vessels drop out of the program, we would then consider replacements.

PROGRAM

QUESTION 9: In relation to the "voluntary" nature of your proposal, some industry representatives are concerned that your proposal seems to require an operator to offer all of its vessels for enrollment to receive any support and allows the Government to decide which ones it wants in the program. This concern was precipitated over the fear that some of their vessels could not be operated economically under U.S.-flag even with the program. Could you please clarify this issue?

ANSWER: An operator would not have to offer all its vessels in order to participate in the Maritime Security Program. However, enrollment in an Emergency Preparedness Program would be required in order to make the full spectrum of an operator's commercial transportation resources available to the government when necessary. Any vessel that does not meet the requirements of the proposed legislation would not need to be offered into the program. The government would decide which vessels among those offered would be brought into the program. Commercial viability is one of the factors that would be used in selecting vessels. If a vessel is offered and not selected, the owner could apply to the Secretary of Transportation for approval of a transfer under section 9 of the Shipping Act, 1916, as amended. It is likely that such approval would be granted.

PROGRAM

QUESTION 10: The level of payments in your program appears to be capped at $2.5 million annually per ship for the first three years and at $2.0 million annually for the last 7 years. Could you confirm that an operator would receive the full amount so long as the enrolled vessel meets the operating requirements in the bill?

ANSWER: If the operator meets the operating requirements in the bill, it would receive the full amount of its contracted payment. If the operator does not fulfill the operating requirements, the payment would be reduced. Vessels enrolled in the program must operate exclusively in the U.S. foreign commercial trade for at least 320 days per fiscal year, including days during which the vessel is drydocked, surveyed, inspected, or repaired. A pro rata reduction in program payments will be made for ships operating less than 320 days.

PROGRAM

QUESTION 11: Please provide the Subcommittee with a more detailed explanation of the foreign-flag feeder and line-haul sections of the bill.

ANSWER: Section 204 of the Administration bill amends section 804 of the 1936 Act to allow ODS operators and Maritime Security Program operators to operate an unlimited number of foreign-flag feeder vessels without restriction.

In addition, this section provides for continued operation of foreign-flag line haul vessels operating in the foreign commerce of the United States that are in service to either ODS or Maritime Security Program operators on the date of enactment of the bill. Furthermore, an operator may place vessels denied entry into the Maritime Security Program into line haul service under foreign registry. In any case, foreign-flag line haul vessels owned by these operators and engaged in the foreign commerce of the United States must be registered under the flag of an effective United States-controlled (EUSC) foreign flag.

CARGO PREFERENCE

QUESTION 1: In your proposal, you treat civilian and bulk military preference cargo differently in that subsidized carriers who carry military cargo would not see a reduction in their subsidy. Have you examined the possibility that subsidized vessels may be given an unfair advantage over non-Section 2 carriers who bid on military cargo?

ANSWER: No provision for reduction in Maritime Security Program (MSP) payments is made for the carriage of military preference cargoes, because these cargoes have been traditionally considered liner cargoes and are appropriately carried by liner-type ships. The Administration bill proposes a reduction or elimination in payments when ships are engaged in the carriage of civilian bulk preference cargoes. This distinction is made in order to protect the interests of the dry bulk segment of the U.S.-flag merchant fleet whose vessels are suited to carry these types of military cargo.

With respect to the carriage of military cargo, MSP participants would have an advantage over non-participants whether or not they are section 2 carriers. The advantage would be similar to the one that has benefited operators receiving operating-differential subsidies for many years.

In any event, it does not appear inequitable to sustain program participants that have committed their total transportation resources to the United States through the peacetime movement of military cargo.

CARGO PREFERENCE

QUESTION 2: As you know, H.R. 2151 includes language to strengthen MARAD's oversight and enforcement role in the Government's cargo reservation programs. Why does the Administration's bill omit these provisions?

ANSWER: The Maritime Security Program (MSP) is focused on maintaining a strong U.S.-flag fleet presence in our foreign commerce and providing the militarily useful ships and other elements of an intermodal transportation infrastructure needed for national defense.

While U.S. cargo preference programs are an important part of the overall strategy to support the privately owned and operated U.S.-flag merchant marine, major changes to our cargo preference programs are not being recommended as part of the Administration's MSP proposal.

The changes that are being proposed concern the acquisition of new, more efficient vessels by cargo preference participants. The Administration's proposal provides incentives for operators to acquire new ships by permitting immediate eligibility to carry preference cargoes.

MARAD takes its responsibility to monitor the compliance with cargo preference statutes by other government agencies very seriously, and has been working with shipper agencies to improve compliance with these laws. MARAD will continue to monitor adherence to the cargo preference laws aggressively, and will attempt to resolve issues through the collaborative process within the Administration, while seeking full compliance with the cargo preference statutes.

LABOR

QUESTION 1: Is it true that a Master of a large vessel earns about the same as a U.S. airline captain? What are the responsibilities of the master and other crew members?

ANSWER: Although wages for seamen and airline personnel can vary greatly due to differences in pay structures between each industry, as well as dissimilarities that exist within the industries themselves stemming from negotiated collective bargaining agreements, top pay for a merchant Master and an airline Captain are in the same range.

The major responsibilities of merchant Master and crew involve the safe navigation and operation of a ship at sea and in port, as well as the safe transportation of the vessel's cargo.

SHIPBUILDING

QUESTION 1: Several U.S.-flag liner operators recently ordered new ships built overseas. Shouldn't the ships be built here in U.S. shipyards?

ANSWER: U.S.-flag liner operators need to replace vessels now to maintain and benefit from a competitive edge in international trade. While U.S. shipyards are likely to be competitive in the future, they are not able to guarantee U.S.-flag liner companies internationally competitive prices and construction schedules that operators need now.

The Administration believes that U.S. shipyards will be able to achieve international competitiveness through the combined effects of the Administration's shipyard revitalization program, the efforts of U.S. shipyards, and the negotiation of an international agreement to eliminate government shipbuilding subsidies.

SHIPBUILDING

QUESTION 2: Why should U.S. shipyards support the Maritime Security Program given the apparent failure of international negotiations to eliminate foreign shipbuilding subsidies and the lack of series transition payments in the Administration's proposal?

ANSWER: In October 1993, the Administration sent to Congress a five-part shipyard revitalization program to encourage shipyards to make the transition from military to commercial production.

- The first part of the plan is to ensure fair international competition through the elimination of foreign shipbuilding subsidies.
- The shipyard program also provides approximately $220 million of federal funding for transition matching grants through FY 1998.
- In addition, $144 million in Title XI funding would be available through FY 1995: $94 million ($47 million each from DOT and DOD) in FY 1994 and $50 million that is being requested by DOT for FY 1995. This would support about $1.5 billion in new Title XI loan guarantees.

The Administration's shipyard program is intended to provide additional support for actions already underway in the U.S. shipbuilding industry to help U.S. shipyards become competitive and enter the international market. U.S. shipyards support the shipyard revitalization program, and have already provided DOD's Maritime Systems Technology Office (Maritech) with numerous proposals for potential projects. Proposals are now being evaluated and contract awards are anticipated in the near future.

SHIPBUILDING

QUESTION 3: Provided a funding mechanism is found, would the Administration support a series transition payment program for U.S. shipyards?

ANSWER: The series transition payment program would require careful review and deliberation within the Administration.

- The Administration initiated a shipyard revitalization program in October 1993. Shipyards indicated interest in that program, and some time will be needed before the expected benefits from that effort are realized, and before shipyards are able to adapt to the demands of the international commercial market.

- The funding mechanism for series transition payments would need to generate about $200 million annually for five years, based upon the proposal contained in H.R. 2151. The Administration would have to consider the use of public funds for these payments to shipyards, compared to the need to fund other national priorities.

SHIPBUILDING

QUESTION 4: Please explain the foreign build section of the bill for liner and bulk vessels. Why is there a difference?

ANSWER: Section 202(c) of the Administration bill adds a new section 616 to Title VI of the Merchant Marine Act, 1936, as amended, which would allow ODS operators to acquire worldwide a liner or bulk vessel over 5,000 DWT to replace an existing vessel that would reach the end of its subsidizable life prior to the expiration of its ODS contract. Liner vessels acquired in this manner would have ODS payment levels limited to those provided in the Maritime Security Program. Bulk vessels acquired in this manner, however, would not have such a payment restriction and would continue to receive ODS payments until the existing ODS contracts terminated, except when carrying preference cargoes. Since the bill also prohibits the extension of subsidizable life of existing vessels, this approach recognizes the need for ODS operators to replace ships while their ODS contracts are still in effect and provides a mechanism that enables the ODS operators to do that. Since the Maritime Security Program is available only to liner operators, it is fair to limit the amount of assistance to ODS operators to a level consistent with that of the new program.

Section 205 of the bill allows immediate eligibility for the carriage of preference cargoes to liner vessels acquired worldwide that are less than five years old. This section affords similar treatment to any bulk cargo vessel constructed in or delivered by a foreign shipyard after January 1, 1993. Since liner vessels acquired worldwide and less than five years old are eligible for the Maritime Security Program, it is consistent to permit these ships to carry preference cargoes. Although bulk vessels are not eligible for the Maritime Security Program, there is a need for modern, efficient ships in this segment of the fleet. Permitting relatively new foreign-built bulk vessels into the preference trades creates an incentive for U.S.-flag operators to employ such vessels while assuring better service and lower preference cargo freight charges. Foreign-built bulk vessels are limited to those delivered after January 1, 1993 to provide U.S. shipyards an opportunity to compete in this market.

TONNAGE FEE

QUESTION 1: Are there any cruise vessel operations that call on foreign ports, originating in U.S. ports, which pay U.S. corporate taxes?

ANSWER: There are no U.S.-flag cruise vessels operating between U.S. and foreign ports.

Two foreign-flag cruise vessel operators, known to be subsidiaries of a U.S. corporation, operate three cruise ships in the U.S.- Bahamas trade. The U.S. parent corporation is required to pay U.S. corporate taxes on the earnings of the vessels.

TONNAGE FEE

QUESTION 2: The U.S.-flag vessels will be charged the increased tonnage fees in your proposal in addition to paying corporate taxes in the United States. What is the corporate tax rate for these operators?

ANSWER: The tax rate paid depends upon the revenue earned by the corporation. The applicable tax rate could be up to 35 percent of the taxable earnings of the corporation under the provisions of the Omnibus Budget Reconciliation Act of 1993.

TONNAGE FEE

QUESTION 1: How do foreign cruise vessel operations benefit from Coast Guard services?

ANSWER: Vessels of all flags have equal access to the many services provided by the U.S. Coast Guard. Among these services are aids to navigation, search and rescue operations, vessel traffic services, removal of obstructive bridges, and verification of compliance with applicable U.S. and international maritime safety and pollution standards.

TONNAGE FEE

QUESTION 4: Is there a formula that could be used to increase the tonnage burden for cruise vessels?

ANSWER: There is no set formula that could be used to increase the impact on cruise vessels; a variety of options are possible. Based on 1992 data, cruise vessels made an average of 35 entries each from abroad during the year, mostly from nearby foreign ports. Tonnage duties paid by cruise vessels could be increased by raising the cap on the number of entries subject to the duty (currently five entries per vessel per year) or the duty rate could be raised for nearby foreign ports.

The Administration believes that its proposed increase in vessel tonnage duties is equitable in that the increase is "blind" to the type of ship. The larger the ship, or the more entries that a ship makes into the United States during a year, the higher the tonnage duty payment.

TONNAGE FEE

QUESTION 5: What is the percentage breakdown by industry segment for who will pay the additional $100 million in tonnage fees collected each year?

ANSWER: Assuming trade patterns remain the same as in 1992, the year on which our estimates are based, the contributions of each segment of the industry would be:

Liner - 24 percent
Dry bulk - 46 percent
Tanker - 26 percent
Passenger/cruise - 1.5 percent
Other - 2.5 percent

TONNAGE FEE

QUESTION 6: If there were no cap and no difference between point of origin on tonnage tax assessments, what would be the impact on tanker, bulk, cruise, and container vessels?

ANSWER: Under the current law, a tonnage duty is paid on the first five entries that a vessel makes into the United States during a year based on the net registered tonnage (NRT) of the vessel and the last foreign port that was called before entering the United States. As of January 1, 1991, the duty rate is $0.09 per NRT for vessels that enter the United States from nearby foreign ports and $0.27 per NRT for vessels that enter the United States from other foreign ports.

If the cap were lifted and the differential between nearby and distant foreign ports were eliminated only on the amount that would be collected to offset the cost of the proposed Maritime Security Program, then the new duty structure would be:

Last Port of Call	First Five Entries per Year	Entries Over Five per Year
Nearby Foreign	$0.30 per NRT	$0.21 per NRT
Other Foreign	$0.48 per NRT	$0.21 per NRT

The estimated impact of the increase by type of ship is as follows:

- Container ships calling in the United States would on average, pay $1.36 per TEU more, compared to $1.47 under the Administration's proposal.

- Dry bulk ships would, on average, pay $0.09 per ton more, compared to $0.14 per ton under the Administration's plan.

- Tankers, on average, would pay $0.013 per barrel more, compared to $0.011 per barrel under the Administration's proposal.

- Cruise ships would, on average, pay $3.15 per passenger more, compared to $0.38 per passenger under the Administration's proposal.

Another option would be to lift the cap and eliminate the differential between nearby and distant foreign ports for <u>all</u> vessel entries into the United States. Under this option, the duty would be $0.34 per NRT.

The estimated impact of this option by type of ship is as follows:

- Container ships calling in the United States would on average pay $1.29 per TEU more, compared to $1.47 under the Administration's proposal.

- Dry bulk ships would, on average, pay $0.07 per ton more, compared to $0.14 per ton under the Administration's plan.

- Tankers, on average, would pay $0.014 per barrel more, compared to $0.011 per barrel under the Administration's proposal.

- Cruise ships would, on average, pay $4.86 per passenger more, compared to $0.38 per passenger under the Administration's proposal.

TONNAGE FEE

QUESTION 7: Are bulk vessels more heavily burdened by the tonnage tax and is there a formula that could be used to lessen the tonnage tax burden for bulk vessels?

ANSWER: U.S. vessel tonnage duties are imposed on all vessels in the same manner. The amount of duty owed by any vessel coming into a U.S. port is a function of its size, its last foreign port and the number of previous entries by that ship during the year.

Based on 1992, data bulk vessels made an average of three to four entries from a foreign port during the year, mostly from foreign ports subject to the higher duty rate.

There is no set formula that could be used to reduce the impact on bulk vessels; a variety of options are possible. For example, tonnage duties paid by bulk vessels could be decreased by raising the rate charged on vessel entries from nearby foreign ports and lowering the rate on entries from other foreign ports.

The Administration believes that its proposed increase in vessel tonnage duties is equitable in that the increase is "blind" to the type of ship. The larger the ship, or the more entries that a ship makes into the United States during a year (up to a cap of five entries per vessel per year), the higher the tonnage duty payment.

TONNAGE FEE

QUESTION 8: Why are U.S.-flag dry bulk and tanker vessels and foreign-flag ships being assessed a fee to support a program for U.S.-flag liner vessels?

ANSWER: The tonnage tax is broadly based and is not a fee to offset services provided by the Federal government to a specific sector of the vessel operating industry. All vessels that enter the United States from a given foreign area, regardless of flag or vessel type, currently pay the same tonnage tax rate, and would continue to do so under the Administration's funding proposal.

TONNAGE FEE

QUESTION 9: Why is the Maritime Security Program being funded through an increase in the tonnage tax?

ANSWER: President Clinton's commitment to reducing the Federal budget deficit requires that the Maritime Security Program (MSP) be "budget neutral". The increase in tonnage fees (which will offset the cost of U.S. Coast Guard services provided to the international maritime industry) will meet pay-as-you-go budgetary requirements for the MSP.

The proposed increase in tonnage duties for the MSP would be treated the same as the increase authorized under the Omnibus Reconciliation Act of 1990, thereby allowing us to fund the MSP program on a pay-as-you-go basis.

TONNAGE FEE

QUESTION 10: The cruise vessel industry has distributed a study that points out how much they pay in U.S. taxes. What is the nature of these taxes, and do U.S. vessel companies also pay these taxes in addition to the corporate taxes that the foreign cruise vessel companies do not pay?

ANSWER: The International Council of Cruise Lines indicates in its study, "The Cruise Industry", that cruise lines, cruise passengers, airlines, hotels, taxi operators, food and beverage distributors, and other direct supporting enterprises generated approximately $1.3 billion in federal tax revenues and $500 million in state and local tax revenues in 1992.

In addition, according to Council estimates $3.3 billion in Federal taxes and $945 million in state and local taxes were generated by the cruise industry's supplier sector, such as trucking and transportation services, food processors and agriculture, etc.

These are general taxes levied on all similarly situated businesses, and are not fees collected only from foreign-flag cruise operators. Therefore, these federal and state taxes would also be paid by a U.S. company operating in U.S. trade. However, foreign-owned cruise lines would not pay U.S. corporate taxes.

OTHER LEGISLATION

QUESTION 1: What are the Administration's, the Department of Transportation's, and the Maritime Administration's respective positions on the Unsoeld bills, H.R. 3821 and H.R. 3822?

ANSWER: H.R. 3821, the United States Passenger Vessel Development Act, provides for an interim coastwise status to permit foreign-flag cruise vessels to operate from U.S. ports. For the vessels to reflag under the United States flag and be allowed in the coastwise trade, vessel owners must commit to the U.S. construction of a U.S.-flag qualified replacement vessel. The applicable Coast Guard safety requirements and the U.S. citizenship ownership requirements are both relaxed for the temporary coastwise cruise vessels and their U.S.-constructed replacements; however, U.S. crews would be required on such vessels.

H.R. 3822, the United States Passenger Vessel Development Tax Act, provides tax incentives for the investment in the U.S. cruise industry, including the expansion of the Capital Construction Fund (CCF) to cover passenger vessels in the coastwise trade. The bill allows an accelerated depreciation of three years, rather than ten years, for U.S.-flag passenger vessels. H.R. 3822 allows CCF funds to be used to acquire vessels by lease. The bill would remove CCF deposits from computation of the alternative minimum tax and would tax investment income from the CCF in the year earned.

These bills were recently introduced and the Department is currently developing its position which will be forwarded to the Office of Management and Budget for clearance through the interagency review process. At that time, the Administration's position will be sent to the Committee.

OTHER LEGISLATION

QUESTION 2: What are the Administration's, the Department of Transportation's, and the Maritime Administration's respective positions on the Taylor bill, H.R. 1250?

ANSWER: H.R. 1250 would change the current interpretation of Section 8 of the Passenger Service Act of 1886 (46 U.S.C. 289) by the U.S. Customs Service. The Customs Service ruling permits a foreign-flag cruise vessel to leave from and return to the same U.S. port without stopping at a foreign port, provided the vessel sails at least twelve miles out to international waters before returning to the U.S. port. H.R. 1250 would eliminate these foreign-flag "cruises-to-nowhere" by January 1, 1998.

The Administration sent its statement of policy to the House of Representatives when H.R. 1250 was passed under suspension of the rules on November 20, 1993. In its statement, the Administration opposed any changes to the Jones Act until it completed its review of maritime policies. For this reason, the 1993 interagency review of H.R. 1250 was not completed. The review of maritime policies has now been completed and the Maritime Security and Trade Act of 1994 was sent to Congress on March 10, 1994. It is appropriate, therefore, for the Administration to reach a position on H.R. 1250. The Department is currently developing its position which will be forwarded to the Office of Management and Budget for clearance through the interagency review process.

OTHER LEGISLATION

QUESTION 3: What is the Administration's, the Department of Transportation's, and the Maritime Administration's respective positions on the Schenk bill, H.R. 3769?

ANSWER: H.R. 3769 would promote U.S. construction of modern, efficient documented vessels by expanding cargo preference laws to cover both government and commercial importation of bulk oil and motor vehicles. The bill would require that at least 30 percent of all U.S. imports of bulk oil and 50 percent of all imported motor vehicles be carried on U.S.-flag vessels by the year 2002.

Historically, the Administration has preferred to combat foreign shipbuilding subsidies and unfair practices through multilateral negotiations. Therefore, the Department will take no position on H.R. 3769 until it has reviewed the results of the Organization for Economic Cooperation and Development (OECD) on the issue of shipbuilding, and other factors.

OTHER LEGISLATION

QUESTION 4: Foreign cruise vessel operators have threatened to leave U.S. ports if we impose the same standards on them as are required by U.S. companies. How serious is this threat, and where would these vessels operate and keep their U.S. customers?

ANSWER: Cruise operators could conceivably restructure their operations so that the passenger cruise hub is at another location. We understand that the cruise operators believe that laws affecting the manning of their ships (such as requiring U.S. wages/crews) would significantly impact them. Such laws could make them consider relocating their operations to the Bahamas or some other Caribbean Island which has present infrastructures to accommodate them.

Significant investment would be required on the part of the cruise vessel operators to relocate their operations. In addition, the extensive facilities (infrastructure and supplier services) now available in Miami, would have to be replicated at the new hub. These facilities would have to be capable of handling the 3 million cruise passengers per year currently passing through Miami.