Calendar No. 949

110TH CONGRESS, 2d Session } SENATE { REPORT 110–451

NAVAL VESSEL TRANSFER ACT OF 2008

SEPTEMBER 10, 2008.—Ordered to be printed

Mr. DODD, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 3052]

The Committee on Foreign Relations, having had under consideration the bill S. 3052 to provide for the transfer of naval vessels to certain foreign recipients, reports favorably thereon and recommends that the bill do pass.

CONTENTS

I. PURPOSE

The purpose of the Naval Vessel Transfer Act of 2008 is to authorize the President to transfer certain specified naval vessels to particular countries.

II. COMMITTEE ACTION

S. 3052 was introduced on May 22, 2008 by Sens. Biden and Lugar. At a business meeting on July 29, 2008, the committee ordered S. 3052 reported favorably by voice vote, with no objections.

III. DISCUSSION

Pursuant to section 824(b) of the National Defense Authorization Act for Fiscal Year 1994, as amended, 10 U.S.C. 7307(a), a naval vessel that is in excess of 3,000 tons or that is less than 20 years of age may not be disposed of to another nation unless the disposition of that vessel is approved by law enacted after August 5, 1974. Each year, the executive branch requests the needed legislation for the ship transfers that it wishes to offer to particular countries, either by grant or by sale.

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S. 3052 would provide the required approval for six transfers, as follows:

- To the Government of Pakistan, the *Oliver Hazard Perry* class guided missile frigate *McInerney* (FFG–8);
- To the Government of Greece, the *Osprey* class minehunter coastal ships *Osprey* (MHC–51) and *Robin* (MHC–54);
- To the Government of Chile, the *Kaiser* class oiler *Andrew J. Higgins* (AO–190); and
- To the Government of Peru, the *Newport* class amphibious tank landing ships *Fresno* (LST–1182) and *Racine* (LST–1191).

These would all be grant transfers under section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j).

Section 2 contains four provisions that are traditional elements of ship transfer legislation. Section 2(b) provides that the value of a vessel transferred to another country on a grant basis pursuant to authority provided by this section shall not be counted against the aggregate value of excess defense articles transferred to countries in any fiscal year under section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j). Section 2(c) provides that any expense incurred by the United States in connection with a transfer authorized by this section shall be charged to the recipient (notwithstanding section 516(e)(1) of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j(e)(1)). Section 2(d) provides that, to the maximum extent practicable, the President shall require, as a condition of the transfer of a vessel under this section, that the country to which the vessel is transferred have such repair or refurbishment of the vessel as is needed, before the vessel joins the naval forces of that country, performed at a shipyard located in the United States, including a United States Navy shipyard. Section 2(e) provides that the authority provided by this bill will expire 2 years after the date of enactment of the bill.

On April 25, 2008, the Secretary of the Navy, the Honorable Donald C. Winter, wrote to the chairman of the Committee on Foreign Relations that: "Authority to transfer surplus vessels is an important aspect of our ship disposition strategy. It enables us to manage our inventory while strengthening ties with our naval allies by transferring ships that they desire." Secretary Winter added: "The ships specified in this proposal are no longer required for service by the Navy. Expeditious enactment of the proposal is in the best interests of the Navy's Maritime Strategy as it will allow us to strengthen the capabilities of partner nations." An accompanying section-by-section analysis of the proposal added the following information on this bill:

> These proposed transfers would improve the United States' political and military relationships with close allies. They would support strategic engagement goals and regional security cooperation objectives. Active use of former naval vessels by coalition forces in support of regional priorities is more advantageous than retaining vessels in the Navy's inactive fleet and disposing of them by scrapping or another method.
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> The United States would incur no costs in transferring these naval vessels. The recipients would be responsible

for all costs associated with the transfers, including maintenance, repairs, training, and fleet turnover costs.

IV. Cost Estimate

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 8, 2008.

Hon. JOSEPH R. BIDEN, JR.,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 3052, the Naval Vessel Transfer Act of 2008.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D'Monte.

Sincerely,

PETER R. ORSZAG.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 8, 2008.

S. 3052

Naval Vessel Transfer Act of 2008

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN RELATIONS ON JULY 29, 2008

S. 3052 would authorize the grants of six naval vessels to foreign countries. In each case, the bill identifies the vessel and the recipient country. The authority to transfer those vessels would expire two years after enactment. Under the bill, any costs related to the transfer, including costs for refurbishment of the vessels, must be paid by the recipient country. Such amounts are typically paid directly to the private shipyard that does the work.

Because the bill would authorize the transfer of those vessels by grant, instead of by sale, CBO estimates that enacting this bill would not affect direct spending or revenues. Implementing the bill would have no significant effects on spending subject to appropriation.

S. 3052 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Sunita D'Monte. This estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.

V. Evaluation of Regulatory Impact

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. Changes in Existing Law

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the committee notes that no changes to existing law are made by this bill.

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