



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 18, 2011

H.R. 2839 **Piracy Suppression Act of 2011**

*As ordered reported by the House Committee on Transportation and Infrastructure
on September 8, 2011*

SUMMARY

H.R. 2839 would require that owners and operators of ships carrying cargo for the United States government in certain areas at high risk for pirate activities provide armed personnel aboard those ships. Federal agencies contracting with those owners and operators would be required to reimburse them for the costs of employing armed personnel. The bill would also require the Maritime Administration (MARAD) to develop a training program for mariners on the use of force against pirates and would instruct the Department of Defense (DoD) to seek reimbursement for actions to protect or defend certain ships not registered under the laws of the United States from piracy. Based on information from the United States Coast Guard (USCG), MARAD, and DoD, CBO estimates that enacting H.R. 2839 would cost \$90 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2839 is shown in the following table. The costs of this legislation fall within budget functions 050 (defense) and (400 transportation).

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	23	18	18	18	18	95
Estimated Outlays	20	18	18	17	17	90

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2839 will be enacted before the end of 2011 and that the amounts estimated to be necessary will be appropriated for each year.

Reimbursement of Cargo Vessels

H.R. 2839 would require that owners and operators of ships carrying cargo for the United States government in certain areas at high risk for pirate activities provide armed personnel aboard those ships. While shipping routes can vary, those ships usually spend three to four days per trip in areas at high risk for piracy, according to information from MARAD. The Coast Guard estimates that there are typically six to eight ships at any given time at sea that would be required to comply with the new requirement. About three-fourths of those ships already carry armed personnel because they are under contract with DoD. Other federal agencies, mostly those that provide foreign food aid, would be required to reimburse owners for security costs at a rate of about two ships a day each year. According to information from DoD and the USCG, the cost of employing armed personnel on vessels is about \$25,000 per day. As a result, CBO estimates that enacting the provision would cost about \$18 million a year over the 2012-2016 period.

MARAD Training

H.R. 2839 would require MARAD to develop a training program for mariners on the use of force against pirates. Based on information from the agency about the estimated cost to develop training curricula, CBO estimates that implementing this provision would cost \$5 million over the next three years.

Department of Defense

H.R. 2839 would require DoD to determine the cost and seek reimbursement for actions to protect or defend from piracy certain ships not registered under the laws of the United States. However, the provision could be waived in many situations. Under current practice,

DoD has never sought reimbursement from other nations for assisting in such operations. As a result, CBO expects that this provision would have no significant effect on the budget.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2839 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Sarah Puro

Impact on State, Local, and Tribal Governments: Ryan Miller

Impact on the Private Sector: Amy Petz

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis