Meeting the United States Requirement for a Merchant Marine

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MEETING THE UNITED STATES REQUIREMENT

FOR A

MERCHANT MARINE

A RESEARCH PAPER

FOR

MARINE AFFAIRS

BY

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NORTH KINGSTON, R. I.
24 April 1978
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INTRODUCTION

The United States Merchant Marine has been rescued from woeful inadequacy several times in this century by fortuitously-timed crash programs of massive government support and by some extraordinary wartime feats of American ship-builders. Not since the days of sail, when its clipper ships took on all comers, has the United States Merchant Marine as a whole been a "winner" commercially on its own in world shipping competition. Nor have considerations of national security been sufficiently compelling in peacetime to ensure that the numbers and types of ships required for military resupply operations would be available in emergencies. There has been a lack of agreement on what the needs of the United States are for a merchant marine. There is even less concurrence inside and outside the industry as to what types of action should be taken to cure the ills of the current U. S. shipping industry, to maintain a U.S.-flag merchant fleet in the international competition for world trade, or to ensure that ships are available in types and numbers required for the many support roles that must be filled in wartime or other national emergencies.

As a matter of fact, from time to time there have been questions raised as to whether a U. S. merchant marine was required at all. Several critics have stated that they saw no harm in having staunch allies like the Norwegians, the Danes, the Dutch, and the British hauling U. S. cargo. They claimed that there was neither economic nor political justification for a U. S. merchant fleet. The U. S. Department of Defense at one point in the 60's even indicated that it didn't need a merchant marine for defense purposes. The experience of supplying Vietnam requirements quickly disproved that denial of need. The negative arguments persist nonetheless, citing the fact that U. S. allies own the preponderance of world shipping, contending that U.S.-owned foreign-flag
ships can be made available in emergencies under U. S. control, and claiming that much of the material required for future military contingencies will go by air. Proponents of a strong U. S. merchant marine for commercial and defense purposes point out fallacies in counting on the availability of "NATO pool" ships, or even on "flags of convenience" ships for U. S. support requirements. They point to the unpredictability of future wars. Although they agree that airlift will be required, they also recognize a need for sealift for operational flexibility, and for ships to carry the bulk of war materials, just as they did during World War II, the Korean Conflict and the Vietnam effort.

There have been many statements and many studies of the need for a U. S. merchant marine in recent years. According to Gilmore and Black, in "Law of the Admiralty", these have often been characterized by "bum-dope peddling" by "interested parties", and there are few disinterested studies from which to glean facts. However, according to these authors we should not be blinded to the fact that "there is high plausibility at least in the assertion that strategic considerations require the maintenance of a merchant marine. Of what kind is another matter". This paper will derive the United States' needs for a merchant fleet from the facts available, and will express these needs in terms which can be used to form reasonable goals. The history of the U. S. Merchant Marine will then be examined to learn how it arrived at its present status. Successes and failures of industry practices and government support programs will be highlighted, and an examination will be made of the degree to which the needs of the United States can be met with today's U. S. merchant fleet. Alternative courses of action will be analyzed, with a view toward proposing a program of continuing U. S. Government encouragement, support and
control with which to gain and maintain a merchant marine truly adequate for the needs of the United States.

UNITED STATES NEED FOR A MERCHANT MARINE

Seapower should be more important to the United States today than ever before in the nation's history. Ties with friends and allies around the world are maritime, and the presence of the U. S. flag in other areas is a stabilizing political factor. To exert influence or to employ power almost anywhere in the world involves use of the seas. Recognition of this basic fact is quite evident in the dramatic growth of all aspects of Soviet seapower in recent years. And this Soviet expansion is another cause for concern to U. S. seapower advocates. The most significant reason why seapower should be more important to the United States today however, comes from the country's increasing dependence on imports from overseas. With only six percent of the world's population, the United States consumes one-third of the world's energy. Much of the fuel to generate this energy comes from abroad. 69 of 71 critical materials are imported in whole or in part. Putting these facts together with other evidences of dependence on external sources for essential goods, one writer described the United States as having become, or fast becoming, an "island nation". He was not referring to an island in the physical sense, but rather in the sense that an island is completely dependent on maritime ties for the preservation of its society. Just as England became an island nation about the time of the Napoleonic Wars when it became a net importer of food, and as Japan became one when that nation industrialized after the Meije Revolution (making the economy dependent upon raw materials and energy resources imported by sea, and society completely dependent upon that industrial
economy), so the United States is now becoming similarly dependent upon the 
sea. Maritime power is vital to an island nation, and one of the major 
elements of such maritime power is a strong merchant marine. Other elements 
include a powerful navy and adequate support for sea-going forces in the 
form of population, shipbuilding, ports, facilities and financing.

Almost one-half of what the world produces in the way of minerals makes 
its way to the United States, and the products of U. S. farms and industry 
are found in virtually all the markets of the world. The common medium of 
terchange of these goods is ships carrying cargoes. Thus, the argument is 
made, the United States Merchant Marine is needed to maintain the lifelines 
to overseas buyers and sellers in normal times, and is even more essential 
in time of war. Proponents of this argument support it with data showing 
that ships controlled by the United States War Shipping Administration (WSA) 
carried 80% of all supplies in the Allied war efforts of World War II. They 
also point out that practically all cargoes sent from the United States to 
support the Korean Conflict went in U. S.-flag ships, and that 97% of all war 

Writing in 1940 about a merchant ship “flight from the flag” during the 
Civil War, an author summed up the need for a U. S. Merchant Marine neatly 
in the single phrase, "to contribute to the safety and welfare of the United 
States". He went on to amplify with a discussion of the merchant marine 
roles in keeping the U. S. out of wars other than its own, in implementing the 
U.S. Navy, in promoting foreign markets and increasing U. S. trade, and in 
providing employment and wages for labor in the many industries which contribute 
to shipbuilding and ship operations as well as to production, inland trans-
portation and distribution of the goods that come and go in ships. Finally, he pointed out that the merchant marine was needed then to put idle capital as well as idle men to work in productive industry.

These same roles are emphasized today in arguments for maintaining a strong merchant marine. In addition, the existence of a U. S. Merchant Marine of substantial size exerts a stabilizing influence on worldwide freight rates. The presence of U.S. merchant ships on many trade routes increases competition on these routes and benefits U.S. shippers. U.S. merchant ship availability gives the United States negotiating leverage in opposing efforts of developing countries to reserve the bulk of their cargoes for their own national flag ships to carry, and it provides a safeguard against foreign shipping discrimination, which might otherwise make it more difficult for U. S. shippers to compete in world trade. A recent study of the impact of the maritime industry on the U. S. national economy concluded that the businesses of building and operating ships are vital economic assets to the nation's productive output. The study made a pointed attempt to separate the economic impact from the military significance of the industry, and produced figures to show that maritime activities have contributed substantially (over $10 billion in 1976) to the U. S. gross national product. In the same year they generated 568,000 jobs, $7.4 billion in personal income and $2.2 billion corporate income. In addition, they were responsible for $1.6 billion in federal and $.9 billion in local taxes.

Thus, the merchant marine is needed as an essential element of maritime power required by an island nation dependent upon movement of goods by sea. It is a vital link with friends and allies, and a political asset throughout
the world. It is certainly a stabilizing influence on freight rates for U.S. imports and exports, and it opens many conference doors. Contributions to Gross National Product, to jobs, personal and corporate income, and to taxes also provide additional incentives to maintain a U.S. merchant fleet in being as a commercial enterprise. Of overriding importance however, is the requirement to keep a merchant fleet which can continue to carry the goods necessary to keep essential U.S. industries humming, and at the same time can provide requisite numbers and types of ships for vital roles in support of military operations in war or other emergencies. If the U.S. merchant fleet were to be kept large enough and versatile enough to satisfy military support requirements calculated by the Department of Defense, plus the urgent requirements of the civilian economy under conditions of emergency, so the story goes, there would be enough ships to influence the terms and conditions under which U.S. trade moves in non-emergency commercial situations.

Most writers stop at this point and declare the U.S. need for a merchant marine to be two-fold: to carry a substantial amount of U.S. seaborne trade under ordinary circumstances, and to provide the shipping support required in war or other national emergencies. It is possible to convert the word "substantial" to a percentage, and then to calculate what would be required in terms of numbers and types of ships to achieve that percentage on each of the essential U.S. trade routes. But there is little likelihood that these figures could be gained commercially by U.S. ships faced with stiff competition from merchant ships of other nations. Nor is the probability high that there would be a "fit" with wartime requirements. A more reasonable approach, in terms of its possibility of implementation, would be to take the calculations
of the Department of Defense as to the shipping required to support the most likely and most demanding contingency in its long-range planning period, then to add to that the best available figures as to urgent civilian sea transportation needs for the same contingencies, to come up with a total number of merchant ships required by the United States to support such an emergency situation. When this procedure was followed by the Interagency Maritime Task Force in 1965, they added DOD, Office of Emergency Planning and Office of Emergency Transportation requirements to arrive at a total need for 400 general cargo ships of 15 knots, 600,000 bale cube capacity each; 100 bulk cargo carriers of 16 knots, 22,000 deadweight ton capacity each; and 500 tankers of 15 knots, 115,000 barrel capacity (roughly T-2 tanker equivalents).

Not too much has changed since that 1000-ship figure was calculated. World power politics are about the same with regard to the most likely, most demanding contingencies. Certainly a repeat of a Vietnam-type episode (which never qualified as a national emergency) should be ruled out. The U.S. no longer has its network of overseas bases where war supplies could be pre-positioned in or near areas of most likely deployment of U.S. armed forces. Material will have to be moved to areas of conflict over much longer distances now. As a matter of fact, most resupply will have to come from U.S. continental depot stocks. Supply support will be required in the operating area sooner than would have been the case if a 90-day theater stockage objective had been achieved. Modern merchant ships are larger, faster and require much less turnaround time than their World War II counterparts. These last two factors, i.e. lack of overseas stocks and speed of delivery and turnaround, probably counteract one another to produce no increase or decrease in the
overall number of ships required. Another feature which has changed is the weight of organizational combat and support equipment for U. S. armed forces. It is continually increasing. There is a lack of organic lift capability in the active U. S. Navy today, and there are fewer naval auxiliaries available to support combatant units. Merchant ships of specific types will be required in roles not considered in earlier plans. Many of the Roll-on/roll-off ships will be required to provide lift for tracked and wheeled vehicles. Containerships might be modified to carry tanks (which don't currently fit in standard containers). Tankers could be converted to helicopter carriers, and LASH barges would be needed for movement of heavy-lift cranes, locomotives and harbor craft needed by the engineers in overseas locations. There is a need for "handy sized" tankers (twice the size of the T-2), with an underway replenishment capability to augment navy oilers in direct support roles for navy task forces. With the changes mentioned above in mind, and with some consideration for higher attrition rates than those used in deriving earlier requirements, the 1000-ship figure still appears reasonable as a goal. The basic division of this requirement into 400 general cargo, 100 bulkers, and 500 tankers probably is still valid also; but this will need further detailed study, as will more specific uses and modifications of ships to meet the special needs of military support. The requirement today is for modern ships, faster, of greater unit capacity and of significantly increased versatility. The general cargo shipping requirement would probably be accommodated by a mix of modern general cargo ships, containerships, barge carriers and vehicle carriers capable of 20 knots or better. The bulkers would also have to make 20 knots, and would be in the 20,000 to 50,000 deadweight ton capacity size. The tankers
would all need at least 20 knots. Some of them must have a multi-product transfer at sea capability. This 1000 ship merchant fleet then, is what the United States needs to have readily available, under positive control so it can be diverted from peacetime commercial employment, or put on the line from inactive status for immediate use in whatever shipping activity is considered most vital to United States security and well-being at the time.

Thirteen years ago, 1000 U.S.-flag merchant ships was no big problem for the United States to come up with in an emergency situation. The active, privately-owned merchant fleet could account for just about all of the requirements, and there was still in existence a sizable World War-II built merchant fleet in reserve. Ten years ago the U. S. government itself owned 1,070 merchant ships, 1,008 of which were inactive. There would have been a manning problem, and the inactive ships were obsolescent. But the ships were available nonetheless. Today there are fewer ships in the privately-owned fleet, and the number in the National Defense Reserve Fleet is less than 300, many of which are candidates for scrapping soon. How the Merchant Marine arrived at this state of affairs is told in chapters which follow.

**HISTORY OF THE U. S. MERCHANT MARINE**

The story of the United States Merchant Marine is generally told in three phases, each of which has its own distinctive characteristics and its individual pattern of U. S. government interest and influence. These phases are described as the great days of sail, from independence to the Civil War; the period from the Civil War to World War I, when the U. S. merchant fleet declined into insignificance; and the period from World War I to the present time, characterized by great success and notable achievements in war and by
decline and internal strife during periods of peace.

The U.S. Merchant Marine was given a running start from the early practice of Great Britain of building and operating a good part of its global merchant fleet in the colonies. The best designs for wooden sailing ships were available in the United States when the nation was formed. There was also a wealth of the basic raw material required (wood), the building yards existed and there was an ample supply of skilled personnel to construct and to man the ships needed to carry the new nation's commerce and to compete successfully for other world trade. With some well-developed superior ship-building techniques and a ready supply of qualified seamen, the United States, in the first half of the nineteenth century, developed a decided edge in its competition for world trade with its principal rival, the British merchant fleet. In those glorious days of sail, dominated by the speedy American-built and American-manned clipper ships, little government activity was required to ensure the success of an industry in which the U.S. fleet had great natural advantages on its own. The much smaller U.S. merchant fleet carried one-third more cargo than its larger British rival in 1838, and more than 90% of U.S. trade was being carried in U.S. merchant ships in 1850. 12

Ten years later, the situation was completely reversed. The introduction of the tramp steamer on the world's trade routes, and the ravages of the Civil War had hit with disastrous effect on the U.S. Merchant Marine. With no bars to foreign transfer of ownership or registry, many U.S. companies sold or transferred registration of their ships to British and Portuguese companies to avoid the Confederate cruisers which took a terrible toll in sinkings of U.S.-flag merchant ships. The U.S. flag all but disappeared from the sea.
during the Civil War and the period following it. The cruisers sank or burned 110,000 tons of it, 800,000 tons were sold to foreign owners. Some foreign powers issued licenses to American shipowners by which their ships were placed under the registry and protection of these governments under arrangements intended to be temporary, but which turned out to be permanent. Congress not only refused to allow repatriation of ships which had been sold temporarily to foreign companies, but also forced the permanent transfer of ships which had remained under U.S. ownership, but had been registered under other flags during the war. During almost all of this period, from the Civil War to the start of World War I, the U.S.-flag merchant marine declined into insignificance, and the U.S. Congress apparently saw no reason to come to its rescue. A massive government-sponsored shipbuilding program was carried out in the United States to produce the ships required for World War I. Under this program 2,318 merchant ships were built, not for commerce or profit, but rather to meet the military requirements at that time. Perhaps the most significant piece of legislative action by the U.S. Congress in support of the merchant marine during this second phase of its history was the Shipping Act of 1916 which legalized U.S. participation in open Liner Conferences at which shipping rates were established for the various trade routes, and the available trade on these routes was apportioned among participating shipowners. This act exempted the conferences, or shipping cartels designed to protect participating shipping companies from outside competitors, from anti-trust action under U.S. law.

The third phase of U.S. Merchant Marine history commenced with a fleet of war-built ships in existence, but ill-suited to competitive operation in
commercial trade. It extends to the present day. The labor movement in the early part of the period led to increased wages in the shipbuilding trades and spread to include American seafarers. The result was that the costs to build and to operate U.S. ships made it almost impossible for them to compete for world trade without government assistance.

It has been obvious U.S. government policy, throughout this third phase at least, to foster, develop, and maintain the U.S. Merchant Marine. Three major wars and numerous crises in which the U.S. was a participant should have been cause enough alone to maintain a strong merchant marine; but there has also been tremendous growth in world trade during this period (with the U.S. generating the largest share), and it has been only since World War II that the United States has assumed a position of leadership in world politics and economics. These factors have disposed the government even more toward support for the U.S. shipping industry. Overall policy has indicated that "dependence upon foreign shipping has to be avoided as far as possible". Programs of support have varied over the years, but the theme has remained basically the same. Underlying all of the major problems and the remedial support programs of the federal government and its agencies has been recognition of two salient facts. First, the United States Merchant Marine cannot now, nor will it be able in the foreseeable future, to operate in a free competition. Second, the United States cannot sustain its responsibilities as a world power without its own merchant marine to carry the flag in peacetime, and to count on for whatever roles it must play in times of emergency.

The principal support programs for the U.S. Merchant Marine since 1936 have been based on subsidy-direct and indirect. There are programs of direct
financial aid, of indirect aid and preferential treatment and of national regulation and international agreements. A brief explanation of each of these forms of governmental support is appropriate at this point. The direct financial aid includes two types of subsidies - one for construction and one for operation of U.S. merchant ships - plus tax benefits and loan and mortgage guarantees. A construction differential subsidy (CDS) is granted to equalize the cost to the shipowner to have his ship built in the United States as opposed to having it built in a foreign yard. Present building costs put U.S. yards 20-40% higher than European yards, which in turn are about 20-40% higher for most stock vessels than those built in Japanese yards. Ships built with CDS must be destined for use in the foreign commerce of the United States, and must be reasonably calculated to replace worn out or obsolete tonnage with new ships, or otherwise to carry out U.S. purposes effectively. The Merchant Marine Act of 1970 established CDS at a maximum of 50% of the cost of construction or reconstruction for that year. It was to reduce to 35% by 1976, but has remained at about 45%. The 1970 act also directs the CDS to the shipbuilder rather than to the owner, which is much more realistic. $247 million was available in 1977 for CDS.

An operating differential subsidy (ODS) is granted to equalize the cost of operating a U.S. flag ship with its foreign competition. The amount paid is based on a complex formula which considers "fair and reasonable" costs of insurance, repairs, maintenance and wages of U.S. versus foreign officers and crews. ODS ships must be built in the United States and their owners and crews must be U.S. citizens. Each ship enters into a long-term contract with the U.S. government to operate on a route designated as essential service.
About one-third of the ships in the U.S. foreign fleet receive an operational subsidy, at a cost of 300 to 400 million dollars per year in recent years.

Another form of direct aid exists in the form of tax benefits. U.S. ship operators can deposit money earned from vessel operations into a tax-deferred fund, providing these funds are authorized for new ship construction. The Capital Construction Fund Program had about $800 million assets in 1977. In line with this program, there are about $2-3 billion in Title XI mortgages on ships and lighters. The U.S. government is committed to pay interest and unpaid principal on construction loans and mortgages up to 87.5% of the cost to the shipowner. The total authorization under Title XI was increased to $7 billion in 1975.

As other means of direct aid the U.S. government provides insurance for war zone passage, and it pays all construction costs for "defense features" built into merchant ships, such as fresh water washdown facilities, heavy lift cranes and deck strengthening for wartime gun emplacements.

Under the category of indirect aid and preferential treatment are the Cabotage restrictions of the Jones Act of 1920, which guaranteed that only ships of U.S. registry, owned and built in the U.S., would be allowed to prosecute U.S. coastal trade. This protectionist measure ensures that there will be a significant U.S. merchant fleet in domestic waters, readily available for other uses in emergencies. Cargo preference laws, specifically the Agricultural Trade Development and Assistance Act of 1954 and the "50/50 Act" of 1961, reserve for U.S.-flag ships to carry, at least 50% of the tonnage involved in the shipment of surplus U.S. agricultural products in food assistance programs to third world countries. Still another form of indirect
aid is given the merchant marine in the programs of the Maritime Administration, the Department of Transportation, the Army Corps of Engineers and the U.S. Coast Guard. Grants to merchant marine academies and to other training institutions are a form of indirect subsidy.

There exists, finally, a vast array of regulations and restrictions (many of them conflicting and causing more problems than they cure). Shipowners have to be aware of the services offered by transportation, safety, environmental, health, armed forces and commerce authorities at federal, state and port levels, and must be prepared to abide by their rules. Conflicts have become most evident recently in the rapid and far-reaching development of intermodal transportation. Systems involving ship, rail and truck need regulations simplified so as to apply all the way to a single container shipment over parts of the system regulated by different departments and agencies of the government. Inter-agency committees are now dealing with some of the knotty problems of freight rates and documentation with a view toward easing the burdens on shipowners operating intermodal systems.

Other specific programs which should have benefitted the U.S. Merchant Marine consist of such things as "trade-out-and build" and "charter and build" programs of encouragement toward eliminating block obsolescence of a large part of the war-built merchant fleet. Under the former program, a shipowner would be authorized to transfer one ship "foreign" in return for a commitment to build a replacement for U.S.-flag registry. In the latter program, the U.S. Government contracted to build Mariner-class tankers, then sold them to private operators with a guaranteed long-term charter to carry military cargoes. One of the stipulations in the trade-out-and-build program requires that the
country to whose registry the war-built ship is transferred must agree to return the ship to U. S. control in times of emergency. This limits the transfers to Panamanian and Liberian registry, because these are the only countries today who will agree to make ships under their flags available for requisition by other nations.  

Merchant Marine Acts of 1920, 1936 and 1970 have had a profound effect on the shape of the U. S. Merchant Marine and its supportive government policy. With World War I at an end, the U. S. Congress passed the Merchant Marine Act of 1920, and declared as national policy that "it is necessary for the national defense and for the proper growth of the foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States..."  

History would show that it takes more than just a declaration of policy to maintain a U. S. merchant fleet of the qualities and capabilities required. The U.S. merchant marine, unable to compete because of the high cost of building and operating U.S.-flag ships, was once again in a state of serious decline in the '30s. Some relief came in the form of the Merchant Marine Act of 1936. This act created a U. S. Maritime Commission to form and implement overall national shipping policy. Its prescriptions have been called the "Magna Carta of American Shipping". They are set forth in summary in the following declaration:

"It is necessary for the national defense and development of its foreign and domestic commerce that the United States have a merchant marine, (a).
sufficient to carry its domestic waterborne commerce and a substantial portion of the waterborne export and import foreign commerce of the United States, and to provide shipping on all routes essential for maintaining the flow of such domestic and waterborne commerce at all times, (b). capable of serving as a naval or military auxiliary in time of war or national emergency, (c). owned and operated under the United States flag by citizens of the United States insofar as may be practicable, and (d). composed of the best-equipped, safest and most suitable vessels constructed in the United States and manned with a trained and efficient citizen personnel. It is hereby declared to be the policy of the United States to foster the development and encourage the maintenance of such a merchant fleet". These basic aims for the U. S. merchant marine apply today.

Between 1939 and 1946, the U. S. Merchant Marine grew faster than ever before in history. It came into its own in World War II as an indispensable arm of defense. Older, slower, obsolescent ships were sunk early in the war, but the U. S. building program produced ships faster than enemy submarines and commerce raiders could find and sink them. As it turned out, almost 5600 new ships were delivered by prolific U. S. shipyards in 4 years of war. The United States emerged from the war with the largest, most modern merchant marine in the world. A good part of the fleet was owned directly by the U.S. government, having been controlled by the War Shipping Administration created in 1942 by Executive Order to operate ships on its own accord in many trades. The Merchant Ship Sales Act of 1946 resulted in the sale of many surplus government-owned ships. By priority they went to U.S. citizens first. Then more than 1100 ships were sold to British, Norwegian, French and Danish
interests for foreign flag registry. There were still large numbers of merchant ships under U. S. registry when the Korean Conflict started. That was the only time in this century when it could truly be said that the United States had a merchant marine which met its twin objectives of being adequate for commerce and defense. 22

As time passed, U.S. war-built ships became less and less capable of competing in foreign trade. The fleets of "flags of convenience" states, like Panama, Liberia and Honduras grew at the expense of the U. S. Merchant Marine and sometimes with active U.S. government support as we have seen. U. S. shipowners took advantage of opportunities to register in PANLIBHON countries to avoid U. S. income taxes on the earnings of their ships, and to get around requirements to build in the U.S. and to crew with U.S. nationals. What is being proved, it seems, is that a merchant marine must be able to make a profit or it won't stay around. In recent years, the U.S. Merchant Marine has fallen to eighth place in the world with regard to overall size. Participation of the U. S. merchant marine in its own nation's foreign trade has fallen off in recent years by about one-third, and by as much as three-quarters in the non-liner (irregular) segment of that trade. 23

The U.S. Merchant Marine has been in a period of decline since the early 1960's. The extent of this decline was masked by the numbers of ships required to carry supplies for the Vietnam conflict. It was also slowed by the growth of a revolutionary new ship called the containership, and by the development of intermodal systems, with Sea Land, an American Company, taking the lead. The expansion of the U.S. fleet associated with the war was entirely made up of ships from the National Defense Reserve Fleet, chartered
to private operators under General Agency Agreements. The active, privately-owned and operated U.S.-flag fleet actually rose to over 1000 ships for the years 1966, '67 and '68. Then, with Vietnam winding down, it started to decline rapidly in 1969, to 598 ships by 1972. It has continued to contract, but at a much slower pace since then. Meanwhile, the impetus of the Merchant Marine Act of 1970, and the continuation of a containership revolution into the '70s with U.S. technology showing the way, has led to the development of a sizable fleet of versatile intermodal carriers as the nucleus of a modern U.S. Merchant Marine. The '60s also saw some serious debate in Congress and throughout the U.S. government as to what the needs of the United States were for a merchant marine, and how best to achieve it.

The Merchant Marine Act of 1970 (PL469) was passed by the 91st Congress of the United States on October 21, 1970. It is actually an amendment to the Merchant Marine Act of 1936, so it doesn't change the basic policy declarations of the Magna Carta of American shipping. It aims at modernizing the merchant marine by authorizing construction of 300 merchant ships in U.S. shipyards over a 10 year period beginning 1 July 1971. The act encourages applications of techniques and technology which can reduce shipbuilding prices. As was mentioned earlier, it created the Capital Construction Fund to replace, rebuild or add new ships. It also established the 50% CDS decreasing to 35% by 1976 and remaining there; and it increased the Federal Ship Mortgage Insurance program to $3 billion from an earlier level of $1 billion. The Merchant Marine Act of 1970 took a first step toward phasing out the foreign flag operations of American shipowners who participate in the shipbuilding program. Under its initial impetus, and with the application of technological advances to
the continuing development of containerships, LASH ships, and Roll-on/roll-off ships, the United States has, for the first time since before the Civil War, put together a modern fleet of intermodal carriers which so far are competing well and without subsidies in world shipping. The overall U. S. merchant fleet is not increasing in size however, and there are some pessimistic forecasts appearing in the informed press these days as to lean days ahead for U. S. shipbuilders after having built less than one-third the number of ships authorized by the Congress. This could mean that more and more of the existing active fleet will wind up at the ship-breakers' yards without replacements of any kind.

**STATUS OF THE U. S. MERCHANT MARINE TODAY**

The U. S. Merchant Marine today is two fleets. The largest of the two is privately-owned and operated. The other fleet is owned by the U. S. government and has a very small active component, and an inactive component in the custody of the Maritime Administration. There also are a small number of merchant and naval auxiliary ships, civilian manned, and operated by the Military Sealift Command (MSC), which also charters privately-owned ships from time to time. All inactive ships are in National Defense Reserve Fleet (NDRF) sites on the Atlantic, Gulf and Pacific coasts maintained by the U.S. Maritime Administration (MARAD). The privately-owned and operated fleet is also divided into two segments; a subsidized group, and a non-subsidized group. The latter has twice the number of ships as the subsidized segment and three times as much tonnage because of the preponderance of tankers in this category. Most of the freighters and bulk carriers are remnants of the war-built fleet and their age exceeds that of competitive usefulness. Overall
the ships in the non-subsidized group are twice as old as those in the subsidized segment. In 1975 there were 583 ships of 14.5 million deadweight tons (dwt) in the U.S.-flag privately-owned merchant fleet. They were owned by 176 companies. Of these, 187 ships, representing 3.5 million dwt, and averaging 9.6 years of age, were in the subsidized segment; and 396 ships, of 11 million dwt, averaging 19.6 years old were in the non-subsidized segment. As mentioned earlier, the U. S. merchant fleet was eighth in size among the world's fleets in 1977. It could count 868 ships, 298 of which were laid up in the NDRF. The privately-owned part of that merchant fleet in 1977 consists of 311 dry cargo ships, 6 combination passenger/cargo and transport ships, and 250 tankers, for a total of 567 ships. There are 68 USNS ships in the custody of the Department of Defense, operated by MSC in direct support of the military.

A new American merchant marine has been building in the 70's under the stimulation of the Merchant Marine Act of 1970, and taking advantage of technological developments in the industry. When the revitalization process started, the whole U. S. merchant fleet was old, inefficient and losing business rapidly to foreign competitors. Today, according to reports, the United States Merchant Marine has the largest, most versatile fleet of intermodal vessels in the world. It consists of 105 containerships, 23 lighter and barge-carrying vessels, and 13 Roll-on/roll-off (RO/RO) vanships. 71 more large ocean-going merchant ships including 31 tankers, 18 Liquified Natural Gas (LNG) ships, 10 ore carriers, 5 containerships, 3 integrated tug-barge units, 2 RO/RO vanships, and 2 heavy-lift RO/RO vessels were on order or under construction in U. S. shipyards in April 1977, and orders for 15 more such ships were expected within the next 2 years. Of 66 subsidized ships ordered
under the 1970 Act, 45 will be capable of direct support to the Armed Forces. In addition, six LNG carriers have been certified for use as military ships, and 12 subsidized tankers of 200,000 dwt can be used for military support when deepwater ports are available.

A brief description of some of the newer ships in the merchant marine inventory is appropriate here, for a better understanding later of how these ships might be both good "fits" for commercial operations and valuable assets in vital wartime roles.

As the name implies, a containership is specifically designed to carry containers (steel boxes, 8 feet by 8 feet in cross section and of varying length - 20, 24, 35 and 40 feet). The containers themselves can be carried on a truck tractor chassis, on a railroad flat car or on a barge. On board ship they stack vertically in container cells with vertical guides. Topside containers are also stacked vertically on specialized hatch covers. Many of the containerships in the fleet today are conversions of break-bulk freighters and tankers. Most of these are non-self-sustaining. That is, they rely on specialized container cranes ashore. A number of freighters were converted to partial containership with facilities to carry both break-bulk cargo and containerized cargo. These ships are self-sustaining. The non-self-sustaining Sea Land SL-7 class containership is the most productive ship in service today. It does 33 knots, at 38,800 dwt, with a capacity of 1,096 containers. The SL-7's are key elements in a highly developed, highly integrated, sophisticated intermodal system. The big, fast ships ply between major ports, from which the smaller containerships deliver to minor ports. Ashore the system has generated a need for acres of hardstand to store thousands of containers,
and for specialized giant cranes, and electronic equipment and computers for monitoring and control.

Containerships are not the only intermodal carriers coming off the line today. The Roll-on/roll-off ship, with its ramps and large openings, moves cargo on and off on wheels. The cargoes are either containers or they are tracked or wheeled vehicles themselves. The RO/RO ship requires few facilities ashore other than a pier to which the ramp can be fixed. It is compatible with almost any cargo which can be carried on wheels or caterpillar tracks.

Barge carriers form a third category of new intermodal vessels. These ships load, carry and unload specially designed barges or lighters, each of which can carry thousands of tons of cargo. They are basically of two types. The Seabee's have huge elevators on the stern to lift barges to one of several deck levels where hydraulic transporters move them forward on special jacks. In the lighter-aboard-ship (LASH) version, smaller barges are lifted over the stern by a special gantry crane. The crane then moves forward with the barge and lowers it into a cell. Barge ships are intended to use the inland waterway systems of the world to provide essentially door-to-door service by water.

In the tanker category there are very large crude oil carriers (VLCC's) and ultra-large crude carriers (ULCC's) on the drawing board up to half a million dwt. A specialized type of tanker being built in quantity today is the liquefied natural gas carrier or LNG ship. These are the most sophisticated and most expensive ships in the inventory, and are designed to carry natural gas liquefied under extremely low temperatures. They are built with extraordinary safety features, and their crews are reportedly as well-trained as
those of U. S. nuclear submarines.

A final type of merchant ship deserving of comment here is the integrated tug barge or notch barge ship. In this system tug and barges are designed specifically for each other. The tug fits into the stern of the barge for pushing. Some of the barges can carry up to 50,000 dwt. They are quite versatile in combination with the tug, and have the advantage, not only of using one tug for several barges, but also for the fact that they require only tug crews, rather than the numbers and types of personnel which would be required for a ship of the size created when the tug/barge combination is used.

The remaining ships of the active U. S. flag merchant fleet are traditional freighters, ranging from newer ones, built in the early 1960's at 15-20,000 tons, most with a 20 knot capability; and World War II-built Victories. There are only 6 passenger/cargo ships still in service. All of these are over 10 years old, and the 2 are over 20. The tanker fleet is fairly large, and fairly old. Half of the fleet of 250 tankers is over 20 years of age.

In the NDRF there are 298 ships. 100 of these are military auxiliaries. Of the remainder, the majority (155) are freighters (almost all are WW II Victory hulls). There are also 18 transports or passenger/cargo ships. Reportedly there are some NDRF ships which can be readied for active service on very short notice (5-10 days) while the remainder are in various states of preservation and repair, and could take up to six months to bring back to useful service.

Until very recently United States shipyards were reported to be enjoying healthy order books while foreign yards were failing for lack of future shipbuilding orders. It was surmised that this was so because U. S. shipbuilding
efforts in recent years had concentrated less on large tankers (which have been grossly overbuilt worldwide), and more on the smaller, faster, more diversified ocean-going ships. This may have been the case through the early part of 1978. Now, however, there are forecasts of an impending U. S. shipbuilding slump. These are based on four recent events as follows: (1) The Carter naval shipbuilding budget for fiscal '79 has been cut from 30 ships to 15; (2) Cargo preference legislation which was to have generated a need for new tankers failed to get congressional approval; (3) The quest to get an exception to the Cabotage restrictions which would have required oil from the Alaska pipeline to the Virgin Islands refineries to move in U. S. tankers, also failed; and (4) There has been much uncertainty about building up for the movement and storage of LNG. 32 It also now appears that the shipbuilding boom which was created by the Merchant Marine Act of 1970 will end without having come anywhere near to producing the 300 ships originally authorized. Despite the fact that the Merchant Marine Act of 1970 extended the subsidy to this segment of the fleet only 2 genuine bulk carriers have been delivered. Meanwhile U.S.-flag participation in the dry bulk trade dropped to 1 percent in 1977, and continues to decline. In the absence of any cargo preference legislation, the portion of its own oil imports carried in U. S. tankers continues to shrink from the 1977 figure of 3.9%. 33

The U. S. maritime industry has suffered greatly from the fact that separate and competing interests and constituencies have grown up with the various forms of government support, and they can seldom agree on a single course of action. The subsidized interests naturally push for increasing direct subsidies; and the non-subsidized companies are against direct subsidies
and for cargo preference legislation. The coastal shipowners guard Cabotage, and have little interest in the rest of the program. Recently there have been attempts to draw these varying factions closer together to work for the good of the merchant marine as a whole. These attempts have met with limited success.

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The overall size of the U. S. Merchant Marine continues to decline in spite of the government subsidies and the recent encouragement to build new ships. At best the new ships being built are replacements for ships which must be retired because of age. Block obsolescence of the war-built merchant fleet continues to cause the active fleet to shrink, and it casts doubt on the usefulness of the inactive ships, even those which can be readied for active service on short notice. U.S. companies and their affiliates have a large stake in foreign fleets. It is estimated that 25-30% of the Liberian merchant fleet is U.S. owned, and that perhaps twice this percentage of the Panamanian fleet is U.S. owned. As of 1 July 1977, 478 foreign ships, with almost 3 times as much tonnage as the U. S. flag privately-owned fleet, are counted on the Military Sea Command ship register as "under effective U. S. control" (EUSC). 35 The very existence of these U.S.-owned and U.S.-operated ships under foreign flags is indicative of one of the major ills of the U.S. Merchant Marine which has existed for the past 50 years; that is, its inability to operate in a free competition. Ships are far too expensive to build in U. S. shipyards, and U. S. wages for crewmen are far too high. With all the subsidies offered by U. S. Government programs, American shipowners are still going to "flags of convenience" registry with the ships they are going to use on foreign trade routes in competition with ships of other maritime nations.
Operating with foreign crews and virtually tax-free, American-owned ships under "flags of convenience" or "flags of necessity" as their owners prefer to call them, exist in the only way American shipowners can compete with European merchant ships in the same trades.

**MEETING REQUIREMENTS WITH TODAY'S FLEET**

Against a 1000 ship requirement for emergency military and civilian support, the United States Merchant Marine can muster 570 active U.S.-flag merchant ships today. Approximately one-third of these are engaged in coastal trade and can be diverted immediately. The remaining two-thirds would have to be withdrawn from service on essential trade routes, but could probably be available in time to be effective. Activating the ships in the National Defense Reserve Fleet becomes a more questionable prospect with the passage of time. These 298 ships include 100 military auxiliaries consigned directly to U.S. Navy use. Manning beyond the first 100 ships with trained personnel will be difficult. In any event, counting all of the U.S.-flag merchant ships, active and inactive, there is still a deficit of 132 ships in trying to meet the shipping requirements of an emergency.

The answer today to the question, "Where will these ships come from?" lies in the EUSC concept. The 478 ships considered to be under effective U.S. control are ships which are American-owned and American-operated, but registered in Panama, or Liberia, and manned with nationals of a third country. The EUSC ships are owned by American companies or their subsidiaries. They are registered in "flags of convenience" fleets with the express permission of the U.S. Maritime Administration to permit the shipowners to take advantage of the much more liberal registration requirements of these countries, to avoid U.S. income
taxes on the earnings of these ships, and to get around requirements of U.S.-flag registry that they be manned with U.S. nationals, that they adhere to special standards, carry specified cargoes, operate on essential trade routes, etc. Some of them are U.S. World War II-built ships, formerly registered in the United States, but transferred foreign under the "trade-out-and build" program. Other ships of the EUSC fleet registered in flags of convenience fleets are modern ships, mostly supertankers, built in foreign shipyards to specifications which would not necessarily meet U. S. standards, at much lower cost than would have been the case had they been built in U.S. yards, and registered in Liberia or Panama because they could not qualify for U.S. registry. They are operated under the same conditions regarding crew nationality, tax exemptions and other benefits, as do the ships transferred from U.S.-flag registry. It should be noted at this point that U.S.-owned ships are also registered in 13 foreign countries other than the "flags of convenience" states, for various business reasons. As mentioned earlier, the Maritime Administration limits the transfer of U.S.-flag ships to Panama and Liberia today because they are the only nations who have agreed to make such ships available to the U. S. in emergency situations. The other nations have laws which bind ships to the country in which they are registered in time of emergency.

There are those who voice considerable doubt over the availability of EUSC ships. American maritime unions call the concept "nonsense". Others point out that even if such ships were available their best use would be as replacements for U.S. flag ships withdrawn from essential commercial service for military resupply, rather than as resupply ships per se. They contend
that plans for using EUSC ships should consider that many of them might wind up in the fleets of the countries of which their crews are nationals, and that those which are available would not be of the right types - specifically that there would not be enough "clean" tankers to carry the exotic fuels required by modern armed forces. They also point out that since these ships and their crews are alien, they could not be deployed or employed in support of U.S. forces immediately. They also argue that the withdrawal of EUSC ships from the trade routes in which they are employed at the outbreak of an emergency might be detrimental or even harmful to friends and allies. The opponents of the EUSC doctrine also claim that the foreign crews would most likely not come along with the ships and we would therefore compound a manpower reserve which is already hard put to activate ships of the NDRO. They point to lessons from U.S. experience with Vietnam shipping. The conflict never qualified as an emergency, so the EUSC fleet could not be requisitioned. Instead NRDF ships were activated and other ships were chartered. There were several instances when foreign-manned ships refused to sail with Vietnam-bound cargoes.

Proponents point out that most of the EUSC ships are manned with NATO nationals; that they would, therefore, continue to be available to carry the shipping of friends and allies even if delivered to home countries by their crews. They also point out that "flags of convenience" ships were made available immediately during World War II and the Korean Conflict, and that the nationality of the crews presented no major problems then.

To say the least, the availability of EUSC ships is questionable, and emergency requirements ought not to be met with questionable assets. To be certain that its shipping needs can be met in an emergency, it will be prudent
of the United States government to ensure the maintenance of an active merchant fleet of U.S.-manned, U.S.-owned and operated ships, employed in the commerce of the United States, either in the coastal trade or in U.S. foreign trade. Ideally this active fleet should include numbers and types of ships sufficient to carry at least the initial (first 30-day) resupply requirements of the military in an emergency situation. Review of some of the specific requirements to move tracked and wheeled vehicles, to carry tanks, to move helicopters and replacement aircraft, as well as to serve as naval auxiliaries indicates that, at best, there could be a marginal capability to perform the military supply support role of the merchant fleet in an emergency. But there are four other roles to be filled concurrently. First there is the need to carry strategic materials and energy resources to support the civilian economy and defense production. This would involve bulkers, tankers and LNG ships perhaps, and could be a role appropriate for whatever EUSC ships are ultimately made available. Secondly, there is a role for ships like the LASH's in direct military support operations. This will probably require LASH's and Seabee's far in excess of what would be required for regular commercial operations. The third role is to function as combatants, with modifications to carry and operate helicopters and VSTOL aircraft for example. Finally, there is the role of continuing to operate in foreign trades in support of foreign policy. This last role becomes a problem only if numbers of ships are not available for the first two roles, and all U.S. flag ships have to be withdrawn from foreign trade.

It appears that the U.S.-flag merchant fleet today would find itself far short of meeting the 1000-ship requirement, and unable to fill many of the
roles assigned to it in an emergency situation. Current trends indicate that the situation, without massive assistance, will continue to deteriorate. Some action is required soon to reverse the trend of decreasing numbers in the active U. S. privately-owned merchant fleet. At the same time, action must be taken now to replace the obsolescent and obsolete ships in the NDRF with modern merchant ships capable of providing effective augmentation for the active fleet in a reasonable time. A source of trained manpower must be found, and some action should be taken to eliminate the need for an EUSC fleet. In the meantime, that source should be counted on only for requirements which occur beyond the first four months of an emergency situation.

**ALTERNATIVE COURSES OF ACTION**

Although one segment of the United States Merchant Marine, its intermodal fleet, is currently competing effectively for world trade on its own, one can predict that this situation will continue only so long as the U. S. can stay ahead technologically in containership development and in other intermodal ships operation. When other maritime nations obtain similar ships and learn to operate them efficiently, the wage differential between U.S. seamen and those of other nationalities will predictably come to the fore again to make that segment non-competitive without some form of government subsidy, support or involvement.

The U.S. government has been deeply involved in merchant marine support since World War I. At various times it has served as a participant in merchant marine operations, as it does now in a very limited way with the USNS ships and charters administered by the Military Sealift Command. During World War II, the government, through the War Shipping Administration, participated as both
owner and operator of merchant ships, retaining war-built ships on government roles as they were delivered, and chartering others to haul military cargoes. The government has requisitioned ships when they were required in the past. It has also demise-chartered ships to private operators. The U. S. government has always been a participant in the industry as a shipper of cargo. During World War II, when private underwriters were unwilling to write war risk insurance, the War Shipping Administration got directly into the marine insurance business. The government has also been a promoter of the merchant marine in the past. An example is the Mariner-class tanker program where the U. S. government had 35,000 dwt tankers built to specifications for sale to private operators, who operate them on long-term charters to the Military Sea Command. Merchant Marine Academies (national and state) are other examples of U.S. government promotion of the merchant marine. From facts as we have reviewed them to this point in this paper, there appears to be no way to keep a U. S. Merchant Marine in being today without heavy U. S. government involvement and massive support.

The first alternative course of action which must be examined is the possibility of establishing complete government ownership and operation of the U. S. Merchant Marine. This would be a most drastic action. It would be extremely difficult and costly to implement. There would be many powerful shipping interests and coalitions opposed to any government takeover of private enterprises and private property. Such action would probably be deemed unconstitutional in the first place. If not, adequate compensation would have to be made for the taking by the government of ships, equipment, port and control activities; i.e. all physical property. There would also have to be some
compensation for lost earnings in many segments of the maritime industry. Government ownership of the U. S. merchant fleet is an action which would be completely contrary to one of the major goals of long-term U. S. policy expressed in the Merchant Marine Acts of 1920, 1936 and 1970. A privately-owned fleet is a common objective of these acts. Any move toward government takeover would reverse the current trend away from government ownership. The U. S. has preferred to replace formerly-government-owned ships with ones built under government subsidy and contract and then sold to private ownership with guaranteed long-term charters moving military cargo. There is probably a reasonable compromise in partial government ownership (and operation from time to time) of ships in the National Defense Reserve Fleet. Numbers might be increased in this category, and the mix of ships can change as modern ships become available and specific requirements are determined. Arrangements might be made to swap activated NDRF ships for privately-owned ships when the former might more-appropriately fill a commercial need. It might also be feasible to take into the NDRF, with compensation and promise to return, any privately-owned modern U. S. merchant ship going into lay-up for lack of cargo for periods as short as 3 months. Complete government ownership must be ruled out as a reasonable alternative in the absence of a bona fide national emergency. However, an increase in the scope of government ownership and operation of ships in the NDRF appears appropriate and desirable at this time.

A second alternative to be considered is to grant U. S. shipowners authority to have their ships for U.S. flag registry built in foreign shipyards. This was the preferred course of action in John KILGOUR's 1975 study of national maritime policy and industrial relations. According to Kilgour the U. S.
Merchant Marine was forever committed by the Merchant Marine Act of 1920 to having to operate with extremely high-cost equipment, (ships built in the United States). This put shipowners into situations in which they could not afford to modernize or to take advantage of advanced technology in ship design and in shipbuilding. Kilgour argued for unlimited foreign building, but offered a build-one-foreign, build-one-U.S. clause, as perhaps the best way to get the non-subsidized segment of the U. S. Merchant Marine modernized. Merchant shipbuilding orders generally account for about 20% of the average annual workload of U. S. shipyards. Building U. S. Navy ships accounts for almost all of the remaining 80%. Jobs would be lost in the shipbuilding trades if foreign building were authorized, although the number would not be so large with the modification mentioned above to unlimited overseas building. The U.S. Navy shipbuilding and conversion program could expand to take up some of the slack from building merchant ships foreign. With a global slump in shipbuilding being forecasted gloomily in the New York Times and the Journal of Commerce, there might be considerable cost savings as incentives to order ships built in both U.S. and foreign yards if such authorization were given. The risk to the shipowners, from the possibility of overbuilding for the trade, would be minimized by the promise of government compensation and lay up in the NDRF for ships not actually required in commercial trade when delivered. The main objective would be to replace the obsolescent and obsolete ships in the private sector first, then in the NDRF, and to increase the size of the overall U. S. Merchant Marine by at least 100 ships. It would be desirable to have some stimulation for building these additional ships come from knowledge that there is a market for their employment at a profit to the
shipowners. This leads to a requirement for an ambitious program to increase the current U. S. share of world trade.

Continuation of, and increase in subsidies is a third alternative. The existing subsidies have not been effective in offsetting the declining trend of the U. S. Merchant Marine. Yet subsidies of some sort are necessary today if a merchant marine of any reasonable size is to be maintained. Efforts to reduce the amount of the construction differential subsidy are well-aimed. It might be well also to remove some of the long-term commitments which are made in order to receive an operating differential subsidy. Still under the subsidy program, tax benefits continue to be an attractive way of encouraging conversion of old and acquisition of new ships. Shipowners with ships registered under "flags of convenience", thereby avoiding all U. S. taxes on these ships, should not be permitted also to get a tax break for ships they own under U. S. registry. The Federal Ship Loans and Mortgage Guarantees under Title XI War Risk Insurance, and the policy of the U. S. Government paying costs for National Defense features of merchant ships all rate continuation for the stimulation they provide for new construction. Cabotage restrictions have a firm basis in law now. They provide security from espionage and sabotage which might be possible if foreign ships operated in domestic trade. The coastal segment of the U. S. merchant fleet provides the first line of readily available merchant ships for military support operations in the event of war.

Additional cargo preference legislation is a possibility. It is a course of action which has been considered closely by the Congress and the Administrations of recent years. Legislation passed by Congress in 1974 which would have allotted 30% of U.S. oil imports to U.S. flag ships was vetoed by President
Ford. Congress, in 1977, failed to pass legislation favored by President Carter which would have increased the percentage of oil imports to the United States reserved for carriage by U. S. tankers, from 3.9% in 1977 to 9.5% by 1982. It was felt in both cases that the legislation would be inflationary, that it would antagonize friends and allies, and would set a precedent for other countries to enact stronger cargo preference legislation of their own.

Increased government ownership, and more involvement with the NDRF and the private sector; a limited authorization to have ships built in foreign yards; and continuation of direct and indirect subsidies cannot cure the ills of the U. S. Merchant Marine by themselves. There is a need for action to bring the diverse factions of the maritime industry together in support of a common goal in the best interests of the U. S. merchant fleet. There is also a pressing need to find new markets, and to support the merchant marine in treaty arrangements and agreements. Finally, the U. S. government must join with the industry in creating good public relations for the merchant marine at home and in promoting its use abroad.

Whatever the overall program finally adopted to improve the status of the U. S. Merchant Marine, it should have as its primary goal the achievement of a 1000-ship modern merchant fleet, counting both active and inactive portions. Taking this one step further, there should be enough special type ships available, whether in commercial service or in the NDRF, to transport known requirements for such things as tanks, helicopters, replacement aircraft and other oddly configured cargoes.
PROGRAM FOR THE FUTURE

The program to achieve a 1000-ship modern merchant marine, and to keep it available once acquired, must start with legislation to modify the existing effective Merchant Marine Acts to make foreign shipbuilding possible, and to authorize swap and turn-in procedures for private owners and the MARAD administrators of the NDRF. An appropriately constituted government/industry task group should then be formed with specific direction, first of all, to bring the diverse factions of the merchant marine together in working toward a common goal. The task group would then be charged with working out the inter-agency conflicts hampering growth of intermodal systems, and with recommending a single set of conforming rules and regulations for new technology and procedures.

An information service should be established to gather and project data on volumes of cargo and shipper preferences, so the merchant marine can take full advantage of world market conditions in seeking to carry as large an amount of world trade as possible. At the same time, a good public relations program should be put together to "sell" U. S. and foreign shippers on using the U.S. Merchant Marine for their shipping.

With regard to the specific goal of building the Merchant Marine up to 1000 ships, the following step-by-step process is proposed:

1. Develop a "shopping list" of the types of ships most urgently required in the merchant fleet, either because they are not there now, or because they are there in insufficient numbers or in antiquated models.

2. Conduct a search of world trade markets to see if a commercial need exists or can be developed on a long-term basis for the ship types on the
shopping list.

3. Where there is a reasonable use, convince shipowners that they should invest in it. Some sort of government guarantee could be issued to the effect that, if a ship were to be laid up within a certain period of time after delivery, the government would take the ship into the NDRE and ensure that the owner didn't lose on his investment.

4. Where no commercial market is found, arrange for a contract to be made by the U.S. government to build ships for input directly to the NDRE on completion, against a day when they might be in demand commercially.

5. Take the list of "shortages" and programmable replacement actions for older ships, and create a long-range multi-ship building program which will eventually replace all old, obsolescent ships in the current private fleet and government inventory; and will, in addition add the 100 new ships required to fill out a 1000-ship fleet. The program can then be extended to maintain 1000 ships as long as the figure is valid.

Government subsidy programs can remain basically unchanged. Efforts should be made to elicit investment of both private and government capital in this overall merchant marine development program. Operating requirements of both commerce and defense should be recognized, but where private investment is concerned, there must always be an opportunity to make a profit.
FOOTNOTES


14. Gilmore and Black, 786.

15. Heine, 17.


17. Ibid, 763.


25. Heine, 11.
27. Military Sealift Command (MSC), Ship Register, 4.
29. "Our Ship, Their Flag", 82.
30. MSC, 6.
31. Ibid, 8.
33. Blackwell, 47.
35. MSC, 5.
38. Ibid, 190.
40. Gilmore and Black, 769.

41. Kilgour, 208.

42. Schoedel, 21.

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