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# After the Storm

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Andrew E. Gibson

**I**N THE SPRING AND EARLY SUMMER OF 1991, there was an outpouring of patriotic fervor for the returning veterans of Desert Storm that exceeded anything seen in this country since the end of the Second World War. It was a tribute to a magnificent victory. It also indicated the relief in knowing that so much had been accomplished at the cost of so few American lives. It could have been far different.

In the aftermath of Desert Shield and Desert Storm, there was a pronounced tendency to focus on the good things that happened and to minimize or even ignore those things that only worked partially or not at all. Desert Shield confirmed what every study of a regional conflict in Southwest Asia had concluded, and that was that the United States had insufficient sea lift to deliver the required weapons, supporting equipment, and ammunition in an acceptable time frame.

The Maritime Prepositioned Ships (MPS), the chartered, privately owned U.S. ships stationed in Diego Garcia loaded with army and air force material, the Fast Sealift Ships (FSS), and forty-three of the ships in the Ready Reserve Force (RRF) performed their assigned tasks well. As Vice Admiral Donovan, Commander Military Sealift Command (MSC), remarked, "It had gone well—better than expected." In addition, during this first phase seventy-three ships were chartered, more than half of them flying foreign flags.

During the first weeks, instead of a heavy division and a significant part of its supporting equipment being in place, there was only the Seventh Marine Brigade and the 82nd Airborne Division standing between a large, heavily armed Iraqi force and the Saudi Arabian oil fields. Much more emphasis might have been placed on the possible fate of these forces if the Iraqi army had continued its southward invasion.

The rapidly declining American merchant marine was a major factor in the problem. While the navy had spent well over \$7 billion to increase sea-lift

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Professor Gibson holds the Emory S. Land Chair of Maritime Affairs at the Naval War College. He was formerly president of Delta Steamship Lines and for many years was a senior executive of the Grace Lines. He was Assistant Secretary of Commerce for Maritime Affairs from 1969–1972 and in that capacity developed the Nixon administration's maritime program as well as the enabling legislation that became the Merchant Marine Act of 1970.

capacity during the 1980s, little had been done to provide the support needed to sustain a viable U.S. merchant fleet. The scarcity of trained seamen as the result of this decline contributed to the problem of activating the laid-up ships in the RRF. Samuel Skinner, the Secretary of Transportation at that time, noted during the activation period that "putting less than half of the emergency fleet [RRF] in service has nearly exhausted the nation's supply of merchant mariners."

Too often Desert Storm is described as the "hundred-hour war." It was a seven-month war, requiring all of that time to position the forces and their equipment to ensure ultimate victory. It took every bit of the time available to achieve the final result, and there is no doubt that sea lift drove the timetable. Before the grand offensive started in February, the United States used virtually every available vessel in the world capable of moving heavy equipment. This included more than one hundred foreign ships.

For the first time since the Second World War, merchant mariners who had manned much of the vital sea lift in Desert Shield and Desert Storm marched proudly down Pennsylvania Avenue alongside the combat veterans of that war. Shortly afterward, one shipping company executive observed, "The war did create heightened awareness [of the merchant marine] which unfortunately may be forgotten very quickly."

Almost immediately after victory had been achieved, key Department of Defense (DoD) personnel began to formulate plans to obtain the additional sea lift required to close the gap that had been all too clearly demonstrated. They had learned a lesson and, in spite of a declining defense budget, they began a determined effort not to be caught short again. While the planners concentrated on developing programs to obtain the necessary ships for a future emergency, little thought was given to the means of ensuring that a supply of trained personnel would be available to man them.

Historically, such manpower has come from the existing merchant fleet as it did in Desert Shield; however, there is little question that unless corrective action is quickly taken, the dwindling American merchant marine will have virtually disappeared by the end of this century, and with it the men who have traditionally provided the crews for wartime sea lift.

In testimony before the Senate Armed Services Committee, General Colin Powell said in response to a question from Senator McCain concerning Operation Desert Shield, "If there is one thing I would like to have had more of last Summer and early Fall, it would have been large capacity, roll-on/roll-off kind of ships." (This is a type of ship that hardly exists in today's U.S. commercial fleet.) Continuing his testimony, he urged the addition of large numbers of new C-17 transports to enhance the Military Airlift Command (MAC) fleet that had performed so well during the conflict. He might have added that following the initial surge, with its requirement for vast amounts of heavy equipment, much of the supplies and material required for sustainment and the buildup for the

eventual invasion was transported by American ships, owned and normally operated in commercial trade by the seven U.S. liner companies. In fact, starting in October these ships eventually delivered over a million tons of essential cargo. General Powell went on to say that we should continue to seek opportunities for prepositioning ammunition and equipment in distant parts of the world and, although he did not say so, much of this would inevitably be afloat. Nowhere can there be found in his remarks or in DoD planning documents any support for a revitalized merchant marine.

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The imminent demise of the American merchant marine is too important to be allowed to go unnoticed. It is an issue worthy of national debate. The whole question of the need for or even the desirability of maintaining a national-flag commercial fleet should be honestly and realistically addressed. When the question is raised in general terms it is almost always answered in the affirmative. It is only when the necessary legislative changes are proposed and meaningful programs are put forward that effective support is found wanting.

Nineteen ninety-two is a presidential election year, and it should be a time when the candidates for that office begin to state their positions on a variety of national issues. In the past, the future of the American merchant marine was included. President Nixon laid out a detailed plan to revive U.S. maritime industries in a speech given in Seattle in the fall of 1968. It is worth reading. The 1970 Merchant Marine Act was a direct result of that commitment, which in turn resulted in the largest peacetime shipbuilding program in U.S. history.

President Reagan made a similar, although not so detailed, commitment in 1980. His maritime program embraced not only the merchant marine but included a major expansion of the navy. The \$100 billion naval building program that followed amply fulfilled that part of the pledge. However, support for the merchant marine was virtually nonexistent. All subsidies for commercial shipbuilding were eliminated, but by leaving in place the requirement for domestic building in order for the shipowner to qualify for government programs, the U.S. international fleet may have been doomed to eventual extinction.

The excuse offered for the failure to address the problem was that lacking a clear consensus in the industry for the type of program to be developed, no one could or would do anything. One has to wonder how many government programs developed in the past two hundred years that directly affected a diverse interest group ever had a similar requirement. For an industry in which both

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management and labor fight not only among themselves but with each other, such a requirement makes fulfillment impossible.

When President Bush came into office he stated his intention to establish "an executive branch maritime liaison," other than the Secretary of Transportation, with the industry. He intended the holder of that new liaison position to coordinate and advise him on commercial maritime issues. This position has never been filled. That may be the result of the president's considering, on reflection, that it would be more trouble than it was worth.

A few years ago, Congressman Charles Bennett, the chairman of the Sea Power Sub-Committee of the House Armed Forces Committee, tried to focus attention on the state of the U.S. merchant fleet by introducing legislation to create a high-level commission to study its current state and propose solutions. Although the resulting commission, chaired by former Senator Denton, was titled "The Merchant Marine and National Defense," almost all of its recommendations were directed at supporting not the merchant marine but domestic shipbuilding. None of the testimony taken that described the economic condition of the shipowner or the high cost of buying a U.S.-built ship found its way into the final report. The commission's recommendations were so one-sided in favor of the shipbuilders, and so contrary to the needs of the operators and seamen, that they were almost immediately discredited and received only one brief hearing. If any good came out of the commission, it was that it made clear that no one should suggest another commission to investigate the conditions of the merchant marine as part of any proposed solution.

The fact is that the issue had become so highly politicized that the Congress is probably incapable of providing any practical solution. The responsibility for finding the answer, if there is one, rests squarely with the executive branch. Before the United States wakes up to find itself without a U.S.-flag merchant fleet to carry a portion of its international commerce and to serve in time of emergency—its mission as defined in the preamble of the 1936 Merchant Marine Act—the country should at least be alerted to the fact that it has a problem. This can best be done by raising the issue in a national forum and asking specific questions that demand specific answers.

In any eventual debate one will need to start by defining what is meant by the words "merchant marine." In simple terms, a merchant marine consists of a body of seamen manning a fleet of ships (not tugs and barges) engaged in international and domestic trade, all financed by private (not government) investors willing to put their money at risk in anticipation of a profit. That seems simple enough, but to make it work the heavy hand of government has to be largely replaced by Adam Smith's invisible one.

There is an iron rule in international trade which states that to be successful, one has to be either very good or very cheap. Since Americans probably do not have the latter option, the American shipowner has to concentrate on providing

excellent service at competitive rates. In the liner trades it is remarkable, given the obstacles that exist, that some American owners have done as well as they have. At least two of the premier containerized shipping companies in the world still fly the American flag. But to provide excellent service the owner must have the best equipment, and that means that rapidly aging ships must be continually replaced by better ones. And, they must be replaced at prices comparable to the best that the competition can obtain. This leads to some important questions.

Will the shipbuilders and their congressional allies allow the changes proposed by the government to permit companies to acquire foreign-built ships and still retain access to non-defense government cargoes? Will they allow these companies to continue to receive an Operating Differential Subsidy (ODS) for payment to their American crews? Will the same coalition allow the removal of the fifty-percent ad valorem tax on foreign repairs in order that U.S. companies be placed on a par with their foreign competitors?

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The next question involves the wages paid to American seamen. When the 1936 merchant marine legislation was enacted, the shipping companies unwisely allowed themselves to become characterized as the recipients of subsidies. They collected the subsidies for the shipbuilders, thus relieving the builders of that stigma. At the same time they became the government's agents to provide a supplemental payment to American seamen in order for them to have a living wage. None of this money remained with the shipping companies, yet in the minds of the public and of many in government the shipowners are recipients of great largesse. Recently a senior military officer wanted to know why these companies attempted to make a profit on their carriage of military cargoes during Desert Shield since they already got so much money from the government!

It has now become quite clear that there will no longer be any direct subsidies for commercial shipbuilding. It is equally clear that there is no intention now to continue to provide a wage differential to American seamen. When the current government contracts providing the seamen's wage differential expire in the next few years, they will not be renewed. If there is any other plan to provide American seamen with a living wage, there is no indication of it.

The wage differential for seamen sailing with the subsidized shipping companies, if compared to competent Korean, Taiwanese, and Filipino crews, is at least \$1.5 million per ship-year. For South American and European competition, the difference is less but still significant. So we must ask another question: Is there any way that an American shipowner can absorb such a differential and

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remain in business? A related question is, if the U.S. government does not think that it is important to have a supply of continually trained American seamen available for emergencies such as the recent war in the Gulf, why should the shipowner do so, even if he could afford it? These are only several of the more important questions that need to be addressed.

Let us consider an owner who wants to fly the U.S.-flag on his ships and employ Americans to run them. Certainly some of the maritime unions in recent years have encouraged the non-subsidized operators to do so by making significant wage concessions. A major impediment to such an owner doing this is that under current U.S. law he is forced to employ far larger crews on his ships than do his competitors. In spite of attempts to obscure the question of crew size by raising safety issues, a recent study by the National Research Council finds no such linkage. Another question then might be: How soon can U.S. laws relating to crewing be amended so as to bring them

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into conformity with international standards? This is an effort that could be initiated immediately by the U.S. Coast Guard, under Department of Transportation direction. This is a good place to start.

Yet another question involves taxes. Under the 1986 Tax Reform Law, shipowners are no longer able to defer their tax burden. Until that law was passed, tax payments could be reserved to buy replacement tonnage in the future. This was only a partial recognition of the fact that many, if not most, of their foreign competitors pay no taxes at all. This new U.S. tax regulation in fact says that if by chance a U.S. owner does make a profit, he will pay a significant tax penalty for choosing to fly his country's flag. Another question has to be, is there any real possibility that the Treasury Department and the committees in Congress having tax jurisdiction would allow significant change in the tax law in order to encourage continued ownership of American vessels?

President Bush reminded us in his Aspen speech given in August 1990 that in the future we will probably face different challenges than those for which we had been preparing. The president said that “in many of the conflicts we could face, we may not have the luxury of matching manpower with prepositioning material. We'll have to have air and sealift capacities to get our forces where they are needed, when they are needed. A new emphasis on flexibility and versatility must guide our effort.” In the new world order, if these issues are not faced and solutions found to the present problems, it is almost certain that there will not be an American merchant marine available to meet those future emergencies that the president foresaw.

There may well be a greatly enlarged Ready Reserve Force, and possibly a program can be developed to provide reserve manpower to activate the more modern, diesel-powered portion of this fleet. However, there is little question that this will be more expensive than removing the myriad restrictions that unnecessarily add to present costs, and also providing some form of wage differential for American crews to ensure their ready availability in the future. Such differentials could be in the form of monthly payments for remaining in a qualified reserve status.

One last observation should be made, and this leads to a final question. There is a growing realization among many of those who attempt to frame future defense strategies that the United States has entered a phase where attrition warfare is neither probable nor of major concern. It is believed that no credible war scenario envisions a prolonged non-nuclear war that involves major ship losses. As a result, some people are beginning to question procurement policies that continually support defense industries based on the claim that this type of surge capacity is essential in a future global conflict. The need for this continued support may be too political to be debated constructively in a presidential campaign; however, the mounting national debt will force some review of these policies in the years ahead.

It may be too much to hope that the debate on an issue involving millions of dollars and thousands of jobs can be carried out in a way that keeps the national interest uppermost. This does not necessarily imply a lack of integrity or even political courage. It is more the result of the intense pulling and tugging of opposing political forces. Often it arises from real differences in how best to resolve the problem. The result has been described as "political gridlock."

Until we are able to define clearly the amount of shipbuilding capacity required to construct future U.S. naval vessels, the proponents of a shipbuilding mobilization base sufficient to sustain the merchant fleet in a sea war of attrition may well prevail. The result will be not any new ships, but the throttling of any serious consideration of removing or amending the legislation that denies American shipowners the ability to compete in the international marketplace.

How all of this will impact upon the future of American shipbuilding, the merchant marine, and as a consequence the availability of essential sea lift, remains to be seen. The continual decline of these industries without an objective evaluation is clearly not in the nation's interest. But, lacking clear direction, this undoubtedly is what will happen.