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Since the conclusion of World War II the American merchant marine has been handicapped by the lack of a strong and clearly defined maritime policy on the part of the U.S. Government. As a result it has been brought to a state of crisis by the obsolescence of its vessels and the rise of foreign competition. The Nixon administration has sought to reverse this trend by introducing into the current Congress legislation to replace aging vessels and reorganize existing shipping regulations and subsidies.

U.S. MARITIME PROSPECTS

A lecture delivered at the Naval War College

by

Helen D. Bentley

Chairman, Federal Maritime Commission

I deem it a privilege to have been asked to be one of the participants in the 1969-1970 Scapower Study being conducted at the Naval War College. Even more, it is a pleasure and a novelty to be speaking to a group who have a knowledge of what is meant by the all-inclusive term "scapower."

To the average civilian, the word "scapower" immediately projects in the mind's eye a battleship firing salvos, submarines firing torpedoes, or Navy planes taking off and landing on the deck of a carrier. Too seldom is it recognized that scapower in its absolute meaning embraces not only the control of the surface of the sea and the area below and above it in time of war, but envisages the use of the sea, both on its surface and in its depths, in war or in peace. Too seldom is it realized that scapower is all-encompassing.

Fortunately, President Nixon has brought to his office an awareness of the total concept of scapower. The President has thus defined scapower as

... the ability of a nation to project into the oceans, in times of peace, its economic strength; in times of emergency, its defense mobility. Scapower is composed of all those elements enabling a nation to use the world ocean advantageously for either trade or defense—its navy, its merchant shipping, its shipbuilding, its fishing, its oceanographic research, and its port facilities.

As is the case with most of you, I have a bowing acquaintance with the several segments that comprise scapower, but an expertise in only one or,

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at the most, two. In my case it is shipping and shipbuilding, which for our Nation must be considered a dual industry comprising the American merchant marine.

Such is not the case, however, for all nations. On the contrary, there are countries whose flags fly over major tonnage among world fleets whose ships are neither built in the country of registry nor owned by its nationals. Major among these are Liberia and Panama. Even Soviet Russia, insofar as its merchant ships are concerned, finds itself unable to meet its shipbuilding requirements in this category and must contract abroad.

Thus, a major power conceivably can find itself subject to limitation in meeting what it considers its national need for merchant ships. It is not the intention of this administration under President Nixon to place the United States in such a position either now or in the future, which leads me directly to the subject on which I have been asked to speak, "U.S. Maritime Prospects."

Before I do so, however, I believe it necessary to differentiate between the role in Government of the Federal Maritime Commission, of which I am Chairman, and the Maritime Administration of the U.S. Department of Commerce. The two are completely separate in their responsibilities and their functions.

The Maritime Administration is considered as the Government agency charged with the promotion of the American merchant marine. Through the Maritime Subsidy Board, which is composed of the Maritime Administrator, Deputy Maritime Administrator, and General Counsel of the Maritime Administration, subsidies for shipping and shipbuilding are determined and administered. Research and development, the training of future ships' officers, the setting of trade routes essential to U.S. commerce, the overseeing of work performed under ship construc-

tion subsidy funds, the National Defense Reserve Fleets, Federal Ship Mortgage Insurance, advice on port development are among the areas for which the Maritime Administration bears responsibility.

For its part, the Federal Maritime Commission is an independent commission responsible to the President and to the Congress. It is quasi-judicial in nature, with its five Commissioners being appointed by the President with the consent of the Senate. The Chairman of the Commission is so designated by the President. The major function of the Federal Maritime Commission is regulatory, its jurisdiction extending over ocean shipping serving our foreign trade and the noncontiguous states, territories of the United States, and the Commonwealth of Puerto Rico.

Two major responsibilities fall to the Federal Maritime Commission. The first of these is to make certain that no discrimination is practiced against U.S.-flag ships by other nations. The second is to make certain that the rates charged by all shippers, both U.S. and foreign, are fair and reasonable and not of a nature to discriminate against our commerce or price us out of world markets for our products. In short, the Federal Maritime Commission is a watchdog protecting the American exporter and importer and the American public.

As is evident from the above statements, with the exception of its first function of seeing that discrimination is not practiced against American-flag ships vis-a-vis their foreign counterparts in the Nation's foreign trade, the responsibilities of the Federal Maritime Commission in regard to the American merchant marine as a whole are peripheral. Be that as it may, my individual interest in the American merchant marine and its well-being, my personal sense of responsibility toward it, is far from peripheral.

In light of this, I do not hold with

those who take the position that the Federal Maritime Commission should stick to its regulatory knitting and let the American merchant marine sink or swim. Insofar as the Commission can advance the interests of the American merchant marine without discriminating on its part against the ships of other nations or the shippers of other countries, it will do so as long as I am Chairman. For, apart from my activities within the Federal Maritime Commission and as a member of it, as a member of the Nixon administration, and from a strong sense of personal belief in the necessity of an American shipping capability sufficient to our needs, both for our peacetime commerce and our national defense, I shall continue my advocacy and efforts to achieve an American merchant marine equal to the Nation's needs of the future. It is for this reason that I feel both justified and qualified to speak to the subject assigned me, "U.S. Maritime Prospects."

The prospects for American shipping and shipbuilding are irrevocably tied to the administration's program clearly enunciated by the President, first as a candidate in September 1968, then in October of this past year in a message to the Congress and, finally, in proposed legislation sent to the Congress in December 1969.

While most of you are acquainted with the position of this administration and with the program before the Congress to a certain degree, I think the purpose of my subject is well served by a brief detailing of the highlights of the legislation now before the Congress.

Let me preface such highlighting, however, with some facts that in themselves throw light on the future prospects for a strong Government policy in support of a revitalization of the American merchant marine. It is the lack of such support in the past that has brought our merchant shipping to the state of crisis in which we now find it. It is such lack of support—that on some

occasions appeared to verge on a positive detraction from the importance of shipping to our defense posture—that has placed us in the position of a second-rate maritime power on the trade lanes of the world. For this reason, the strong and aggressive policy that is now evidenced provides a major plus in an assessment of the future for the American merchant marine.

This strong and favorable position, not only toward the merchant marine but toward all aspects of seapower, was taken some 18 months ago when President Nixon—candidate Nixon at that time—outlined his concern over the state of the maritime industry and declared his intention to do what was necessary to correct it. At that time, he said: "To overcome the present maritime crisis, I recognize that we have an opportunity and an obligation to reverse the gross deficiencies that have marked the present [now former] administration's performance in this field."

I can assure you of my knowledge that, once elected, Richard Nixon did not wait until taking office to start the implementation of his campaign promise. In many areas, knowledgeable people, both from within the industry and from without, went to work to develop the prime needs, study the subject in depth, and come forth with proposals covering necessary programs. It was not necessary to come forth with a policy, for that had already been stated.

Following his accession to the Presidency, the work continued of hammering out the program that is now before the Congress in the form of legislation. Before actually forwarding the legislation, however, President Nixon sent a message to the Congress on the subject of the American merchant marine, calling attention to the dire straits in which our shipping found itself and addressing himself to the need for a reversal of past attitudes of national neglect and solid measures to revitalize

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it. His message spoke of the forthcoming program as being one that would provide the industry with both "opportunity and challenge."

Just prior to Christmas 1969, legislation to implement the program went to the Congress.

Reception of the legislation by the Congress was bipartisan, another major plus in evaluating the future. Comments from both sides of the aisle viewed the legislation with favor. The Chairman of the Senate Commerce Committee, Senator Magnuson from the State of Washington, and the Chairman of the House Merchant Marine and Fisheries Committee, Congressman Garmatz from Maryland, both sponsored the legislation in the form of bills. Hearings were quickly set following the reconvening of the Congress and have been completed both in the Senate Subcommittee on Merchant Marine and in the House Merchant Marine and Fisheries Committee.

The hearings in both committees evoked strong backing on the part of those testifying from industry, both management and labor. With the exception of one or two who testified, few changes were sought in the legislation before the committees, and even those who suggested changes gave strong support to the legislation in their testimony. There appears to be every reason to believe that both committees are anxious to report the bills out so that the House and Senate can act on them with dispatch. Educated guesses in Washington run in favor of passage by the Congress as early as May, though some are of the opinion that it may not come until June or July, but then at the latest. This, of course, presupposes that those who went into the committees with "shopping lists" of changes they desired for the advantage of their own segment of the industry do not continue strenuous efforts to achieve their own purposes at any cost. This, however, appears unlikely in view of the bi-

partisan nature of the support for the legislation on the Hill and the administration's backing.

While speaking of pluses for the future, it is to be noted that the President's budget included close to \$200 million requested for ship construction subsidy for fiscal 1971, the largest amount requested in any year since World War II, a period of 25 years. In itself, this is a major signpost toward the future, particularly so in this period of heavy strain on Federal finances, the tax decrease, and the administration's efforts to halt inflation.

With these facts for background from which to evaluate the future, a wide detour that I believe you will agree with me was well warranted, let us now examine that future for the merchant marine as viewed in the highlights of the President's program.

Let me say first, however, that the administration considered many facts in formulating the program, including the following:

1. The value of our oceanborne foreign trade, with exports and imports totaling some \$70 billion annually, of which over \$40 billion moves by ship. The efficient shipment of these goods at reasonable cost is essential to the continued economic well-being of our Nation, which is the world's greatest trading nation, accounting for nearly one-third of the world's commerce between all countries.

2. As a result of neglect during more than two decades, resulting from a fundamental lack of understanding of the role of seapower, we had dropped from a total of 3,696 merchant ships at the close of World War II to around 900 ships in our privately owned merchant fleet, of which about 650 are engaged in foreign trade.

3. By tonnage we are now only some 3,500,000 tons ahead of Russia, while in numbers of ships we have been supplanted by the U.S.S.R.

4. Of these 650 ships, some 400

were built during World War II and will probably not be operating after 1974. Another 53 ships will become overage in the succeeding 8 years, leaving a total U.S. foreign trade fleet under the American flag of only about 200 ships by 1982, assuming no new construction took place after 1970.

Against this background of "hard facts" relative to the present and projected state of the American merchant marine, the Nixon program recognizes that the only way to reverse this alarming situation is by taking prompt action to replace ships now heading for the shipbreakers.

The administration recognizes, too, that it will take money to achieve this, money provided both by the Federal Government and from private financing. Apart from the necessary funding, however, it is recognized that the greatest role of Government is in providing an atmosphere in which the industry—both management and labor—can have faith in the fact that the days of neglect, the constantly changing policies of the past, are over and that a positive policy for expanding the fleet now exists. Such is now the case.

On its part, the Government recognizes that no progress can be made in rejuvenating the merchant fleet without the wholehearted support and cooperation of the shipbuilders, the shipowners, and the maritime labor force.

In return for a commitment of a total of some \$3.8 billion to be spent over the period of the next 10 years by the Government in aiding the American merchant marine—about \$1 billion of which would be over and above recent budgeted amounts for shipbuilding—the administration expects the shipbuilding industry to improve facilities to the tune of some \$500,000,000 in private investments and shipowners to make major investments of their own, or by obtaining private financing, in new ships.

To achieve this, the legislation looks

to a 10-year program of shipbuilding at a rate of 30 ships a year, for a total of 300 ships to be built in the next decade. Because of greater size and carrying capacity, higher speed, new technologies providing for fast turnaround in port, these ships would have the annual productive capacity of from three to five of today's conventional ships. This would provide us a decade from now with the equivalent of between 900 to 1,500 merchant ships as measured by today's conventional vessels.

As an indication of the administration's commitment, as mentioned earlier, the budget request for shipbuilding for fiscal 1971 is for \$199,500,000. This is not in premature anticipation of the passage of the legislation now before the Congress, the funding of which would be required later, but is a good-faith token of the intent to build ships. This is predicated upon the payment of subsidy on contracts for 19 new ships compared to 10 covered under the 1970 budget plan. Because of lag in construction of ships from time of contracting, some 23 to 25 would probably be contracted for in fiscal 1972, moving up to the full 30 a year thereafter. By such time, the 30-ship mix would probably consist of some 25 highly productive dry-cargo ships and some five bulk carriers, of which two might be tankers. The mix, however, might well vary from year to year.

Actually, in using the term "contracting" on a specific annual basis, I am not being precise, for the Government anticipates the use of multiyear contracting methods now practiced by the Navy. This technique, as you know, employs the practice of issuing firm commitments to shipyards, in part based upon subsequent year appropriation requests as needed, enabling the shipyards to have a backlog of orders and plot future workload, while enabling the Government to gain the benefit of lower unit prices per ship

made possible by mass production methods. This will provide the incentives for shipbuilders to plan ahead, improve productivity, and make the additional capital investment necessary to upgrade and modernize the shipyards.

In the area of shipbuilding, the program anticipates payment of construction-differential subsidy direct to the shipyard, replacing the present system of channeling these payments through the shipowner for which the vessel is being built. It also anticipates that applications for subsidy must be made by the shipyard itself.

Recent studies on construction costs and techniques have indicated that the ship construction subsidy can be reduced from the present 55 percent ceiling to approximately 35 percent. The shipbuilders believe this feasible, if large orders for ships are forthcoming. Accordingly, the legislation anticipates a reduction of the ceiling to 45 percent in fiscal 1971 and further reductions of 2 percent a year until it stands at 35 percent. If this cannot be achieved, then a Presidential committee will examine the facts and make recommendations relative to the future of the program. The President was specific on this point.

Also, in the area of shipbuilding—certainly the most important part of the legislation—the program looks to standardization of ship designs, with the shipyards providing the basic designs.

Ship construction subsidy will be made available to all operators in the foreign trade, not just subsidized operators. Bulk carriers will be included as well.

In addition, under the new program, operating subsidy will be revised, using a representative index of wages in the economy as a whole. Foreign costs will be determined as at present, and the subsidy will represent the difference between annual U.S. wage costs, as adjusted by the overall economy wage index, and estimated foreign wage costs.

If the operator can keep his costs below the adjusted U.S. wage cost, he will receive payments which are greater than the difference between his costs and the foreign costs. If he exceeds the adjusted U.S. wage costs, the subsidy will not make up the difference. Thus the operator will have a true incentive to reduce costs and increase efficiency.

Maintenance and repair costs will not be subsidized under the new program. This, however, should cause no real hardship for operators, since major unsubsidized operators not required to do so now have their repairs performed in this country because of the time factor involved in foreign yards and duty costs.

Another area in which operators are to be challenged to improve their efficiency involves bulk carrier operations. The present bulk fleet consists almost entirely of neoeconomical World War II-built ships that cannot compete for commercial cargoes. They exist today almost exclusively on U.S. Government-financed cargoes, those originated primarily by the Department of Agriculture and AID.

The Nixon program envisions direct operating and construction subsidies to these operators to allow them to replace their aging vessels with modern, highly productive vessels, thus phasing out the need for "cargo preference."

To provide all operators in foreign trade with the opportunity to acquire capital necessary for the building of new ships in the future, the legislation seeks the expansion of the tax deferred capital reserve fund now used by subsidized lines to all operators in our foreign trade on an equal basis.

Another aid to operators in obtaining new ships long has been the Title XI Ship Mortgage Insurance, under which the Government provides a guarantee of both principal and interest on ship mortgages. This is an inducement for private investment capital to channel monies into ship mortgages at interest rates that are not excessive. The

administration seeks to increase the present \$1 billion ceiling for such guarantees to \$3 billion.

The program also looks toward increased research and development in the marine field to improve the technology, and thereby the productivity, of American ships. Here the current budget request provides another example of good faith on the part of the administration, for the fiscal 1971 request for R. & D. totals \$20,700,000 as against \$11,100,000 programed in fiscal 1970.

There are many other areas covered by the program and the attendant legislation, which I will be glad to discuss in the question and answer period, but I have now given the major highlights, the areas of greatest impact on the rebuilding of the American merchant marine.

Again, I emphasize that in speaking to the future of our shipping, in evaluating that future, it can only be done on the basis of the administration's program and the attendant legislation before the Congress. Based on the past, the American merchant marine had no future, but, based on the present program, it has a real future—one that will make it capable of meeting the expanding needs of the Nation in the carriage of its peacetime trade and in serving its defense requirements in the future.

And now, if I have fulfilled the requirements of the subject assigned me, I should like to ask your indulgence in going beyond my assigned subject and speaking to two areas which I believe deserve the full consideration of such as you who are present here today. I cannot claim expertise in these areas, and do not, but I urgently desire to bring them to your attention.

In this I am well satisfied that my remarks are privileged, for in one I shall be taking issue with a "sacred cow" of some importance to people in both industry and Government, while in the other I shall be suggesting a very real

and thorough consideration at all levels in DOD of a part-merchant-marine-part-military alternative to the defense requirements put forth as the reason for the push in past years to acquire fast deployment logistic ships. In both, however, I shall be relatively brief.

First, for the "sacred cow" of the "ships under effective control" concept, I put to you a question that has plagued me for many years: How "effective" is that control? I raise the question here because you are of the military establishment, and some of you may be in a position to determine whether or not we have lulled ourselves into a false sense of security in the belief that this Nation has a ready reservoir of such ships available to it in time of dire need.

Perhaps, on your own, you will want to examine this matter, perhaps not. For my own part, while Maritime Editor of the *Baltimore Sun*, I attempted to determine upon what the "effective control" concept was based and by whose determination the ships were considered under our control. The results were pretty close to nil and raised a major question in my mind as to who has the ball.

A list of such ships is published periodically by the Maritime Administration. Asked on what they base it, the response has been: "We are provided with it by the Navy. They make the determination." Those I have asked in the Navy, however—and I do not include the level of the Secretary, Under or Assistant Secretaries—have provided a squirming answer that has been somewhat equivocal, indicating that it is a determination originally made by the Maritime Administration. And so I ask, who has the ball—or is there any ball at all? Are we, rather, lulling ourselves to sleep with Linus' blanket?

From what I have been able to put together, the idea that a ship is under "effective control" is based upon a piece of paper in the files of the Maritime Administration in which the

owner has guaranteed that his ship will be made available to the United States in the event of a national need. To fall in this category, his ship is also registered either under the Panamanian, Honduran, or Liberian flag. Thus they are sometimes called PanHonLib ships.

The question then that comes to mind is, How effective is the control of a ship at sea or in a foreign port—and many never touch the United States—when the crew of that ship is composed of the nationals of other countries who conceivably, collectively or individually, might not be in sympathy with our needs in time of an emergency? Is a piece of paper in Washington sufficient to guarantee that the crew aboard ship will return it to this country? And if they do, will they continue to man it for us?

At last count, the number of such ships totaled 393. About 2 percent were listed as combos, a little over 10 percent were freighters, slightly over 23 percent were bulk and ore carriers, and about 64 percent were tankers. Liberian registry constituted nearly 75 percent of the ships, Panamanian registry almost 25 percent, and Honduran registry about 2 percent.

By age groups, 65 ships, or some 17 percent, were under 5 years old; 77 ships, or 20 percent were between 5 and 9 years old; 121, or 31 percent were 10 to 14 years old; 52, or 13 percent were 15 to 19 years old; 25, or 6 percent were 20 to 24 years old; and 53, or 13 percent were 25 years of age or older.

I give you these facts and these statistics within the confines of the Naval War College for what value they may have in the event that there are any present who believe the matter of "effective control" warrants reevaluation.

And now, to be still more brash, I shall step into an area in which I claim no expertise and which is the sole prerogative of the military. I do, however, claim some expertise in the area of merchant shipping, and I am speaking

only to focus the attention of those present today on what would appear to a layman as a likely answer to the need for cargo ships in time of defense emergency.

As all of you are undoubtedly aware, the attempts to obtain fast logistic ships, the FDL's, are uncertain of achievement. It is my belief that the barge-carrying ships may well provide an alternative to the FDL's, and a good one. The barge-carrying ships—of which some 14 are now under contract for construction for American lines—are large, fast, efficient, and self-contained in the handling of cargo. They need no docks, no shore-based cargo-handling equipment. The loaded barges are lifted aboard and positioned with the ship's own cargo handling gear. They are discharged by similar means.

Any type cargo can be loaded in the barges, including containers if desired. When a ship comes into port with its loaded barges, it discharges them, taking aboard the barges awaiting it for the return trip.

The LASH type, Lighter Aboard Ship, being built for Prudential Lines and Pacific Far East Line, is 772 feet overall, with a 100-foot beam, 60-foot depth, design draft of 28 feet, of 18,850 deadweight tons, and capable of a 22.5-knot service speed. It is designed to carry a maximum of 58 lighters with a bale cubic capacity of 1,189,000. Depending upon the number of lighters aboard, it can also carry separate containers.

The SEABEE type, Sea Barge Ship, being built for Lykes Bros. Steamship Co., is 874 feet overall, with a 105-foot, 6-inch beam, some 74½-foot depth, 32-foot design draft, of 27,000 deadweight tons, with a service speed of 20 knots. It is designed to carry a maximum of 38 barges 97½ feet in length, with 35-foot beam and 17 feet in depth. The LASH ship lighters are smaller, measuring 61½ feet by 31 feet by 13 feet.

With such ships in the American merchant marine in sufficient numbers, would it not be feasible for the military to purchase barges of the appropriate sizes and in the number necessary, load and preposition them in safe coastal areas either in the continental United States, its noncontiguous states, territories, and possessions, or in SEATO or NATO nations and come close to meeting the FDL concept? In time of need, with sufficient barge-carrying ships in the American merchant marine, the marrying up of ships and barges should be fast and feasible.

In addition, the barge-carrying ship needs no cargo-handling facilities ashore, no piers, no docks. If the military barges were self-powered, an open beachhead should suffice.

Except for defense features, such as added speed, the major cost, the ships themselves, would be borne by private industry and would be contributing to the economy in peacetime. The ships would be fully manned and available in the period of time it took from notice of diversion to reaching the location of the nearest barge staging area.

The cost to DOD would be minimal—defense features and the cost of the barges. Certainly this is a far cry from building and maintaining even a few FDL's in operation.

In time of emergency, I commend the marrying up of privately owned barge-carrying type ships in the Ameri-

can merchant marine and loaded, prepositioned, Defense-owned barges to your consideration.

To close, I hope that I have not mistaken what I take to be a "sacred cow" and waved a red flag in front of a maddened bull in my questioning of the "effective control" concept. I also hope I will not be considered too brash in suggesting what I consider a good and logical alternative to the FDL concept.

Thank you.

BIOGRAPHIC SUMMARY



The Honorable Helen D. Bentley has had a long association with the Nation's maritime industry and its problems. A graduate of the University of Missouri in the field of journalism, she began her career as a reporter for the *Baltimore Sun*. Beginning in 1950 she produced a variety of freelance films, including "The American Family and World Trade" and "The American Merchant Marine: Hero in War, Stepchild in Peace." From 1958 to 1967 she served as public relations adviser to the American Association of Port Authorities, in which capacity she received awards for meritorious service from both industry and labor. From 1953 to 1969 she served as Maritime Editor for the *Baltimore Sun*, wherefrom she was appointed to her present position as Chairman of the Federal Maritime Commission.
