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*A maritime nation's raison d'être for a merchant fleet is to add to its GNP, to provide maritime lift for national defense, and to add to its international prestige. Since there is no economic gain for the United States through subsidizing the merchant service, and prestige is not quantifiable to the economist, the most relevant basis for a substantial merchant service is national defense. The defense requirements for a merchant marine are most critical in a limited war environment, and it behooves the Departments of Commerce and Defense jointly to determine programs to meet this need.*

## THE NATIONAL DEFENSE REQUIREMENT FOR A U.S.-FLAG MERCHANT MARINE

A research paper prepared by  
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### INTRODUCTION

... our commerce has expanded so enormously that it is not only a question of profit but of serious necessity that we should manage it—and yet, with every impulse, every activity insisting that we should assume our place in the world, our Merchant Marine is in a state of decadence.<sup>1</sup>

Upon the direction which those steps may lead us is to depend the future of our merchant marine. If they lead us aright, it will survive. And if not—not.<sup>2</sup>

Today our merchant fleet is not only in the doldrums, it has been sinking fast.<sup>3</sup>

The three statements above represent 85 years of contemporary thought on the status of the U.S.-flag merchant

marine; a patient who is perennially at death's door but who, with the aid of continuous transfusions, manages to outlive generations of his physicians. Unfortunately, the fact that the "patient" has been and evidently can be kept alive through programs that treat the symptoms while allowing the disease to run riot has lulled the industry, Government, and people into a soper, deep and serene, so long as periodic public pronouncements of impending doom and other assorted breast-beatings assuage the collective conscience. For life-sustaining measures can be tolerated, but the Nation is unwilling to endure either the trauma of the patient's death or to face the short-term economic, political, and social costs

required of a true recovery is to be expected.

Although the "merchant marine problem" has provided grist for academic, political, and military mills for the better part of a century, the era of the cold war has added a dimension that Lieutenant Kelley would not have even considered. This is the requirement for the extended deployment of large expeditionary forces under circumstances where neither a war nor a condition of national emergency exists. In this situation a merchant fleet may be called upon to perform wartime service with peacetime assets and under peacetime regulations, resulting in a vicious "whip-saw" of rising requirements vs. declining capabilities with no built-in mechanism to restore a condition of equilibrium.

It is this military-oriented aspect of the overall problem that will be considered in the paper here presented. Drawing on recent national experience, an attempt will be made to redefine the position of the U.S.-flag merchant marine within the context of the threats to which American military forces might be required to respond. An evaluation will then be made as to the merchant fleet's current capabilities, and recommendations offered as to the size and tailoring of the U.S. merchant marine if it truly is to be the "Fourth Arm of Defense."

### I--WHY A MERCHANT MARINE?

Maritime nations support merchant fleets for three reasons:

- a. To add to the total of their GNP.
- b. To serve as an arm of their national defense.
- c. To add to their international prestige. Although the fulfillment of all three purposes would be to the unquestioned benefit of any nation, the absence of any one or two rationales can be accepted, depending upon that nation's wealth, geographic location, and international position. For example, at the lower end of the wealth and power

spectrum we have Liberia, a small state with the world's largest merchant marine in tonnage at 36.4 million d.w.t. and third largest in numbers with 1,423 registered vessels.<sup>1</sup> Liberia is without significant international prestige and has no vital national interest dependent upon her own shipping for protection. But Liberia is a poor country with limited economic resources, and the foreign exchange earned through the remittances of American, Greek, and other shipping concerns using her as a low-cost and flexible haven for international operations is significant; for the Liberian merchant marine is neither owned nor manned by Liberian citizens; and if it were not for the incentive of her rather liberal registry laws, it is doubtful that there would be a single Liberian merchant ship on the high seas, as indeed there wasn't prior to 1948.<sup>2</sup>

Norway is a nation whose interest in a national merchant marine is far more substantial in basis than Liberia's. Although the Norwegian international position is not such as to necessitate a worldwide display of her flag, she is a nation dependent upon a merchant fleet for both commercial earnings and the employment of her citizens. Her landlines of communication are long and indirect, thereby easily interdicted by potential enemies and adding national defense to her reasons for maintaining a merchant marine. Although economic gain is by far the strongest rationale for her maintenance of the world's fifth largest in number (1,371 vessels) and fourth largest in capacity (27.3 million d.w.t.)<sup>3</sup> merchant fleet, her need for sealines of communication would justify some vessels even if an economic cost were entailed.

The United Kingdom is one of those few nations that enjoys all three benefits of a national-flag merchant marine. With the world's largest operational fleet of 1,928 ships,<sup>4</sup> she enjoys a substantial income from profitable commercial operations; as an insular and

trading nation she requires extensive shipping under her direct control for national defense; and as one of the world's leading powers she gains much added prestige from the display of the Red Ensign worldwide by so large a merchant fleet and the great "visibility" of a small but impressive coterie of passenger liners.

In the United States we have a nation whose merchant marine has made little contribution to her peacetime economy for as many years as one cares to remember. However, the experience of past wars and the continued requirement for large-scale U.S. forces abroad have forced the retention of a large active fleet even at the cost of substantial Government subsidies and the Federal financing of a reserve fleet for military emergencies. This, plus the continued support of a small but expensive passenger fleet and the world's only nuclear merchantman, shows that the United States is willing to entail considerable economic expense to provide a merchant fleet for both national defense and international prestige.

The Soviet Union represents the most complex of cases, for here we find legitimate commercial interest so inter-

meshed with national defense, on one hand, and politico-economic warfare, on the other, that it is difficult to determine which interest or interests are controlling. The impressive size and rate of growth of the Soviet merchant fleet are apparent in table I.

Two factors are most significant. One is the truly phenomenal growth that has occurred since the period of the Cuban missile crisis; while the other is the fact that with a foreign trade level one-quarter that of the United States, the Soviet Union has built a merchant fleet that is already three-quarters as large as the American fleet.<sup>5</sup> Thus, Russia is not only achieving maritime self-sufficiency, but she is well on the way toward developing a surplus of shipping available to all bidders. Already Soviet ships delivering supplies to North Vietnam are hauling return cargoes of Australian wool at rates 7.5 to 15 percent below those of the Australian conference.<sup>6</sup> Although willing to settle differences and even to join the rate-making conferences, the Soviets have made it plain that the price for their cooperation is a significantly larger share of the market than normal distribution formulas permit.<sup>7</sup> Whether the Soviets are merely

TABLE I-SOVIET MERCHANT TONNAGE<sup>a</sup>

| Year               | Thousands of Gross Tons |
|--------------------|-------------------------|
| 1918               | 865                     |
| 1939               | 1,315                   |
| 1958               | 3,000                   |
| 1961               | 3,839                   |
| 1966               | 9,811                   |
| 1968 (fiscal year) | 12,062                  |

<sup>a</sup>U.S. Congress, House, Committee on Merchant Marine and Fisheries, *Maritime Manpower Shortage*, Hearings (Washington: U.S. Govt. Print. Off., 1966), p. 162; U.S. Congress, Senate, Committee on Commerce, *Subsidies for Bulk Carriers*, Hearings (Washington: U.S. Govt. Print. Off., 1962), p. 80; U.S. Maritime Administration, *A Statistical Analysis of the World's Merchant Fleets* (Washington: U.S. Govt. Print. Off., December 1967), p. 1; "Shipbuilding and Machinery Review," *Fairplay International Shipping Journal*, 14 November 1968, p. 25.

trying to find employment for shipping huilt to handle the peak requirements of emergencies, such as the Cuban missile crisis, as well as their own legitimate commerce or are deliberately fostering a shipping war as a form of economic pressure on the West is open to question; hut one fact remains clear: that whatever the reason, Russia is a maritime power of the first magnitude, and her growth curve is still accelerating.

Although the above is perhaps an oversimplification of a very complicated situation, it does serve to indicate that there is a broad spectrum of rationales for the maintenance of national-flag merchant fleets that transcend normal economic considerations. Within this spectrum the United States occupies a particularly interesting position in that a large American-flag merchant fleet, a private industry, is supported with Government funds. The situation exists nowhere else in the world.

The economic value of the U.S. merchant marine was definitively explored by the Transportation Center at Northwestern University between 1958 and 1961 in a study sponsored by the Committee of American Steamship Lines.<sup>8</sup> This significant effort scrupulously avoided national defense considerations and determined that whatever the gain which was accruing to the United States through the maintenance of a subsidized merchant service, it was not an economic gain.<sup>9</sup> When one considers that this was an industry-sponsored study, the negative results lend credence to its objectiveness. More recent data indicates that little has occurred during the decade of the sixties to herald a change in the situation. In 1966 the total contribution of both domestic and international water transportation to the U.S. GNP was a mere 0.4 percent, with commercial shipbuilding adding hut another 0.02 percent.<sup>10</sup> From this must be subtracted almost one-half billion dollars in direct and indirect subsidy payments, thus render-

ing it quite evident that the United States is not looking to its merchant fleet for a contribution to its livelihood. Indeed, a good case could perhaps be made for the improvement of the economic well-being of the country through the elimination of the merchant fleet.

This is not to say that there is absolutely no economic advantage to be gained from a U.S.-flag merchant marine. During periods of greatly expanded vessel demand such as the Korean war (1950-53), Suez crisis (1956), Vietnam war (1965-?), and second Suez crisis (1967-?), the availability of ships from the Maritime Administration's reserve fleet prevented a skyrocketing of shipping costs. The overall savings in avoided freight-rate increases to American shippers have been estimated at 250 percent for the Korean war period and 33 percent during the 1956 Suez crisis.<sup>11</sup> Translated to dollars, this represents \$3 billion and \$0.5 billion respectively. The fact that at least a nucleus active industry is required, if the expansion capability of the reserve fleet is to be realized, must be kept in mind. Here, perhaps, we find economic and military rationales impinging upon one another.

The nebulous, yet very real factor of national prestige is a matter which the world's most powerful nation must consider in all areas of endeavor. Since prestige is not quantifiable, it receives scant attention from most economists; yet its existence can be attested to by the retention of the NS *Savannah* in service by the 90th Congress despite her \$3.2 million subsidy requirement.<sup>12</sup> What level of merchant fleet would be supported by the United States if national prestige were the only relevant factor? This is a difficult, if not impossible, question to answer. It could be adduced, however, that the nuclear propulsion program, some elements of the international passenger fleet, and certain other very "visible" ships would

be supported by Government assistance for their prestige or public relations value alone.

Since economic and prestige factors seem capable of justifying little more than a token merchant fleet, then the *raison d'être* for the *substantial* U.S.-flag merchant marine that has been the elusive goal of so many public and private elements of our society for decades must be national defense. The realization of this fact is important in that it is frequently, if not generally, submerged in the semantics of the Merchant Marine Act of 1936 as interpreted by various Government and industry interests. The statement that:

It is necessary for the national defense and development of its foreign and domestic commerce that the United States should 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 service on all routes essential for maintaining the flow of such domestic and foreign waterborne commerce at all time, (b) capable of serving as a naval and military auxiliary in time of war or national emergency . . .<sup>13</sup>

is never further defined as to specifics, thereby engendering endless discussion as to what "substantial" represents. Figures of from 30 percent to 50 percent of the total waterborne tonnage are widely quoted, even by Government bodies, as being justified on the basis of the act.<sup>14</sup> This results in a form of circular reasoning in which the act becomes the touchstone against which the status of the U.S. merchant marine is measured as well as being the authority for the dispensing of Federal assistance. Thus, the hard reality of national defense requirements, which are in a constant state of flux due to the unsettled nature of the cold war world, becomes submerged in arbitrary percentages of waterborne commerce based upon the interpretations of various special interest groups. Unfortunately,

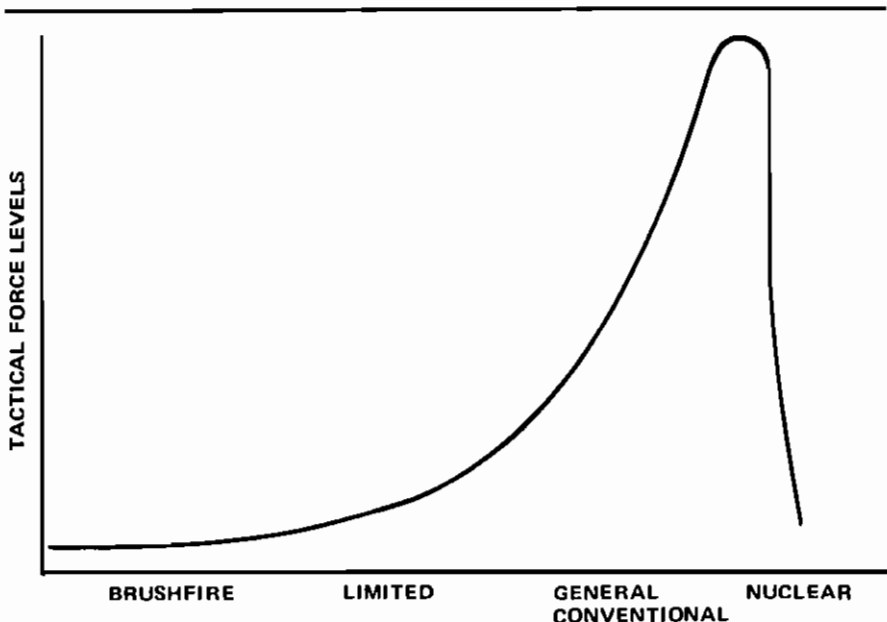
national defense requirements cannot be keyed to the fluctuations in U.S. participation in world commerce any more than they can to the vagaries of the New York Stock Exchange.

A merchant fleet fully justified on the basis of national defense might or might not carry a "substantial" portion of our waterborne commerce in a given year; whether it does or not is immaterial so long as it is capable of supporting U.S. military commitments worldwide. The fact that the U.S.-flag merchant marine carried a smaller percentage of our commerce in 1967 than in the years immediately preceding has not been due to any precipitous decline in its capabilities but rather to the fact that such a large portion of the fleet was engaged in Vietnam service. Deficiencies have, however, been uncovered during the course of these operations which show that our merchant fleet is marginal in capability and that the outlook for the immediate future is far from promising.

## II--MILITARY REQUIREMENTS FOR U.S.FLAG MERCHANT SHIPPING

If the size and composition of the U.S. merchant marine is to be determined by military requirements, then it remains to delineate what these requirements might be. A most interesting product of the nuclear age in warfare has been the fact that projected demands for the deployment of tactical forces do not increase as the intensity of conflict increases from initial contact to total war, rather a truncated curve is indicated as depicted in chart I. Once the stage of nuclear war is reached, it is assumed that the actual fighting will be accomplished by strategic forces; and the entire conflict would be of short duration. This would obviate the need for deployment of tactical forces and the transportation effort required to deploy them. This leaves the lesser contingencies of brushfire war, limited war, and general conventional war as

CHART I--SCALE OF WARFARE



legitimate areas of concern for the transport of tactical forces and, therefore, as requirements for the maintenance of a merchant fleet.

The brushfire war, as considered here, also includes small-scale armed interventions such as the Congo and Dominican Republic situations. It is the type of war that is fought with the theater contingency forces on hand and without the requirement for either the redeployment of forces from other theaters or the creation of new formations from the strategic reserve. Such actions, due to their small scale, have in the past generally been served by a combination of military auxiliaries, MSTs vessels, and U.S.-flag merchant ships normally employed on trade routes to the affected areas. The only extraordinary action taken during recent situations of this sort was the commandeering of two U.S.-flag cargo liners in the Mediterranean during the Lebanon crisis.<sup>1</sup> This is an example of a merchant fleet serving its intended national defense purpose, but it would

be well to note that in this case two ships were not enough, and the charter of additional foreign-flag vessels was required.<sup>2</sup> Thus, although the numbers of U.S.-flag merchant ships have been more than adequate to serve in brushfire or intervention situations, their disposition has not always been satisfactory.

A conventional general war is perhaps the least likely contingency the United States will have to face in the foreseeable future. Since the only nations capable of engaging the United States in a general war are also nuclear power, the pressures for the side that finds itself at a disadvantage to escalate the conflict into a nuclear war are evident. It appears that only the most unlikely combination of circumstances would permit such a conflict to remain at the nonnuclear level long enough to permit the mobilization and deployment of massive tactical forces.

Nonetheless, a conventional war along World War II lines is possible. As such, it would most probably be a war of reserves in which the expansion

capacity of the shipbuilding and ship operating industries would be crucial to sealift requirements. The United States would certainly start such a conflict in much better condition than in World War II. The great capacity of existing U.S. and Western World shipyards, augmented by such technological advances as the Arendale technique which produces a 70,000-ton tanker in as little as 75 days under peacetime conditions,<sup>3</sup> presents an expansion capability undreamed of 20 years ago. Similarly, the size of the Maritime Commission reserve fleet (despite its advanced age), plus the modern PanLibHon fleet of American-owned vessels for which emergency repatriation procedures exist in the event of national emergency or declared war, and the vast NATO merchant fleets all represent assets that were not available to the same extent at the start of the last war. The extensive use of "third world" nationals, i.e., Indians, Latin Americans, and Indonesians on much of the PanLibHon and some of the NATO fleets, however, casts some doubt as to the immediate retrievability of many of these vessels upon the outbreak of hostilities. The important factor to consider here is that, by its very nature, a general war would involve the major alliances, not just single powers. The United States, therefore, would have access to the capacities and capabilities of the shipping industries of the entire Western World as well as her own and would, in war, have the legal powers to make maximum use thereof.

It is in the support of a limited war of the Korea or Vietnam variety that the United States finds herself in the greatest difficulty as regards shipping capacity. For here is the situation presented in the introduction to this paper: a war in which a substantial expeditionary force must be transported over long distances and maintained over an extended time frame within the following constraints:

1. The United States will not be able

to depend upon either allied or PanLibHon shipping for cargoes going to the war zone.

2. There will be no declaration of war and perhaps no declaration of national emergency, thereby precluding mobilization or the use of emergency powers.

3. The military sector will have to compete with the civilian sector for the use of U.S.-flag merchant shipping.

4. Initial requirements will be of an emergency nature requiring ships in being rather than a mobilization base. Reduced to a single statement, the foregoing situation demands that the United States "Go it alone with what is on hand while maintaining a business as usual posture in its civilian economy." This is the order which demands a "substantial" merchant marine in being, not the arbitrary interpretation of a 30-year old act of Congress.

The experiences of both Korea and Vietnam have shown serious deficiencies in the U.S. merchant marine, with the recent Vietnam experience being the most egregious due to its longer time frame, larger force requirements, the absence of maritime allies, and the more advanced age of the merchant fleet called upon to provide sealift. Since conflicts of this nature seem to be in vogue and are likely to remain so for an extended period, logic dictates that we take heed of past lessons in order to avoid this repetition in future conflicts. These lessons have been:

**Lesson 1:** Limited wars have demanded the delivery of fully equipped field units with almost all their sophisticated equipment to areas possessing only the most unsophisticated port facilities.

**Solution:** Shipping must be self-unloading up to the heaviest single lifts in a field army, must be maintainable away from major repair facilities, and must be of shallowest possible draft consistent with their design.



**Lesson 2:** The highest probability for limited war involvement is in the underdeveloped world where shipping densities are light.

**Solution:** Vital shipping routes should be reallocated on the basis of national defense projections to ensure the local availability of U.S.-flag shipping for emergency requirements.

**Lesson 3:** Peak shipping demands will be in the early stages of the conflict due to the delivery of the expeditionary force and the delays inherent in organizing the ports at both ends of the pipeline for greatly increased demands.

**Solution:** An adequate merchant fleet to handle first lift requirements must be in existence, and authority must exist for its immediate retrieval by military authorities. Peaks must be met by a well-maintained, easily restorable reserve fleet and a rapid reaction construction capability.

**Lesson 4:** The POL requirements of modern military forces are steadily increasing and are totally a sealift requirement.

**Solution:** A U.S.-tanker fleet is required with a large total capacity but comprised of vessels small enough to operate into unsophisticated ports and shallow waters.

To these lessons from the past must be added a new dimension, that of possible submarine warfare by previously nonmaritime nations. The acquisition of submarines by such powers as Red China and Egypt renders their use possible in future limited wars. Although the threat would most likely be from conventional submarines, the effect against the 11- to 16-knot relics of the reserve fleet and much of the active merchant marine could be catastrophic in the short run. Although such limited underseas forces as are possessed by these powers would not have extensive staying power, one cannot rule out significant augmentation from the large inventory of obsolescent Soviet conventional submarines available for transfer.

When all the foregoing factors are combined, a pattern for a militarily effective U.S. merchant marine emerges that is at variance with purely commercial considerations.

A commercially oriented merchant marine would have a small and declining passenger and passenger/cargo ship inventory in line with the decreasing market for such services. Its fleet of cargo liners would be comprised of modern, highly automated, but conventional, ships of high capacity and moderate speed. A large number of containerships and a small number of roll-on/roll-off ships would round out the liner fleet. Both the tanker and bulk carrier fleets would contain the largest vessels procurable, with low cost capacity being of more importance than speed or the ability to service shallow draft ports. This commercial fleet would ply those routes that provide the greatest economic return with the best vessels servicing the most lucrative ports.

The military-oriented merchant marine, on the other hand, would require the maintenance of a small fleet of extremely high-speed passenger ships to be kept in service until that distant day when airlift will assuredly be able to handle *all* contingencies. Cargo liners would be ultrafast, highly automated, and with self-servicing heavy-lift gear. Roll-on/roll-off ships would comprise a significant portion of the fleet, enough of them to establish a bridge across the longest reaches of the Pacific Ocean. Containerships would be subordinate to both general cargo liners and roll-on/roll-off ships and would only be required for backup supplies after the major deployments. Although bulk carriers would not be required, a large fleet of fast but small tankers would be needed to meet the disparate requirements of great quantity yet limited port facilities. Thus, a reversion to a series of super T-2-type tankers would be required at 20,000 tons to 30,000 tons rather than the 100,000- 200,000- and

300,000-ton behemoths that are built for commercial purposes today. For those vessels which private enterprise would be found unwilling to procure and/or operate, Government services would be required. Finally, trade routes would be allocated on the basis of areas where U.S. commercial presence is required, even if not particularly profitable, and where military requirements might become necessary.

### III--CAPABILITIES OF THE U.S. MERCHANT MARINE

Despite its impressive size in both numbers of vessels and total capacity, the U.S. merchant fleet is far from impressive either in current capabilities or future prospects. To quote House Minority Leader Gerald Ford (R), Michigan, two-thirds of the U.S. merchant fleet is "... obsolete, inefficient, and noncompetitive."<sup>1</sup> Table II depicts this situation. The active U.S. merchant marine is now the world's sixth largest in numbers and fifth in capacity.<sup>2</sup> This position remains constant whether or not one adds the active Government-owned portion of the fleet. Equally important, it is by far the oldest fleet of any of the six major maritime nations.<sup>3</sup> Included in this aging fleet are some of the newest, fastest, and most technologically advanced merchant ships in the world, but not in sufficient numbers to improve materially the situation. On balance, the U.S.-flag merchant marine has been found wanting when measured against the yardstick of current U.S.

military requirements in Vietnam and, from all indications, it will be even less capable if called upon again. This is in stark contrast to the pre-Vietnam situation when the Secretary of Commerce could state that "... The existing ships under the American flag are adequate to meet presently established requirements for service by the military."<sup>4</sup>

Today, U.S.-flag ships not only are carrying a mere 6.6 percent of all U.S. oceangoing commerce,<sup>5</sup> but they have been unable to support the demands of the military services, and an infusion of foreign-flag carriers has been necessary to keep vital supply lines flowing.

Given the assumption that our Vietnam experience is representative of the limited wars that pose the most probable threat to our national security in the immediate future, it would be rewarding to see what the shortfall in U.S.-flag merchant shipping has been. Keeping in mind that the Cargo Preference Act of 1904 provides that all military cargoes must be carried in American bottoms, unless such are not reasonably available, any use of foreign shipping in this area represents either the absence of U.S. capability or the unwillingness of U.S. operators to divert assets to military traffic.

The forced relocation of U.S. forces from France, subsequent to De Gaulle's withdrawal from military participation in NATO, required the movement of vast stocks of war materiel from French to British depots. Termed Operation

TABLE II--STATUS OF THE U.S. MERCHANT FLEET<sup>a</sup>

|                                       | Vessels | Tonnage (Millions) | Age  |
|---------------------------------------|---------|--------------------|------|
| Total U.S. merchant fleet             | 2,115   | 25.5               | 22   |
| less reserve fleet                    | (969)   | (8.5)              | 24   |
| Active U.S. merchant fleet            | 1,146   | 17.0               | 19   |
| less Govt.-owned vessels              | (155)   | (1.6)              | 25   |
| Privately owned active merchant fleet | 991     | 15.4               | 18.5 |

<sup>a</sup>"Inventory of U.S. Flag Merchant Ships," *Merchant Ship Register*, July 1968, p. 1.

**TABLE III—MSTS CHARTER OF FOREIGN VESSELS<sup>a</sup>**  
(all tonnages in thousands)

| Fiscal Year | Dry Cargo | Percent of Lift | Tankers | Percent of Lift | Total   |
|-------------|-----------|-----------------|---------|-----------------|---------|
| 1964        | 81.7      | 3.6             | 235.7   | 2.4             | 317.4   |
| 1965        | 201.8     | 8.3             | 154.1   | 1.5             | 355.9   |
| 1966        | 341.7     | 5.3             | 168.0   | 1.3             | 509.7   |
| 1967        | 455.5*    | 5.6             | 1,762.6 | 10.8            | 2,208.1 |

\*Includes relocation of U.S. forces from France (FRELOC)

<sup>a</sup>U.S. Congress, House, Committee on Merchant Marine and Fisheries, *Prohibitions against Foreign Build Vessels*, Hearings (Washington: U.S. Govt. Print. Off., 1968), p. 28.

FRELOC, this positioning of thousands of tons of supplies during fiscal year 1967 required more shipping than the already strained American merchant marine could possibly provide. As a result, 30 of a total of 46 foreign-flag, dry cargo ships chartered that year served in European rather than Southeast Asian waters. Had it not been for this unique operation, there would have been a marked reduction in the amount of foreign-flag shipping under charter to MSTS which would have substantially reduced the figures for 1967, possibly to a point below those for 1966.

The chart shows that the 455,500 tons of chartered dry cargo lift carried only 5.6 percent of the total MSTS lift in 1967. Therefore, 94.4 percent was carried by other means, either by U.S.-flag ships or by ships of foreign registry; and there is no known compilation of the percentage split of this, by far, larger amount. It is, however, believed that the major portion was in ships of U.S. registry. As for tankers, the situation is more clear: 1,762,600 chartered tons lifted 10.8 percent of NSTS petroleum products; if the entire U.S.-tanker fleet were employed similarly, it could have lifted only another 43.2 percent. Thus, a minimum of 46 percent of vital POL supply for Vietnam must have been transported in foreign-flag shipping.

Although the dry cargo situation was

brought under control after the initial surge of the 1965-66 Vietnam buildup, this was accomplished only through the breakout of vessels from the reserve fleet. Tankers, however, present another and more serious aspect of the problem. Although in the early stages of the Vietnam war most fuel was delivered by contractors with established operations in the area, the increased tempo of combat operations, plus the worldwide effect of the closing of the Suez Canal, produced a surge in tanker requirements that could only be met through direct charters by MSTS. Since the U.S.-tanker fleet is a distant fifth in world tonnage—7 million d.w.t. vs. Liberia's 26 million d.w.t., Norway's 16.5 million d.w.t., Britain's 14.5 million d.w.t., and Japan's 11.3 million d.w.t.<sup>6</sup>—with a virtually nonexistent reserve, foreign charters became essential. The sad state of the American tanker fleet is depicted in table IV. At present time there are 16 tankers under construction in U.S. yards, of which 12 are of the under 40,000-ton militarily usable variety, and 4 are 80,000-ton deep-draft ships.<sup>7</sup> Although a welcome addition to the U.S. fleet, these few new ships do not go very far toward redressing the balance of the extremely old vessels forming the bulk of the inventory. The reserve fleet, as can be seen from its diminutive size and advanced age, adds little. There are 267 tankers in the Panliblon fleet

TABLE IV--U.S. TANKER FLEET<sup>a</sup>

| Ownership             | Total | Under 5 yrs. | Age<br>6-19 yrs. | 20 yrs.+ |
|-----------------------|-------|--------------|------------------|----------|
| Private               | 294   | 11           | 117              | 166      |
| Govt. (incl. reserve) | 32    | 0            | 0                | 32       |

<sup>a</sup>"III--Tankers," *Merchant Ship Register*, July 1968, p. i-ii.

TABLE V--U.S. FLAG DRY CARGO LINER FLEET<sup>a</sup>

| Ownership       | Total | Under 5 yrs. | Age<br>6-19 yrs. | 20 yrs.+ |
|-----------------|-------|--------------|------------------|----------|
| Private         | 670   | 64           | 95               | 511      |
| Govt. (active)  | 154   | 0            | 2                | 152      |
| Govt. (reserve) | 628   | 0            | 0                | 628      |

<sup>a</sup>"I--Dry Cargo," *Merchant Ship Register*, July 1968, p. 1-11.

under U.S. ownership.<sup>8</sup> However, these cannot be counted upon under limited war circumstances as existing retrieval agreements do not cover situations where an official emergency does not exist; and, in any event, the availability and reliability of their foreign national crews are open to question. The U.S.-flag tanker fleet therefore, has already failed the test of limited war and is rapidly fading into the mists of obsolescence.

In contrast to the tanker situation, the U.S.-flag dry cargo liner fleet is extensively subsidized and, to a great extent, has performed well in limited war. The existence of a large reserve fleet of cargo liners has precluded extensive foreign-flag charters by the Government. Many of the 172 ships that were reactivated have, however, been used for the last time. The aging reserve fleet is rapidly losing its value.<sup>9</sup>

The dry cargo liner fleet exists in two widely disparate forms, that of the subsidized operators and that of the unsubsidized operators. Fifteen shipping firms operating 314 ships (including 26 passenger and passenger/cargo combination vessels) share operating subsidies of \$200 million per year and construction

subsidies of over \$100 million per year.<sup>10</sup> For this they provide sailings on specified schedules over 30 essential trade routes. The extent of the subsidy payments cover 72 percent of their crew wages and 55 percent of new ship construction.<sup>11</sup> The unsubsidized operators operating the remainder of the fleets pay all of their own costs. They have been able to survive only through the concealed subsidy of special rates paid for Government cargoes and by simply not replacing their aging ships.

The military problem with the dry cargo liner fleet is not its size but its age and composition. Being mostly war built, its large number of slow (under 16 knots) vessels creates long transit times and increases the submarine hazard; its age creates excessive maintenance problems; and its lack of heavy-lift cargo gear requires extensive shore facilities. An additional problem is that the more modern ships in the fleet are concentrated on the most commercially desirable trade routes where they are not immediately available for diversion to prospective trouble spots in the underdeveloped world.

No technological breakthrough is

required to design the proper type of dry cargo liners to support our military effort; for such ships do exist, although in small numbers. Some examples are:

The C-5 series general cargo ships such as the five currently under subsidized construction for the American Mail Line. These are 22,000 d.w.t. vessels capable of 21 knots, and with 70-ton capacity booms they are capable of handling virtually all cargo with integral ship's rigging.<sup>12</sup>

The new roll-on/roll-off ship, MV *Admiral Callaghan*, now under long-term charter to MSTS, is the world's fastest, most flexible cargo liner. Powered by two gas turbine engines in lieu of conventional boilers, the *Callaghan* is capable of over 25 knots with a load of 750 vehicles or 14,000 tons of cargo. As a roll-on/roll-off ship she can off-load and reload a full cargo of vehicles through four side ports and a stern ramp in just 27 hours and be ready for sailing; for general cargo she has a heavy-lift capability of 240 tons with integral rigging.<sup>13</sup> After 1 full year of operation, the *Callaghan* has logged 1.2 billion ton-miles, a figure equal to 20 percent of the entire effort of the Military Airlift Command over the same period.<sup>14</sup> An additional benefit that has accrued from the Government's sponsorship of the *Callaghan* is the SS *Ponce de Leon*. A sister ship to the *Callaghan*, except for the absence of the heavy-lift rigging and the substitution of conventional steam power for the more exotic gas turbines, the *Ponce de Leon* was contracted for by private interests at the same shipyard. This enabled the shipyard to gain the cost advantage of multiple construction while providing an additional major ship to the American-flag fleet.<sup>15</sup> Government sponsorship of other prototype ships could further induce private operators to profit from the reduced costs of series construction.

An example of using reserve fleet assets to their fullest extent was the

recent conversion of two World War II P-5 troopships into heavy-lift ships with 240-ton capacity booms.<sup>16</sup> There are 170 such troopships in the reserve fleet, many of which had but a few months' use since their completion over 20 years ago. The possibility of their conversion to meet emergency requirements, such as our need for heavy-lift ships, (only two existed in the entire merchant service prior to the two added here and the *Callaghan*) is one that should he further exploited in the future.

There are 38 modern dry cargo liners under construction in American shipyards today, all of which have significant military value.<sup>17</sup> The problem is that these are not enough. Faced with a similar situation during the Korean war, the Government built 35 of the new *Mariner* class cargo ships to its own account. Although commercial operators considered them to be "too big," "too fast," and "uneconomic," they were soon absorbed into the merchant fleet and served as prototypes for cargo liner construction by private firms for the next decade.<sup>18</sup> Although the precedent does exist for Government construction of ships that private firms are unwilling to provide, MSTS is today following the approach of offering long-term charter arrangements to those companies that will construct ships to their own account to MSTS specifications. This arrangement produced the *Callaghan* and is being offered for the construction of new tankers.<sup>19</sup> How effective it will be remains to be seen.

Dry bulk carriers, such as ore ships and colliers, comprise a growing 18 percent of the world's merchant tonnage and a declining 10 percent of U.S.-flag tonnage.<sup>20</sup> Although this area also presents a dreary commercial picture for American-flag operators, there is little, if any, direct military applicability for this segment of the fleet. Therefore it will not be considered in this paper with the caveat that in the

event of general nonnuclear war the importation of certain critical minerals could present a problem. Continuing with the assumption, however, that any general war would be a war of alliances, the dry bulk fleets of the Western European powers are large enough to handle this situation.

Just prior to the Vietnam buildup, it was assumed that there was no longer any valid requirement for U.S. troopships; and indeed plans were made for the inactivation of the MSTS troopship fleet. Vietnam proved otherwise, and the vast majority of American forces deployed by sea. The reason was obvious; except for some light mobile units that are totally air transportable, most military formations require sealift

for their equipment; and therefore their manpower can only be effectively moved at the same rate. Although the U.S.-flag passenger fleet was not required to augment the MSTS troopships, such an eventuality cannot be ruled out. Only three of the MSTS vessels are of post-World War II vintage,<sup>21</sup> and the only source of modern fast vessels lies with the privately owned fleet. Several of these have exceptional capabilities, such as the 40-knot speed of the *United States*.<sup>22</sup> Although advances in airlift, coupled with extensive prepositioning of military equipment in forward locations, may some day obviate the need for troop sealift, that day is not yet here; and the preservation of the existing capabilities is essential.

When all factors are taken into consideration, it becomes apparent that the U.S. merchant marine is already deficient in tankers, rapidly slipping in dry cargo liner capability, and holding even in troopships. Current measures are not adequate to keep the fleet militarily effective, and in the event of another limited war the United States could find itself in a shipping crisis if required to "go it alone."

#### IV--A PROPOSAL FOR RECONSTRUCTION

As stated in chapter II, the one valid requirement for a U.S.-flag merchant marine that cannot be met through existing programs is the very real one of limited war. The fleet that has served through one general, two limited, and a number of brushfire wars is worn out; and too little has been done to replace it. The need for an immediate upgrading of this fleet is urgent; but it must be based upon a rational assessment of requirements, not on spasmodic reaction as has too often been the case in the past. To accomplish this within the framework of existing law, the following recommendations are made:

1. The Departments of Commerce and Defense should jointly determine the size and composition of the U.S. merchant fleet required to support U.S. forces in foreseeable limited war contingencies.

2. A construction program be jointly presented to Congress, realistically phased, to attain the number of effective ships envisioned in the shortest period of time. The block obsolescence of the war-built fleet dictates that the initial phases of the new construction program be quite large; and, indeed, it might be greater than the existing subsidized lines can absorb. In any event, participation on a subsidized basis would be offered to currently unsubsidized carriers for the tanker requirements and any portion of the dry cargo liner segment that they can support. That portion of the program that cannot be accepted by private U.S. operators would be built to the Government's account to be operated by MSTS or placed in reserve.

3. To the greatest extent possible, MSTS will offer long-term charters to the owners of the most critical portion of the fleet. This would provide an immediately available source of vessels for deployment in the event of emer-

gency requirements and, in the meantime, would provide the military with service by the most modern portion of the fleet.

4. The remainder of the privately operated fleet would be placed under a variable-incentive subsidy in which those carriers servicing potential trouble spots would be paid larger subsidies than those on the more placid and profitable routes. This would ensure the availability of additional lift in areas where U.S. forces would be most likely to deploy.

5. The reserve fleet would be composed of only those vessels for which a realistic requirement exists and which can be readily deprocessed. As older ships are scrapped and the first of the postwar fleets begin to pass into the reserve, the overall age disposition of this fleet should improve. Eventually it should be comprised of usable second-line ships rather than the obsolete scrap ships of today.

The key to this situation is for the Commerce Department to realize that national defense is *the* reason for the existence of the U.S. merchant fleet; for the Defense Department to realize that it must depend on commercial shipping for its major logistic requirements; and for Congress to realize that the need is immediate and that money must be provided for merchant ships just as for any other valid military requirement.

It is understood that there will be dislocation within the industry. There will no longer be subsidized and unsubsidized carriers, rather there will be a single category of carriers with a mixture of subsidized and unsubsidized ships.

This will require a new outlook by the Maritime Administration which is used to the simpler divisions of the industry that exist today. In essence, it will no longer concern the Government whether a carrier be common or industrial, berth, or tramp. If the carrier is willing to purchase and operate, under

the American flag, a ship that meets military support requirements, he will be entitled to a Government charter, tender of Government cargoes, or a subsidy to assist in commercial operations. If the ship provides service on a regular basis in a designated "hot-spot" area, the operator will be entitled to an additional subsidy for, in effect, being a military auxiliary. Once the ship can no longer be classified as a first-line merchant ship, the operator will then be permitted to either sell it to the Government for placement in the reserve or to continue to operate it as an unsubsidized ship for which the Government assumes no obligation.

That this plan, in effect, formalizes the status of the U.S.-flag merchant marine as a quasi-military auxiliary is accepted. For just as the Merchant Marine Act of 1936 took most subsidies from under the table and placed them in the open, this application of the act would ensure that the subsidies paid are actually purchasing an effective capability for the national defense. If the industry is unable to survive without assistance, and we have a century of evidence to that fact, then it must accept the national obligations that are entailed in the acceptance of Federal

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### BIOGRAPHIC SUMMARY



Maj. Robert E. McCleave, Jr., U.S. Army, did his undergraduate work at the University of Pennsylvania and holds a master's degree in transportation from the University of Tennessee. He has had wide

and extensive experience in transportation in the U.S. Army. His most recent experience has been as the Division Transportation Officer for the 25th Infantry Division in Vietnam (1966-67) and as a Branch Chief of the U.S. Army Transportation School at Fort Eustis, Va. (1967-78). Major McCleave is currently a student at the Naval War College, School of Naval Command and Staff.

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aid. For the United States this will mean the availability of a viable and effective fleet of merchant shipping capable of serving as the "Fourth Arm of Defense"

while contributing to the international prestige of the Nation and someday, perhaps, when fully modernized, making a substantial economic contribution.

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## FOOTNOTES

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To the spread of our trade in peace and the defense of our flag a great and prosperous merchant marine is indispensable.

*Theodore Roosevelt: To Congress, 7 December 1903*