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POLITICAL AND ECONOMIC SIGNIFICANCE

OF THE

WORLD'S MERCHANT MARINES

INTO THE 1980's

A lecture delivered at the Naval War College
on 8 January 1969 by
Mr. Ralph E. Casey
Acting President
American Institute of Merchant Shipping

We live in exciting times--so dramatic we're all up in the air, it seems. Glance toward the clouds, and a jet knives through; raise your eyes to the stars, and Apollo 8 flashes 'round the moon. But then drop your eyes to the ground and try to appreciate that, really, that's where the global action is.

We cannot walk on much of the earth's surface as three-quarters of it is covered by water--a world-circling highway on which each nation relies for prosperity and security. Over these seelanes go the merchant ships of the

world--more than 10,000 of them daily, including those flying the Stars and Stripes--carrying goods that assure expanding peacetime economies. And over these waters to Saigon, carrying a million tons a month--enough to stretch a row of freight ears from Philadelphia to New York--go merchant ships flying only the Stars and Stripes, providing a 7,000-mile lifeline to sustain our troops in Vietnam.

You get the point, I am sure. Merchant ships in today's world are more vital than in any other period in history.

Admiral Mahan, the father of seapower, yesterday called them a vital element of seapower. Admiral Moorer, Chief of Naval Operations, today says the same--but he surrounds his words with the warning that unless this nation has a vastly stepped-up building program, including both combat and merchant ships, the United States will "abandon seapower as an essential element of our national power."

This brings me to today's topic, an eye opener: *The Political and Economic Significance of the Merchant Marines of the World into the 80's . . . What Will Happen if Present Trends Continue?*" But to give balance to the global shipping picture I must add to the political and economic aspects a third leg--national security. Possibly, it is the most significant of the three.

Why do we have to have a merchant marine? Many things about the essentiality of shipping to the nation, past and present, are generally not understood. For openers, let me mention these:

1. U.S.-flag merchant shipping contributes significantly to our economy. It makes a major contribution to the balance of payments; it is an important employer, taxpayer, and customer of U.S. goods.

2. Shipping has been called the life-line of our expanding economy and the American businessman's partner in foreign trade. U.S. shipping plays an essential role in protecting the interests of American traders by assuring the availability of adequate, dependable shipping services at fair and reasonable rates. It also helps develop overseas marketing outlets for U.S. products.

3. Shipping is an essential political instrument. Vessels flying the American flag in ports around the world are symbols of America's strength and peaceful intentions--a global calling card of friendship.

4. Shipping is the logistical backbone of our armed forces in war. American

ships played a vital role in World War I, World War II--when it cost \$17 billion to build the 5,280 cargo vessels that assured victory--and Korea. Then there was Suez, Lebanon, Cuba--and now Vietnam, requiring the longest sustained seafight in the history of warfare.

These are continuing U.S. shipping contributions which will become more critical as we move to the seventies and eighties. The future of the nation's economy, its very lifeblood, may well depend on our expanded foreign trade. In 1960 U.S. exports and imports totaled \$34.6 billion; 6 years later this figure had risen to \$54.9 billion--an increase of 58 percent. Our foreign trade is expected to reach \$60 billion when all the 1968 figures are in. What about 1980? By that time our foreign trade will virtually have tripled over a 20-year period to about \$90 billion, according to Commerce Department predictions. Indeed, the Department's estimates now show that U.S. foreign trade may reach the staggering figure of \$103.6 billion by 1990!

As the nation's Gross National Product--the sum total of all goods and services--increases, foreign trade increases. Economists say the GNP will climb to \$915 billion this year, up 6.5 percent from 1968. They predict a trillion dollar level of GNP by 1971 and a 5 to 7 percent annual growth rate in the decade following that.

On a global basis, world trade has doubled since 1959, according to the International Monetary Fund. World exports hit an all-time high of \$209 billion in 1968. Significantly, the percentage increase in dollar value of total world exports was 101 percent from 1959 to last 30 September. Global trade is expected to continue to spiral upward in the seventies, eighties, and nineties.

World trade has indeed become big business, with the United States the perennial leader. I plan to show you how the cargo fleets of the world figure in this revolutionary trade trend in the

years to come. But first let us look at our own merchant marine situation.

It is pathetic. This nation, once first, has become a fifth-rate maritime power. Today our active merchant fleet is less than one-fifth the size of our World War II fleet. Then we were building about 1,000 freighters a year; now we are building 11 to 13 oceangoing cargo liners a year. Even the Soviet Union has more merchant ships in her active fleet than we do, and soon her tonnage will surpass ours.

Just after the Merchant Marine Act of 1936 was passed, our nation's ships were carrying over 30 percent of U.S. foreign waterborne commerce. In 1945 this figure moved up to 63.4 percent but, from that year, gradually declined to its present 5.6 percent, lowest in three decades.

National neglect, an apathetic Administration, and a vacillating maritime policy are the three good principal reasons why our fast-aging merchant marine is today facing its "moment of truth." We have entered what might be termed the "fatal four" year period. Nearly two-thirds of our present 1,000-plus ships fleet will be 25 years of age or older by the end of 1972, assuming the present limited 11 to 13-ship replacement program continues. In U.S. merchant shipping's most critical 13-year period, between 1967 and 1980, our overall fleet's useful life will virtually have been snuffed out. By 1980 the nation will have less than 350 ships under 25 years of age. These will be comprised mostly of the subsidized lines' replacement ships, some aging oceangoing tankers, and virtually no useful nonsubsidized liners or bulk carriers—unless a new policy is forthcoming to rebuild them.

While our foreign trade will almost have tripled in the years up to 1980, our ailing merchant fleet, conversely, will have reduced to a third of its size. This development, if not heeded by the new leaders of our country, could have

disastrous consequences on our national economy and security in future years.

Another disheartening fact is that Maritime Administrator James Gulick said at a Congressional hearing last spring that only 37 of the dry cargo ships now in the National Defense Reserve Fleets will be commercially usable after 1971—and then only for 4 years. And none of the mothball fleet's commercial ships now on the Vietnam run will be usable after 1975. So the death knell for what was once a strong reserve fleet is about to be sounded.

What about the other fleets of the world? They are modernizing. Today there are about 19,000 vessels in all fleets with new maritime nations emerging endlessly. In fact, 44 new merchant fleets—bringing the world total to 93—have come into being since World War II. The reasons are clear. The rapid increases in world trade, the need to preserve foreign exchange and build economies, and the sense of "national pride" have brought these nations into the mainstream of global life with what is needed most—their own national merchant marine.

A recent study conducted by Litton Systems for the Department of Transportation on future world fleet sizes, ship technology forecasts, and world trade projections into the 21st century has this to say: "The growth in (foreign) trade will require a parallel growth in total world shipping capacity. While air freight is expected to increase its share of high-valued cargoes in oceanborne trade, by far the largest part of transoceanic trade will move in ships."

In the next quarter century, ships will grow to tremendous size, resulting in a slightly slower growth in the actual number of ships in the world fleet.

The trend in supsize bulk carriers will continue and tankers larger than 200,000 deadweight tons are expected to comprise one-half of total world tonnage capacity by 1973, and tankers as large as 600,000 DWT are expected by 1983... It is expected that

200,000 DWT will probably be the largest bulk carrier in the world fleet by 1983,

the study points out.

It also reveals that most nonbulk commodities will be moved in unitized loads. It is expected that by 1973, 23 percent of all U.S. liner cargoes will move on containerships. By 1983 that figure will have reached over 40 percent of all liner cargoes. As a result of the greater productivity of the containership, the study says, the number of ships required to serve U.S. liner trades will probably drop, though there will be a rise in total liner cargo volume. On a worldwide basis there will be no significant change in ship speed, except in the liner segment, where vessels up to 30 knots will enter the fleet by 1983. In the next few years there will be increased development in ocean barges with special services into inland ports. The inability of supertankers and large conventional cargo ships to service smaller, less accessible ports, lacking in berthing and stowage facilities, will be a prime factor in barge development.

The projected number of ships in the world fleets of 1983 show 4,384 tankers, 2,261 bulk carriers, and 14,823 freighters--for a total of 21,468 ships, some, as I mentioned, weighing up to 600,000 deadweight tons. This compares with projected 1973 figures of 18,957 ships, representing over a 2,500-ship jump in the 10-year period. These ships will be needed to carry the burgeoning wet and dry cargoes. The long tons to be carried in the world tanker trades will more than double in the decade from 1973 to 1983--from nearly 1.6 billion to 3.4 billion long tons. The dry cargo trades will increase by more than half a billion tons--from over 1 billion in 1973 to roughly 1.6 billion tons in 1983. Tanker cargo is expected to increase about fourfold from 1983 to 2043--from 3.4 billion to 13.4 billion tons; dry cargo in that 60-year period is forecast to increase

nearly 14 times from 1.6 billion tons in 1983 to nearly 21.7 billion tons in 2043. World tanker tonnage required from 1966 to 1983 will more than triple--from over 57 million to more than 186 million tons; dry cargo ship capacity needed in that period will increase 48 percent--from nearly 87 million tons in 1966 to 129.4 million tons in 1983.

While all the major maritime nations are showing continually large ship tonnage increases, except for the United States, the growth of Russia's merchant marine is perhaps the most startling in world maritime history. In fact, Admiral Moorer recently remarked at a House Armed Services Committee Seapower hearing that the Soviet maritime program is "nothing short of miraculous." From 21st position among the merchant fleets of the world in 1950, it had moved to fifth place by 1966 and continues to push ahead.

It is reported that 24 percent of the merchant shipping on order throughout the world (456 vessels) is for the Soviets. They are outbuilding us by 9 to 1, as in 1968 we had only 51 merchant ships of all types on order. Today, the U.S.S.R. has 1,400 ships of some 10 million tons, while we have roughly 1,000 active ships aggregating over 14 million tons.

By 1970, it is expected the Soviets will have 12 million tons of shipping against 1.9 million in 1950. And, of course, the Soviets plan to double their merchant ship tonnage in the next decade.

The Soviet merchant fleet, however, is as distinctive qualitatively as it is quantitatively. Four out of five Russian merchant ships are less than 10 years, whereas four out of five U.S.-flag vessels are of World War II vintage or older! Their huge merchant fleet buildup gives the Russians a powerful new weapon to heighten the effects of the cold war into the eighties. It is a weapon that has military, economic, and political effec-

tiveness. Victor Bakayev, the Soviet Minister of Merchant Marine has said in *Red Star*:

The fleet has been joined by hundreds of new and improved vessels of various types . . . The creation of a Soviet Merchant Marine has made it possible to free the nation from dependence on foreign vessels for maritime shipping. Today the Soviet Union can deliver any cargo to any point on earth, using high-speed Soviet ships.

Not only will the Russian merchant fleet prove a peacetime menace with a real potential for driving freight rates down to less than break-even levels for ships under other flags, but, today, her new ships are headed for Hanoi with cargoes to sustain the North Vietnamese. It is reported that 435 Soviet ships are annually transporting war materiel to North Vietnam.

The threat to the world of the Soviet merchant marine buildup is best summarized by the Chief of Naval Operations who recently said:

This merchant fleet is a major instrument of Soviet national power. These ships flying the Red Flag do more than just transport cargo. There is a strategic function as well. Soviet merchant ships now visit 600 ports in over 90 different countries--and never lose sight of the fact that--at every port which a Russian merchant ship visits, there must be some form of Russian trade organization and Soviet consular representation. As the U.S.S.R.'s merchant fleet expands, and her commercial dealings with the world expand, the Soviet commercial and consular penetration of the nations of the world must also expand.

Admiral Moorer and other Pentagon experts watching the buildup believe the Soviets are using their mushrooming fishing and oceanographic fleets in similar fashions--for political advantage as much as for food from the seas or sciences of the oceans. The increasing number of Soviet trawlers on the high seas throughout the world also symbolizes for underdeveloped nations the progress attainable through commu-

nism--a highly advantageous political weapon for the Russians as well. It is also known that between 50 and 100 trawlers are dedicated primarily to the collection of intelligence--giving the Soviets a worldwide presence on the oceans in their bid to take over the sealanes of the world.

Strategically speaking, we must never forget that the Russians introduced missiles into Cuba by their merchant marine. And, as if to defy U.S. maritime strength on the high seas, the commanding admiral of the Soviet Navy, in speaking of Russia's growing maritime might, warned: "The flag of the Soviet Navy now proudly flies over the oceans of the world. Sooner or later, the U.S. will have to understand that it no longer has mastery of the seas."

It has been said by U.S. Government officials that by 1975 the Soviet Union may account for 5 percent of the world merchant fleet. This figure has been used to pooh-pooh those so-called alarmists in the United States who are concerned about the rise of Soviet seapower. I question the figure. I think it will be higher than 5 percent. However, for purposes of discussion, let us accept it.

The United States, as I pointed out, is carrying in its own merchant marine approximately 5 percent of its own trade and considerably less of a percent of total world trade. At U.S. fleet's present rate of attrition--attrition, not expansion--the Soviet 5 percent carrying capacity in 1975 could be 5 to 10 times what the United States is capable of carrying at that time.

However, there is another argument to be countered--that the United States has at its disposal the 63 plus percent of free world shipping of the global total. This argument assumes:

1. A continued alignment of a power structure that was last solidified in World War II; even today this alignment no longer exists.

2. An overage of shipping capacity of free world nations in order to make the excess available to the United States. There is no such overage!

3. A willingness of free world powers to make shipping available to the United States if there were an excess. The lessons of Vietnam have disproved this theory.

We can therefore conclude that those who minimize the Soviet threat are victims of the virus of strategic and economic illiteracy.

This brings me to this point. We cannot discuss the economic and political significance of world fleets in the 1980's without touching on the increasingly important role our own and other merchant marines will play as logistical weapons in the years to come. Take the present hackbreaking commitments of our fleet serving Vietnam. Our aging active merchant fleet, supplemented by World War II relics from the reserve fleet, is carrying roughly 98 percent of our supplies and equipment moving daily to the Saigon area. In the early but very crucial manpower build-up stage of the Southeast Asian war, two of every three combat men arrived there by ship. Not foreign ships. Time and again ships of foreign nations have refused carriage of South Vietnam-destined cargoes.

If this country were to be involved in an expanding military commitment in Southeast Asia, in the Mideast, or in other "hot spots" around the world, U.S. maritime sources would be strained to the breaking point. Unless remedial action is taken soon, this nation, in the early 1970's will be without the support of an effective U.S. merchant fleet—even for limited conflicts such as Vietnam.

There is no indication that Vietnam will be the last of our so-called "brush-fire" wars. Ironically, former Secretary of Defense Robert McNamara, who turned up his nose at shipping in his obsession to promote airpower, in an address before the Society of News-

paper Editors, inadvertently illustrated how important world merchant shipping fleets will always be. He noted that about 100 countries are caught up in the transition period from traditional to modern societies; that traditionally listless areas of the world have been transformed "into seething cauldrons of change"; that, in an 8-year period, "no less than 164 internationally significant outbreaks of violence" have occurred worldwide. No wonder Admiral Moorer and the entire Navy are worrying about the state of the American merchant marine.

You may have heard the United States needs 460 "notional" merchant ships to meet future military requirements. These are, according to the theorists, 15-knot ships with a capacity of 15,000 measurement tons. I do not question this requirement as a military need. But, I would point out, that is all the U.S. Government has spelled out as a shipping requirement for the United States. I would point out that if this meets U.S. military requirements, which I have to accept because they have said it will, then (1) every U.S. factory that requires imports to sustain a defense production might grind to a halt; (2) every industry that depends on imports to sustain the civilian economy could grind to a halt; and (3) foreign-flag shipping would shoot freight rates sky high to the detriment of our businessmen and the economy. In sum, the figure of 460 notional ships is meaningless. It represents only a small portion of the total national requirement for our maritime commerce.

Admittedly, I have painted a gloomy picture of American merchant shipping. Actually, today's U.S. shipping picture presents an anomaly. It is clouded by the fact that—overall—we have one of the world's most antiquated merchant marines. But it is brightened by the fact that one segment—the American cargo liner fleet—is among the most advanced in the world. The 14 shipping com-

panies owning most of this fleet hold operating differential subsidy contracts with the Government. Their 300-plus ships sail on a regular scheduled basis over 31 trade routes deemed essential by the Government to serve the American businessman and our burgeoning foreign trade. They annually visit about 450 major world ports in peacetime. These lines represent the only segment of our overall merchant marine with building programs to replace their oceangoing fleets.

The Merchant Marine Act of 1936 has worked—but only to a degree. Its preamble states the need for having an “adequate and well balanced” American merchant marine for commerce and defense. But the subsidy program did not go far enough, and, as a result, only the cargo liner fleet is in good health. The other segments are all in bad shape. The cargo liner segment—with its scheduled services and transporting mainly high-value general cargo—carries annually between 25 and 30 percent by value of the cargoes in our ocean liner trades and earns about 38 percent of the total related revenues.

Under the 1936 Act's replacement program, to which the cargo liner operators are contributing about \$2 billion in private capital, there are 131 new ships in operation and 36 additional vessels being built in American yards. The subsidized lines are leaders in ship mechanization. Their highly automated ships will save taxpayers millions of operating subsidy dollars over the long haul.

Listing the accomplishments of the liner fleet only magnifies what should be done for the other segments. There is a tremendous need for modern, competitive American bulk carriers. Bulk cargoes constitute about 85 percent of total U.S. export and import cargoes by tonnage; though, due to their relative low value, they represent only about 20 percent of our foreign trade on a cargo value basis. The cargo liner companies are building revolutionary “workhorse”

ships that can do the job of several smaller conventional ships.

Take the 23-knot LASH, known as Lighter Aboard Ship. Prudential and Pacific Far East Lines are building 11 of these ships. The 814-foot LASH can carry either barges or containers of varying numbers from a full shipload of 61 barges or 1,508 containers. Each barge can be loaded or unloaded in a 15-minute cycle via a 500-ton gantry crane. This new global “door-to-door” service is a giant step toward the goal of an integrated, low-cost, efficient transportation system for American ocean-borne commerce.

Lykes Bros. Steamship Company has signed contracts to build three Seabees (Sea Barge ships), capable of providing the capacity of 15 existing freighters. The Seabees are 875 feet in length and 106 feet in beam. With a cargo lift of about 20,000 tons, each ship will have a sea speed of more than 21 knots and carry 38 100-foot barges. The novel cargo-handling features of the new Seabees include a stern elevator having a total lift capacity in excess of 2,000 tons and wheeled hydraulic transporters for moving barges or other cargo from the elevator into the decks of the ships.

The Seabee and LASH have become the world's first completely intermodal carrier capable of carrying cargo, barges, containers, vehicles, or unitized cargo with equal facility.

Containerization, the door-to-door shipping system with built-in security against pilferage and amazing flexibility for handling products, has captured the imagination of foreign trade communities throughout the world. It has led to an integrated transportation system or a “through-put” service. The new system is a speedy operation which the trader can set into motion with a simple telephone call requesting container service. The steamship company will arrange delivery of the container to the U.S. factory door. After loading, the

container is sped by road or rail to dockside. The trucker releases the trailer in minutes and is on his way. The container is lifted smoothly aboard ship, guided into a cell in the hold, and is expressed over the ocean's "highway." On the other side, the operation is reversed. The container is unloaded, placed on a company chassis, and sent on to the buyer's loading platform. Presently, the United States has the world's largest containership fleet in operation.

The second largest shipbuilding order in less than a year was signed early in December as Farrell Lines and American President Lines signed contracts to build seven big containerships at Ingalls shipyard. These seven containerships are considered a suitable replacement for about 20 C-2 freighters.

Some new building is being done by the unsubsidized lines, such as Maritime Overseas Corporation which now has three new tankers under construction in American yards at a cost of \$41.4 million and aggregating 160,650 deadweight tons.

As of 1 November 1968, 18 new tankers costing \$235 million and totaling about 900,000 deadweight tons were being built by U.S. tanker companies; all but five are being constructed with the assistance of Federal Ship Mortgage Insurance. In addition, two bulk carriers are being built in American yards for \$36 million, aggregating 92,000 deadweight tons, plus a 36,900-ton chemical carrier costing more than \$15 million. Two new containerships costing \$40 million and totaling 68,000 tons also are being built by Matson Navigation Co., according to the Maritime Administration.

Nuclear power: Our own N.S. *Savannah*, world's first nuclear-powered merchant ship, is still in the "floating laboratory" stage. The high capital cost of a nuclear-powered steam generator system precludes its early adoption in working merchant ships. In still another

development, I believe that in not too many years the Surface Effect Ship, may become an economic reality.

But the few American-flag ships being built do little to alleviate the overall U.S. shipping ills I have outlined today. As other nations' shipping growth curves go up and ours plummet, I envisage this national crisis if present trends continue:

1. Our balance-of-payments situation will be more critical. An adverse balance of payments can be likened to the bubonic plague. The man in the street really doesn't know what it is, but he knows that it's bad news. And, indeed, his intuition is right.

The balance of payments affects the average U.S. citizen directly in three vital areas: interest rates, employment, and prices. A critical deficit in the balance of payments means the U.S. Government must keep interest rates high to keep U.S. and foreign capital invested in the United States and prevent further gold outflows. For the consumer this is reflected in high interest charges for mortgages and consumer loans. Not only are rates high, but credit is not as available. High interest rates for business can also mean lower levels of domestic investment, which translates into less employment for the worker and a profit squeeze for the business firm. The cost of money is one component of prices for most items in our economy, and as the cost of money increases significantly, prices rise on many commodities. There are a number of other things to be concerned about when it comes to balance of payments, but interest rates, employment, and prices suffice to demonstrate the importance of maintaining as equal a balance as possible. This is why the American merchant marine's contribution to the balance of payments is so vital. It contributes annually over \$914 million to the plus side. Moreover, 80 cents of every dollar of ocean-freight payments to U.S. cargo ships is retained

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in the United States and more than 90 cents of every dollar spent for travel aboard U.S. passenger ships is retained in this country. A study conducted by a management research firm—Harbridge House of Boston—under the direction of Dr. Paul W. Cherington of Harvard University, reveals a \$7.3 billion payments contribution by the U.S.-flag merchant marine from 1957 to 1966. The total U.S. payments deficit in that 10-year period was \$23 billion. It would have been 30 percent larger without U.S.-flag vessels' significant contribution—in excess of \$30 billion.

2. The people, the economy will suffer. The American merchant marine as an industry has contributed many billions of dollars to the economy. The 14 cargo liner companies under Government contract, in a 15-year period, paid taxes to the Government totaling \$332 million. Without an American merchant marine, revenues of the Treasury would have been substantially reduced. Profits would have gone to foreign lines exempt from U.S. taxation on their ship earnings. Without an adequate merchant marine, the jobs of hundreds of thousands of persons would be adversely affected. Steamship employees in one recent year spent over \$207 million on groceries, houses, clothes, transportation, recreation, and other items.

3. A political instrument will be blunted. If our flag begins to vanish from the harbors around the globe, so will the confidence our foreign friends have in America as the world leader, provider, and, if you will, protector. This becomes increasingly important, as I mentioned, due to growing Soviet infiltration through its shipping. I shudder at the thought when a growing Russian merchant marine and a shrinking American merchant marine could conceivably mean dependence by Americans on the chartering of Soviet vessels to carry our commerce.

4. U.S. foreign trade profits will be curtailed. A little-known fact is that

BIOGRAPHIC SUMMARY



Ralph E. Casey was born in Boston, Mass., on 25 May 1911. He was graduated from the Boston Latin School in 1928 and received an A.B. degree from Harvard College in 1932. Mr. Casey received an LL.B. degree from Harvard Law School in 1935 and an LL.M. degree from Georgetown Law School in 1941.

After admission to the Massachusetts Bar in 1935, Mr. Casey engaged in the private practice of law in Boston for about 3 years, associated with two active trial lawyers. In June 1939 he entered the General Accounting Office, U.S. Government, in Washington, D.C., as an auditor.

In 1948 Mr. Casey was appointed Associate General Counsel in charge of Contracts, Litigation and Maritime Activities in the Accounting Office. He served on a loan basis, as Counsel, Government Operations Subcommittee of the House Committee on Expenditures under Congressman Porter Hardy, Jr., as Chairman, from 1950 to 1952, and then returned to GAO. Later, he served as Chief Counsel of the House Merchant Marine and Fisheries Committee from January 1955 to April 1956.

He was elected President of the American Merchant Marine Institute, a trade association whose membership represented 70 percent of the American merchant marine, on 1 May 1956 and was reelected annually until its dissolution and absorption by the American Institute of Merchant Shipping on 1 January 1969. He has been nominated to be Executive Vice President of the new association and is expected to be elected to that post next week. Pending the choice of a President, Mr. Casey will serve as Acting President.

Incident to his work as President of AMMI, he served a term as Vice President of the International Shipping Federation during 1965-66, and is presently serving as Vice Chairman of the International Chamber of Shipping. Both of these organizations are groups of trade associations from approximately 20 maritime nations of the world.

He presently is serving as Vice Chairman of the Board of Directors and Chairman of the Executive Committee of the National Committee on International Trade Documentation.

American steamship marketing specialists are located in 450 major marketing areas around the globe. They have helped find outlets for American goods worth millions of dollars in foreign countries. The American shipping industry has a trade expansion program and works hand in hand with Government to promote trade to generate new business and reduce the balance-of-payments deficit. So far, over 5,600 U.S. business firms have found overseas markets for their products through the steamship industry program.

5. A vital blow will be dealt national security. The Vietnam war; the recent fiasco with North Korea over the *Pueblo* incident; the Middle East powder keg; the unrest in China . . . Each day that passes points the way to an increasing need for a modern and defense-ready merchant marine for logistical as well as commercial support. Airplanes cannot handle the big load. Over 99 percent of goods in overseas commerce still must go by ship. I am reminded of a statement made several years ago by an executive of one of the nation's largest airlines on a panel of which I was a member. He predicted that his cargo planes would soon be carrying up to 15 tons of cargo. As I listened, I couldn't help but think: "Some of our ships carry anchors that heavy."

Recent figures obtained from Pentagon sources tend to shatter the highly questionable theories of former Defense Secretary McNamara that the cost of airlift is more economical and efficient than that of sealfit. The super C-5A cargo planes' effectiveness was compared to the *Admiral William M. Callaghan*, a jet-powered roll-on, roll-off cargo vessel just completing its first year of operation for the Military Sea Trans-

portation Service. It has been determined that for 65 percent of the cost, the *Callaghan* would be 30 times more productive than a C-5A. If the C-5A were given the task of lifting 8,000 tons of cargo from the West Coast to Southeast Asia, it would take 25 of them a total of 16.8 days to do the job. In addition, each airplane must have available in the forward area three tons of fuel for each ton of cargo delivered to load aboard to make the return trip home. That fuel would be taken to Asia by ship. Given the same cargo, one *Callaghan* would take 14 days and consume one-tenth of the fuel for each ton of cargo delivered.

[What is the future?] . . . President-elect Nixon has promised to breathe life into American-flag shipping. He has said "it is essential to increase U.S.-flag participation in our overseas trade as part of our export promotion policy . . . We must set as our goal, a sharp increase in the transport of U.S. trade aboard American-flag ships (at least 30 percent)."

We in shipping look to the new Administration for a bold new program to revitalize all segments of the American merchant marine. Mr. Nixon has pledged this. As he said so aptly in his campaign position paper on the merchant marine: "The time has come for new departures, new solutions and new vitality for American ships and American crews . . ." Hopefully, such a program will be soon forthcoming from the White House and, with needed cooperation from the Congress and the industry, will be put into effect. Then, and only then, will the American merchant marine again take its place as No. 1 among the merchant fleets of the world, and America will regain her lost supremacy on the high seas.