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THE ROLE OF U.S. OCEAN TRANSPORTATION IN NATIONAL SECURITY

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The United States Merchant Marine and its military transportation counterpart must be prepared to play a significant national security role in three types of conflict:

(1) the intensifying political-economic conflict that is with us now, (2) the spectrum of limited wars which we may face at any time at the option of the enemy and, (3) the more remote possibility of general nuclear war.

This paper discusses the threats facing the United States in the area of ocean transportation and analyzes the ability of the United States Merchant Marine and the Military Sea Transportation Service to respond to these threats. The conclusion was reached that United States Merchant Marine and MSTs are wholly inadequate. The Summary chapter makes some recommendations which may improve the effectiveness of both organizations with possible savings to the United States taxpayer.

May 1962
Master of Science in Management
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**THE ROLE OF U.S. OCEAN TRANSPORTATION
IN
NATIONAL SECURITY**

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**A Research Paper
Presented to
the Faculty of the Navy Management School
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**In Partial Fulfillment
of the Requirements for the Degree
Master of Science in Management**

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May, 1962

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CHAPTER I

INTRODUCTION

In peace, as in war nearly 100 percent of United States overseas shipping is moved in ocean going vessels.¹ In terms of cost per mile, ocean shipping has an advantage over all other types of transportation. Air transportation is the only alternative for overseas shipping and the largest airplane would not make a dent in the 8,500 ton cargo of a Victory ship. Ocean shipping makes possible the application of our military power. It supplies our allies, carries material essential to our industries, and in summary, assists the United States in maintaining its position as a leading world power.

THE PROBLEM

The United States Merchant Marine and its military counterpart MSTs play a significant national security role in three types of threats which now confront us; (1) the intensifying political-economic conflict,

¹George A. Lincoln, Economics of National Security (Englewood Cliffs, New Jersey: Prentice - Hall, Inc., 1959), p. 259.

(2) the spectrum of limited wars which we may face at any time at the option of the enemy and, (3) the more remote possibility of general nuclear war.

In their political-economic offensive, our opponents have avowed their intention to "bury" us in the field of international trade. The United States must ready its private Merchant Marine defensively to counter economic thrusts -- it must also be prepared to use it positively as a weapon in the cold war arsenal.

United States Merchant Marine capabilities are considered adequate in quantity to meet the economic threats at this time, however, qualitative deficiencies are more pronounced because basically the United States is still using the World War II type ships which are considered obsolete. The Merchant Marine and the United States Military Transportation Service are inadequate in quality and quantity in the types of ships that are required to fight future limited and general war. It is considered that a positive program designed to meet cold and limited war needs will produce an effective fleet for general war tasks. In the event of general nuclear war, ocean transportation could play a vital role in rescue, rehabilitation, and restoration during

the post attack period. It is likely to be the least damaged transportation resource, and as such this role should not dominate maritime and military transportation planning needs.

The purpose of this paper is to review the threats to our national security in the area of ocean transportation, analyze the ability of the MSTs and the United States Merchant Marine to respond to the role assigned in meeting these threats, and will then consider and summarize some alternatives which may improve the effectiveness of both organizations with possible savings to the United States taxpayer.

CONSIDERATIONS OF IMPORTANCE

Assuming from past experience and from the present threats facing us that a United States Merchant Marine and a MSTs type organization is a necessity for the effective defense of our country, then it is correct to say that the organizations which yields the "highest achievement" with the least cost in terms of claims on scarce resources is the best alternative, or if this alternative is not available due to cost or other factors then the best alternative which achieves

a reasonable balance between conflicting considerations is desirable.

How can we determine the alternative which gives us the "highest achievement" or is the most effective? There are two major aspects which are considered of primary importance when analyzing the effectiveness of MSTs and the United States Merchant Marine.

Requirements for Ocean Transportation. Basically there are two means of ocean transportation--by ship and by aircraft. In determining United States ocean transportation requirements many questions arise which are difficult to answer. What are the extents of the threats? From where? Should ocean transportation requirements be determined on all out war, limited war, or prolonged economic war? If we determine our needs for limited and prolonged economic war, what part should be considered purely military, what part should the civilian industry provide? Can past requirements be used as a criterion for determining future requirements? Can effective ocean transportation requirements be stated for the future in the face of conflicting interests, policies, controls and ideas which prevail in the transportation industry and

the military today? Is there time to prepare for conflict or must requirements for effective transportation be based on readiness to do combat at any point in time? The time factor along with the quality and quantity of the transport fleet is of crucial importance when considering the return or payoff of a program in relation to the payoff of competing defense programs for scarce resources.

Economic Considerations. In appraising the effectiveness of ocean transportation, considerations must be given to the measures of economy to be derived from selected alternate alternatives. Certainly this is not of minor importance. The maintainance of a strong economy over the long run will depend greatly on keeping defense expenditures in control by obtaining maximum return for every dollar expended. All other things being equal, the least expensive choice is the best alternative. However, rarely does a choice narrow down to only a consideration of cost involved. The cheapest or most economical alternative is not necessarily the best if vital interests must be sacrificed. The cost must be balanced against the desired results with due consideration of all factors

involved. This implies that government operation is not necessarily desirable even though least costly or conversely, when the national security is at stake it may be essential to continue government activities at a higher cost than commercial service if the alternatives to higher cost is a sacrifice of security. In considering alternatives for effective ocean transportation operations we must recognize that there are certain functions which clearly are not suitable for the private Merchant Marine. On the other hand some services carried on by MSTs are clearly within the capabilities of private industry and should be obtained from this source.

CHAPTER II

SURVEY OF THE THREATS

Allen W. Dulles, former Director of the Central Intelligence Agency (CIA) stated the following:

If the Soviet industrial-growth rate persists at 8 or 9 percent per annum over the next decade, as is forecast, the gap between our two economies by 1970 will be dangerously narrowed unless our own industrial-growth rate is substantially increased from the present pace.¹

The growth of the Soviets in the decade of the fifties increased by 7 percent per annum according to CIA estimates. During the same period, the United States increased its GNP by 3 percent per annum.² At this rate the USSR will eventually supplant the United States as production leader of the world. Growing at a rate nearly double that of the United States, the USSR now adds almost the same total volume of goods and services to its economy every year. The size of this annual increment, coupled with the USSR's allocation policies--specifically, the priority given

¹John P. Hardt, C. Darwin Stalzenbach, and Martin J. Kohn, The Cold War Economic Gap (New York: Fredrick A. Praeger, Inc., 1961), p. 4.

²Ibid., p. 7.

to programs designed to expand the Soviet international power position--and the already high level of cold war outlay, gives the United States concern over the speed of Soviet economic development. Furthermore, in production of strategic items alone, the Soviet growth is even greater than its industrial output as a whole. The annual increment in some industrial areas, for example, machine tool output is currently much higher in the Soviet Union than the United States, whether measured by physical units or value. Electric power is the only major industrial area in which the United States retains a clear cut lead in output increment, however, the extensive hydroelectric projects now under way in Siberia may cancel this advantage by 1965.³ The Russians stress rapid expansion in production of those goods which they deem will enhance their power.

Soviet military outlays now exceed those of the United States despite the fact that the total output of goods and service in the USSR is roughly half that in the United States.⁴

³Ibid., p. 13.

⁴Ibid., p. 15.

THE SOVIET MERCHANT MARINE'S THREAT
ON THE ECONOMIC FRONT

Allen Dulles, the former Director of CIA, summed up the Soviet threat in these words:

They, the Soviets will buy anything, trade anything, and dump anything if it advances communism and helps destroy the influence of the West.⁵

A true dictatorship (the USSR) can do this, even if the economy is poor. The central power can channel any given segment of its economic strength to achieve a political gain at a given point in time even at the expense of other less important segments of the economy.

Sino-Soviet Bloc Fleet. While the Soviet Union is historically a great land power rather than a naval or merchant marine power, it's revealing to see the degree to which Russia is concentrating its energies in developing its merchant marine capabilities. In short, the Russians now understand sea power. The latest figures available indicate that the USSR has

⁵Proposed Program for Maritime Administration Research (Contributing Studies: Volume II. Washington, D. C.: National Academy of Sciences---National Research Council, 1960), pp. 26-27

under their national flag an additional million tons D.W. of merchant shipping.⁶ An official Soviet publication for internal consumption carried an article entitled, "Prospective Plans for the Development of Naval Transportation from 1959 to 1965." In this document, the Russians say that the size of their merchant fleet by the end of 1965 is planned to be, over all 100 percent greater than the size of the fleet in 1960. The USSR schedule expects an increase of the dry cargo fleet during this period by 120 percent and tanker increase by 80 percent.⁷

These ships are not inferior to what is being produced in the United States or any shipyard in the "West." The Russians plan is to mass produce freighters and tankers between 10,000 to 13,000 tons D.W. with a cruising speed of 18 knots. By 1975 they expect to increase the fleet capacity to four fold that of 1958.⁸

⁶Vice-Admiral Ralph E. Wilson, USN, Retired, "Soviet Maritime Activities," Marine Journal, (April, 1961), p. 5.

⁷Ibid.

⁸Ibid.

The Russian ships being built are up to date, and have such features as, mechanical hatch covers, unstayed bipod masts, air conditioning, and two man rooms for the crews. Some of the small type ships are equipped with shipboard cranes and adjustable-pitch propellers.

The shipyards of Russia range in technical development from very advanced to the most primitive. Larger yards such as the Baltic and Admiralty shipyards in Leningrad and the Nosen'ko yard in Nikolayer are in some respects more advanced than those in Western Europe and the United States. In welding techniques and weld-testing equipment, the shipyard industry of the USSR is equal to that of the Western powers.

Among other "yardsticks," it is against this background of development of the merchant fleets of the communist bloc that the United States must appraise the current situation in the United States Merchant Marine. Frankly, the United States is in trouble and its position needs strengthening and on a large scale. Today there are approximately 950 United States flag ships under private operation. Certain segments

of the fleet, notably tankers engaged in the coast-wise trade, can reasonably be expected to maintain their own, but in the area of foreign trade the United States comes face to face not only with the competition of ships under friendly foreign flags but with the economic penetration techniques of the Soviet Union, and the American merchant fleet is loosing ground.

There is always the possibility that the Sino-Soviet Bloc could or would use its fleets as instruments of economic warfare rather than primarily as national services. If such a policy were carried to the extreme, it is conceivable that the Bloc would engage foreign ships to carry its own import-export trade and would use its present foreign trade fleet to compete against free world vessels for free world cargo. This piecemeal disruptive effect could be rather severe, not only by 1975, but now.

The use of rate undercutting could overcome any characteristics of Soviet vessels which are inferior to those of the modern segment of the world fleet. The Soviet Bloc fleets can be used to service the under-developed nation as a form of economic penetration.

This is already being done. Scheduled lines are expanding to make regular calls in Near East and Southeast Asia ports as well as African and South American ports. Much of this operation is done at a loss, but they are making inroads for future trade.

A joint maritime organization, "The Committee on Transportation for Mutual Economic Assistance," acts as a central control agency for all Bloc fleets and could present a very effective competitive front. This organization is being used in close support of communist international political and economic objectives.

LIMITED WAR

The threat of future limited wars is more serious now than it ever has been. This means of power thrusts, is becoming more popular due to the realization by both the East and the West that all-out war, with both sides having nuclear delivery capability, can mean mutual suicide.

If this assumption is correct it is considered that limited wars will be on something of a lesser scale than the Korean war and any conflict tending to go above

the Korean level would change to general war. The use of submarines, mines, missiles, and bombers, or any means used to change the lines of sea communications would tend to alter the limited conflict to general war and as such, attrition rates in ocean transportation in a limited type conflict can be considered of minor importance.⁹

Two points that cannot be over stressed in limited war are, (1) the areas where fighting can be expected to occur are areas where there are few or no port facilities and those that are in existence may be of the crudest types, and (2) in fighting limited wars the United States must maintain and improve its security position in other areas at the same time. This puts a greater demand on United States ocean transport requirements, and must be considered in determining the size of the future merchant fleet.

GENERAL WAR

Damage estimates for general war are extremely difficult to gauge in this day of nuclear capabilities.

⁹Ibid., p. 21.

It may depend on the overall-kill and damage planned by the Soviets. That is, assuming the United States does not strike first. The Merchant Marine's survival in such a situation would vary depending on such things as ports hit, amount of notice of impending attack, and the dispersion of the ships at sea and in port. The general contention is that the merchant fleet will be least damaged and that adequate ocean transportation requirements for limited and economic war would adequately supply the demands of a post-nuclear attack.

CHAPTER III

U.S. OCEAN TRANSPORTATION'S ABILITY TO RESPOND TO THE THREATS

The present inadequacy of United States ocean transportation is a matter of vital concern to the government, to industry, and very particularly to the military services. Foreign shipping policies and the number of relatively new foreign vessels are causing the United States increasing difficulty in meeting foreign competition, even for the subsidized portion of the United States merchant fleet. Reasons for the decline are many. In the unsubsidized portion of the United States fleet, operational costs are almost prohibitive. In both the subsidized and unsubsidized segments, construction costs are high. There is a general lack of incentive to take advantage of technological advances to offset costs.

Normal foreign trade and the ability to cope with the threat of economic war is primarily the concern of the private segment of the shipping industry. The United States merchant fleet is adequate in quantity at the present, but inadequate in quality. The

inadequacy in quantity will be added to the inadequacy in quality if our present inaction in this field continues to prevail.

RESPONSE IN POLITICAL-ECONOMIC WAR

The response of the United States in the current and future political-economic war must entail positive as well as preventive action. The United States must be available to deliver substantial portions of United States economic and military aid to bolster those nations whose support and friendship the United States wishes to maintain. In certain circumstances the United States must be prepared to undertake pre-emptive buying of the excess produce of countries when commercial and military alliances are desired, and must be prepared to use United States bottoms for this.

Defensively, United States flag shipping must be available to counter rate cutting action and attempts to capture the free world trade by the Sino-Soviet Bloc.¹

¹Proposed Program for Maritime Administration Research (Contributing Studies: Volume II. Washington D. C.: National Academy of Sciences---National Research Council, 1960), p. 31.

The expanding industrial economy of the United States has grown increasingly dependent on foreign sources of raw material--and on foreign markets for its products. Adequate modern shipping under United States control is required to insure the timely and steady flow of imports and exports of material.

In examining the capabilities of the United States Merchant Marine, the inventory of United States flag and "flag of convenience" shipping yields disturbing data.

As of 30 June, 1960 total United States flag vessels both active and inactive totaled 2,934, of this number 951 were active and 1,983 were in the inactive status.² Of the 951 in the active status only 25 percent are of post World War II construction and many of these are of the same plans and designs as the ships built during the war. Projected construction plans show negligible promise of off-setting the rapid approaching obsolescence of the vast majority of the active fleet. The same holds true of government controlled shipping. Of the 1,983 ships in the inactive fleet, about 1,200 are composed of Liberty ships.³

²Ibid. ³Ibid.

These are being scrapped and are not being considered for reactivation.

A significant part of the United States privately owned tanker and dry bulk fleet is now operated under the flags of Panama, Liberia, and Honduras (PanLibHon)--the so-called, "flags of convenience fleet." The number of active vessels now under the operation of these flags totals 378 ships with 149 in the general and bulk cargo category, 7 in the passenger ship group and 223 tankers of various lift capacities.⁴ These ships account for about 70 percent of the United States total tonnage in bulk cargo carriers and about 50 percent of the United States total tonnage in tankers. Many of these ships are new, fast, and modern in design. They operate competitively and without subsidy primarily because shipowners are not required to pay U.S. wage scales when operating under foreign flags. In addition, some of these ships enjoy the advantage of lower amortization costs due to construction in foreign yards.

Increasing pressures, both domestic and foreign, may make it economically impracticable for United States

⁴Ibid.

shipowners to continue operation under PanLibHon flags.⁵ If the ability to operate under such, "flags of convenience," registries were to be denied to our shipowners, the vessels might well be turned over to non-United States controlled foreign registry, with a consequent loss to United States controlled shipping ability. The 1,060 active United States controlled ships carry about 20 percent of the United States foreign trade tonnage, and as can be seen from the data above, the United States flag merchant marine carries something less than 8 percent of our foreign trade cargo. This is a far cry from what the framers of the Merchant Marine Act of 1936 had in mind as to what was a fair share of United States trade to be carried in United States bottoms for the protection of our shipping industry and needs of our military in war. It is difficult to understand how a nation which is so far sighted in other areas would allow such a dangerous hole to exist in its over-all security efforts.

⁵Ibid.

RESPONSE IN LIMITED WAR

The Navy's Sea Transportation Service operates for the primary purpose of providing the required sea lift transportation service to the Department of Defense.⁶

The present world conditions requires our military forces to be prepared to execute strategic plans without delay. The concept of immediate responsiveness to military command was explained by Vice-Admiral F. C. Denebrink a former MSTS Commander as follows:

Military Commanders' must have under their command, and responsive to their immediate orders, the capability of logistic support. Transportation is one of the most important facts of logistics and it is axiomatic in the military that the logistic support must be responsive to the military Commander who is charged with the credit or victory or the responsibility of defeat.⁷

To meet military requirements rapid reaction,

⁶George C. Dyer, Naval Logistics (Wisconsin: George Banta Company, 1960), p. 139.

⁷United States Congress, Senate, Committee on Interstate and Foreign Commerce, Military Sea Transportation Service, Hearings before Subcommittee, 84d Congress, 2nd. Session, on Operations and Functions of the Military Sea Transport Service and S, 822, March 15-17, 1956 (Washington: Government Printing Office, 1956), p. 46.

particularly in a limited war situation, can well mean the difference between a possible larger war erupting and one which does not.

The current operations of MSTS consists of what is considered primarily 90 percent semi-commercial in nature and 10 percent pure military in nature. The conventional World War II type ships under the control of MSTS are inadequate from the standpoint of quantity and quality for fighting any kind of war. They are too slow in speed, in loading, and in discharging to be fully responsive to military requirements for rapid reaction. The limited wars that are envisioned for the future--that is, fighting in backward areas with few or no port facilities, may prove the present ships of MSTS quite useless.

Time may not allow for build up, and ships of the United States merchant fleet may not be available to back up the military nucleus fleet in limited war if threats in other areas require us to maintain our military and trade postures in a high degree of readiness. The ships in the reserve fleet may prove of no value if time is of the essence or if these ships are unable to be used in the fighting area. It may not be possible

to depend on foreign shipping due to excessive costs and possible hesitancy of other nations in getting involved in actions considered detrimental to their own national interests. The present mode of MSTS operations is considered contrary to the proposition that military transportation must be responsive to the fleet and will be further expanded in the next chapter.

Admiral W. McKean, "Evaluating Alternative Maritime Programs" (Santa Monica: The Rand Corporation, 1959), P. 1. (Holographed)

CHAPTER IV

CORRECTIVE ACTION

In order for us to get the most out of the nation's resources, we should devote fewer millions to an activity if some of its output is worth less than the cost--and spend still more millions on it, if extra output would yield greater value than the other things the money could buy.¹

The above implies that in evaluating alternatives, one must consider both cost in scarce resources and the pay-off which will result. It does not matter how economical or expensive a governmental program is, if it does not accomplish its task or mission to an acceptable degree. In either case the cost is too high.

If the proposition that both a merchant marine and military sea transportation are necessary for United States national security, then the United States must determine the best means for obtaining this in terms of dollar costs, and in terms of estimated pay-off which will result.

¹Roland N. McKean, "Evaluating Alternative Expenditure Programs" (Santa Monica: The Rand Corporation, 1959), P. 1. (Mimeographed)

THE U.S. MERCHANT MARINE

The U.S. Merchant Marine Act of 1936 provides that the United States will have a national flag merchant marine sufficient to carry all its domestic water borne commerce, and a "substantial portion" of its foreign trade. The general interpretation of a "substantial portion" means 50 percent of the United States foreign trade. In addition, the U.S. Merchant Marine is to be adequate to act as, "the fourth arm of defense," during war.

Even with substantial subsidy programs the United States Merchant Marine has been unable to cope with foreign competition and during times of peace the United States fleet has always carried less than half of the American foreign trade. The United States policies on subsidies to the merchant marine have been a failure from the standpoint of maintaining a sound and thriving industry. The provisions of the Act of 1936 to provide for replacement of current tonnage are not adequate.

A recent article in a leading financial weekly stated:

The Merchant Marine Act, as even its staunchest advocates now concede, has failed its purpose. After 25 years, like most ships, it is hopelessly obsolete.

Surely the time has come to replace it with something better.²

The subsidy system offers little incentive toward self-sufficiency on the part of the shipping industry, and has cost the United States taxpayer an average of 150 million dollars per year since 1954.³ There is no definite and adequate plan to insure that the merchant fleet will meet the threats of the Sino-Soviet Bloc in future political-economic cold war. Continuation of the current subsidies policy, will aid in the construction and operations of 450 new ships over the next twenty years. This against the plans of the Soviets to build about 3,200 vessels by 1975.

The present administration of the subsidy system is an obstacle to the progress of the American merchant marine. Military requirements demand high-speed capabilities and special defense features which are not

²"Tide of Subsidy," Barron's, National Business and Financial Weekly, (March 20, 1961) p.1.

³United States Congress, Joint Economic Committee Report, Subsidy and Subsidylike Programs of the U.S. Government, 86th Congress, 2d Session, December 15, 1960 (Washington: Government Printing Office 1960), p. 21.

wholly consistent with commercial interests of economy in administering construction subsidies. Many feel that the subsidies presently create inconsistent aims for labor, business, and government in the maritime industry. The operator is encouraged to over-specify his construction needs, knowing that half of the cost will be paid by the government. By the same token, the operator over-emphasizes economy in unsubsidized operating costs and cares little about subsidized costs.

Unsubsidized operators show a strong incentive to reduce cost, such as through use of automation, whereas foreign operators and subsidized operators are less motivated in this direction. Labor costs for foreign operators are, of course, much lower than that of the United States, therefore the need to reduce labor costs by installation of high cost automation equipment is less pronounced. The subsidized United States shippers allow the government to pick up the tab for their uncompetitive operations.

What is the answer in obtaining a future effective United States Merchant Marine? There is a growing movement favoring subsidy reduction and increasing emphasis on the need to meet defense requirements are seriously hampered by the inability of our merchant fleet without placing an undue burden on the taxpayer will require willingness of operators, maritime labor and the government

on developing methods and devices leading to a shipping industry which provides maximum productivity through more efficient use of current high cost labor. A vigorous program of research can point the way to the development of such an efficient fleet, one that is able to face world competition with substantially less subsidy assistance. Subsidities would be justified when vessels are built with special military features which are not usable in competition for foreign trade. Such operations which are designed to counter Russia's cold war tactics would have to be considered as a cost of defense and would require governmental funding.

The United States merchant fleet is still adequate from the standpoint of quantity and some delay in replacing obsolete vessels may be justified if research and development will point the way to technologically superior ships and operational methods. President Eisenhower in an annual budget message had this to say about the role of research in plans for rebuilding the United States merchant fleet:

Efforts to maintain a U.S. merchant fleet adequate to meet defense requirements are seriously hampered by high operating costs. To preserve the capability of our merchant fleet without placing an undue burden on the taxpayer will require willingness by ship operators, maritime labor and the government

to explore and adopt new solutions. Expanding work on advanced ship design could bring sharply reduced operating costs. By expanding the operations of the subsidized fleet, over a somewhat longer period, the results of their research can be more fully explored in replacement plans.⁴

Operating a ship beyond the designed 20 year life is of course possible, but costs of maintainance and repair become substantially higher. The economic competitiveness of United States vessels could be greatly improved simply by exploiting currently available technological development in unitized cargo handling systems, automation of most shipboard operations, improving sea-keeping properties of the vessels, and by improving propulsion plants. It is probable that shipbuilding costs can be lowered through improved shipbuilding procedure and governmental shipping policies.

A strong case can be made for basing maritime policy solely upon the desire to attain national defense objectives.⁵ This would facilitate policy making. The primary advantage of simplification of objectives would

⁴President Dwight D. Eisenhower, United States, Budget Address to Congress, January 1959

⁵Wytze Gorter, United States Shipping Policy (New York: Harper and Brothers, 1956), p. 192.

be that policy and administrative decisions would be based solely upon the requirements of national defense. This would include requirements to fight political-economic warfare. Vessel operators and shipbuilders would be helped only if defense requirements call for their continued operation. It is considered that United States shipping policies could best be administered through the Department of Defense vice the Department of Commerce. If public expenditures for merchant vessels were to be the responsibility of the Department of Defense, then the Department of Defense would be forced to decide just how important this, "fourth arm of defense," is to it.⁶ Putting the United States maritime policy matters under the Department of Defense would place it in the organization which is best suited to deal with defense matters. After all, the only excuse for the United States Merchant Marine in existence today is to assist in the national defense effort.

To a great measure the greatest problem is convincing the maritime industry of the great promise and practicability of trying new ideas and making both

⁶Ibid., pp. 194-195.

management and labor aware of the potential benefits of technological progress. A fleet of efficient modern ships made competitive in world trade through advanced scientific and technological progress would be sufficient to provide us with a future adequate fleet to counter economic war and conduct normal trade with minimum subsidy payments. Subsidy payments for military features in selected merchant ships would provide the needed assistance to the military to counter limited war threats. The initial cost of this program would be high and government financing would be necessary. Cost reductions have been substantial for the few companies that have tried new innovations and show the road for a future competitive United States Merchant Marine.

MSTS OPERATIONS

On various occasions since its inception in 1949, the operations of the Military Sea Transportation Service have been criticized as being competitive with the privately-owned American merchant marine. Critics in the shipping industry and within the government have questioned the necessity for continued operation of MSTS ships contending that the privately-owned shipping lines

are being deprived of military cargoes which they are capable of handling. Charges have been made that MSTs operations are in conflict with the national maritime policy under which the government pledges support and aid to the maintenance of the privately-owned United States flag merchant marine. Critics have also asserted that economies could be realized by greater utilization of commercial shipping sources in lieu of continued operations of government-owned MSTs ships. One of the congressional subcommittees reported in 1955 that, in their opinion, some MSTs operations were in direct competition with the merchant marine, and that there were no shipping services performed by MSTs which had not been or could not be, performed just as well by private industry without danger to the national security.⁷ The second Hoover commission conducted a thorough study of MSTs operations in 1954 with particular emphasis on the question of encroachment by MSTs on potential business

⁷United States Congress, House of Representatives, Committee on Merchant Marine and Fisheries, Operations of Military Sea Transportation Service in Relation to Maintenance and Development of the Merchant Marine, Report of the Special Subcommittee, 83d Congress, 2d Session on Operations of MSTs, January 3, 1955 (Washington: Government Printing Office, 1955), pp. 15-17.

for the private shipping industry.⁸ This transportation subcommittee concluded, among other things, that MSTS was performing a substantial amount of services which private industry could assume, and that certain vessels of the MSTS nucleus fleet could be removed from service.

On the other side of the coin, supporters of the MSTS operations argue that MSTS has in its 12 years of active existence, managed to reduce the cost per ton-mile of cargo and per passenger-mile substantially and has correspondingly decreased its tariff rates. It has laid up ships when it has found that commercial operators could perform the service at a lower rate and has streamlined both its afloat and ashore organization for maximum economy. It is an organization which is extremely cost-conscious. Whenever its tariff rates are above the norm it soon hears from its three main customers in no uncertain terms.⁹

And so the argument goes, pro and con. The

⁸Commission on Organization of the Executive Branch of the Government, Subcommittee Report on Transportation: 1955. (Washington: Government Printing Office, 1955), pp. 209-218.

⁹Rear Admiral Roy A. Gano. USN. Lecture. Naval

arguments are largely academic, and the parties to the arguments cannot see, "the forest for the trees."

Irrespective of how a government organization is organized, financed, managed, or how economical its operations are, if it does not accomplish what it is intended for, then--the organization is quite useless, and the costs in risk to United States national security and in taxpayers dollars are too great.

The importance of the Military Sea Transportation Service type organization is to provide a nucleus group of ships with the ability to react rapidly to limited and general war requirements.¹⁰ Not only should it provide ships that are physically capable of doing this, but also the organization should be so organized and personnel so trained that the ships can be quickly integrated into fast task group type amphibious operations. A limited war crisis could well become a race against time to evacuate nationals, to redeploy troops, or augment and resupply existing forces overseas.

¹⁰United States Congress, Senate, Committee on Interstate and Foreign Commerce, Military Sea Transport Service, Hearings before Subcommittee, 84d Congress, 2d Session, on Operations and Functions of the Military Sea Transport Service and S. 822, March 15-17, 1956 (Washington: Government Printing Office, 1956), pp. 9-10.

Modern high speed ships of speeds over 25 knots are considered mandatory, "Over the beach" discharge is considered likely, at least during the initial seizure phases in an active combat situation. Where port facilities are available improved off-loading requirements must be met, a present-day cargo ship off-loading time averages five days. The development and use of rapid cargo handling facilities aboard ship together with unitized cargo practices, and employment of roll-on, roll-off type ships for handling vehicular cargo is considered necessary in future war operations. Fast smaller troop-carrying ships with possible carrying capacities of 500-1,000 troops are needed for small scale operations. Speeds up to 30 knots would naturally cut down the reaction time for this type of ship. Larger passenger liners and transports for use as troop carriers may be found useless in the future limited wars.

How adequate is the present Military Sea Transport Service organization? Basically it is made up of passenger, cargo, and tanker vessels of World War II vintage with speeds of less than 22 knots. These vessels have few or no special military features that are not now

incorporated in the United States controlled merchant fleet. The cargo and passengers carried are to a great extent carried to and from areas being serviced or that could be serviced by the merchant fleet. Many military commercial type operations parallel services provided by private owners over the same routes. The ships operating for MSTS are scattered all over the world with few or none in major United States ports. Quick recall of these ships for a specific limited war situation would be extremely difficult. The ships in the reserve fleets are not ready for immediate use--past experience has shown that two to three months are required before these ships are ready for the first sailing.

The Military Sea Transport Service organizationally is under the cognizance of the Chief of Naval Operations but it is not actively directed by CNO--the fact is, MSTS is far removed from the other active fleet activities. Little if any training of MSTS vessels with fleet units takes place.

The mixed civilian and military personnel in MSTS nucleus vessels make exercising and operating with the fleet nearly impossible. The mixed civilian and military

MSTS shore establishment is oriented toward economic operations from the standpoint of efficient business operations. They are constantly comparing the Military Sea Transportation Service operational efficiencies with that of the civilian industry. Little interest is shown to how effective the organization is in responding to emergency limited war operations.

It is considered that the MSTS operations conducted today could and should, except in few isolated instances, be completely handled by the United States merchant fleet. The Military Sea Transportation Service operations are purely commercial or quasi-military in nature and are in no way better suited to provide the military logistics support in time of war than the United States Merchant Marine. The history of World War II and Korea show no record of reluctance or incapability on the part of the United States Merchant Marine to handle military logistics requirements. Only 4 percent of the initial support requirements for Korea were directly supplied by MSTS.¹¹

¹¹Ibid., pp. 123-125.
United States Congress, House of Representatives, Committee on the Merchant Marine and Fisheries, Hearings on the Operations of Military Sea Transportation Service, 83d Congress, 2d Session, July 8, 1954 (Washington: Government Printing Office), pp. 595-631.

A strong subsidized merchant marine is considered necessary to provide response to political-economic threats and to the military in war. Maintaining a large military sea transportation organization that basically does the same thing, with the same type ships, does not make sense. To argue that the MSTS operations are more economical is academic in nature and if we accept such a premise we argue for socialism. The General Accounting Office found it nearly impossible to compare MSTS operations with that of the private operators.¹² Many resources are provided MSTS which do not enter into the profit or loss statement. The Military Sea Transportation Service operations can be compared with children making money on lemonade stands. The profits are high, the price low. The lemons, water, sugar, and ice come from mother's kitchen and are not included in the cost. It amounts to the taxpayer subsidizing the Merchant Marine and funding the Military

¹²United States Congress, House of Representatives, Committee on the Merchant Marine and Fisheries, Study of the Operations of Military Sea Transportation Service, Hearings before Special Subcommittee, 83d Congress, 2d Session, July 8-15, 1954 (Washington: Government Printing Office), pp. 595-631.

Sea Transportation Service operations directly for doing the same thing.

The Navy has logistic type ships in the Service Forces, Amphibious Forces, and in the MSTS. It is considered that the pure military needs of the services would be best served by intergrating the cargo and tanker vessels of the MSTS nucleus fleet into the present organization of the Service Forces--and the passenger vessels into the Amphibious organization. This would be the logical step in making these ships responsive to the military commanders' for quick reaction.

Inter-service exercises at sea would soon spell out the needs in types of ships and training necessary to provide for pure military logistic support. The requirements of each service would be submitted to the Navy. The Navy in turn would be responsible to request the funds and provide the services needed.

The British past and present armed forces logistic support has been substantially all carried in commercial bottoms. This is handled by the Sea Transport Division of the British Ministry of Transport. The Sea Transport Division is primarily a freight forwarder and chartering agency which meets the transportation

requirements submitted to it by the Army, Air Force, Navy and other governmental agencies. The Director of the Sea Transport Division negotiates and makes the charters for the British government, the rates being determined by the free flow of supply and demand in the market.¹³

A small similar Military Sea Transport Service organization staffed by members of the three services and agent members of the commercial shipping companies seems like a logical means for coordinating the military commercial shipping requirements and handling the administrations work involved both during cold and hot war.

¹³United States Congress, House of Representatives, Committee on the Merchant Marine and Fisheries, Study of the Operations of Military Sea Transportation Service, Hearings before Special Subcommittee, 83d Congress, 2d Session, May 14, 1954 (Washington: Government Printing Office), pp. 201-207.

for use in military consumption. Despite the fact that the total output of goods and services in the USSR is roughly half that in the United States, their military outlays now exceed those of the United States.

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CHAPTER V

SUMMARY

The United States is now confronted by three types of threats to its national security. These are political-economic cold war, limited war and general war. Our opponents, the Communist Bloc have avowed to "bury us" in international trade. They are putting more pressure on the United States by limited war tactics, and may resort to general war if all their attempts to expand world communism by other means fail.

The Soviet economy in the last decade has grown at twice the rate of the United States. The USSR gives priority to programs designed to expand the Soviet international power position. The production of strategic material is stressed and its rate of increase is greater than the industrial output in other areas.

The Russians' stress rapid expansion in production for use in military consumption. Despite the fact that the total output of goods and services in the USSR is roughly half that in the United States, their military outlays now exceed those of the United States.

The Sino-Soviet Bloc is concentrating a great

deal of energy in developing their merchant fleet capabilities. Soviet flag merchant vessels now number about 800 vessels totaling $4\frac{1}{2}$ million tons D. W. and by 1975 they expect to increase the fleet capacity four fold. Soviet ships are increasingly expanding their foreign trade in backward country areas and primarily, these fleets are instruments of economic warfare, and their use for national service is given only secondary consideration.

The United States merchant fleet basically is not suited for competitive international trade. This is due to great extent to high labor costs in the operation of the vessels and construction. The militant marine labor unions are continually exerting pressure for higher wages and have been extremely successful in getting what they have asked for. While the U. S. fleet is adequate in quantity to cope with normal foreign trade and economic war requirements, it's not competitive and relies heavily on governmental subsidies. In quality the United States fleet is obsolete and little is being done either by the government or private industry to correct this.

The "PanLibHon" vessels which total about 378

ships of various categories are of material help now in providing shipping needs of the United States but increasing pressure, both domestic and foreign, may dry up this source if United States owners are forced to turn over these ships to non-U.S. controlled foreign registry. Many of these ships are new, fast, and of modern designs.

The United States active fleet totals about 951 ships. The inactive fleet totals about 2,000 ships, 1,200 of these are Liberties which are now being scrapped and are considered too slow for reactivation. The ships in the inactive fleet may prove useless if time is of the essence in a limited war. The United States under present plans will construct about 450 new ships under the United States subsidy policy in the next 20 years. This, against the rapidly expanding merchant marine building program of the Russians, is wholly inadequate even when taking into account the ships that may be available from time to time from other nations.

What is the answer to correct the United States inadequacies? There is a growing trend to buy time-- and run the obsolete ships a few years longer so as to allow increasing emphasis on developing methods and

devices leading to more efficient ship operations with corresponding lower operating cost, which in turn would make the United States Merchant Marine competitive in world markets with less subsidy help.

There have been many arguments, pro and con, concerning the operations of the MSTS organization. From the standpoint of effectiveness in its future role in fighting limited and general war the MSTS fleet is considered inadequate. The ships are of World War II vintage and are obsolete. The number of vessels with special military characteristics are few and the number of active MSTS ships appears to be too small to carry out a war logistic operation, without commercial ship help--in addition, the present MSTS organization is oriented toward commercial business type efficiencies and does not seem too concerned about its future warfare role. The MSTS organization is large, costly, and basically duplicates the efforts of the United States Merchant Marine. The argument by the military to what is pure military logistics in nature is based on tradition and does not hold water in today's situation because the merchant marine must be considered an integral part of our defense effort due to the increasing political-

economical threats facing the United States. Today's large expenditures for defense do not allow the United States the luxury of the government duplicating a civil industry effort when the civil industry has proven that it can do the job as well or better--World War II and Korea have shown that the merchant fleet is well adapted to handle military logistics support which is not directly involved in supplying the military forces during initial penetration efforts. Military logistics support forces contain three elements: (1) The Mobile Support group of ships, (2) The Underway Replenishment group of ships, and (3) The Pipeline group of ships. The direct support of the military forces to, and in the combat area must be supplied by the Mobile Support and Underway Replenishment ships. These ships must be military and under military command due to the very nature of the close support tasks assigned. The Pipeline group of ships would replenish both the Mobile Support and the Underway Replenishment ships and this support could well be provided by civilian shippers.

What can be done to make the United States Ocean Transportation more effective? The following are not recommendations as such, but are presented as possible

alternatives which may give us better ocean transportation at a lesser cost in United States tax dollars:

1. Combine all matters of policy relating to ocean shipping--both civil and military in nature, under the Department of Defense. This governmental department is considered to be best adapted to administer policies that concern an industry so closely related to the United States military defense effort.

2. Disestablish the MSTS organization and distribute the commercial and quasi-military cargo lifts to commercial carriers and transfer to the "Service" and "Amphibious" forces the responsibility to provide adequate pure military logistics support for the services in connection with limited and general war efforts.

3. Reduce the number of ships in the reserve fleet to a point which would adequately provide a source of vessels to commercial operators for use in normal trade and political-economic warfare purposes. These ships are considered useless for future pure military purposes. The time factor of readying these ships for sailing alone makes these ships unresponsive for limited and general war

purposes.

4. Efforts should be made to bring United States controlled vessels in the "flag of convenience" group back under the "flag of the United States". This may require finding solutions for the high labor and construction costs which forced the operators to transfer these ships to other flags. Incorporating labor saving devices with governmental subsidy assistance may be an answer.

5. There are increasing indications that research and development in such areas as Navigational systems, New Propulsion means, Charting, Personnel, Human Engineering, Mechanization and Automation, Statutory and Regulatory matters, Expediting, Special Ship types, and Requirement studies based on the threats we face, is the solution in obtaining a commercial and military logistics fleet capable of meeting the threats of war and competition.

6. Combining basic and operational research and development efforts, funded by the government, under a Operational Research and Development Group, (logically under the "Service forces"), would provide a

ments submitted by each service to the Department of Defense.

coordinating organization which should result in better utilization of proven and tested new innovations by the military and the commercial operators. Basic research studies could be farmed out to the many institutions now working in this field.

7. The initial cost of implementing and building ships with improved features will be high and it is considered that higher subsidies to civilian industries and direct funding to the military will be required to get the program rolling--but the long range pay-off--should more than off-set the research, development, and building costs.

8. A small MSTS organization staffed by members of the three services and agent members of the commercial shippers, and acting primarily as a "Freight Forwarder and Charter Agency" seems a logical means for coordinating the military commercial shipping requirements through the commercial shippers. This means has been effectively utilized by the British in the past. This organization could be funded through the Defense Supply Agency. Funds would be made available based on the carefully projected requirements submitted by each service to the Department of Defense.

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