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REVITALIZATION OF THE AMERICAN MERCHANT MARINE

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(Essay)

REVITALIZATION OF THE AMERICAN MERCHANT MARINE

An Expose' On The
Causes Of And Cures For
U. S. Merchant Marine Deficiencies

by

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Carlisle Barracks, Pennsylvania
1 October 1970

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SUMMARY

The purposes of this essay are (1) to review the history of the deficiencies existing in the American Merchant Marine today and which have existed from to time in our country's past; (2) to examine proposed programs of the President as set out in legislation introduced and committee reports of Congress which have been released; (3) to note the colateral benefits which will flow from an increase in activity in our ship building, and (4) to recognize that labor-management harmony will be required in order for American importers and exporters to regain confidence in our merchant marine.

It is abundantly clear that our merchant marine requires a strong infusion of vitality if it is to recover from and make some improvement over the recent 25 years of decline. If our international strategy is to be oriented to the ocean, substantial aid must be forthcoming in the areas of operating as well as construction subsidies in our merchant marine industry. At the end of World War II, the United States Merchant Marine was the largest in the world and contained 3,696 ships. It now numbers only 967 ships, of which only 650 are engaged in foreign trade, and our fleet has dropped from first to fifth place in the world's hit parade of ships, measured on a tonnage basis. In other words, as President Nixon has said, "The United States Merchant Marine is in trouble."[1]

The present-day low participation of the United States mercantile fleet in the foreign commerce of our nation neither occurred overnight, nor was it, at the outset of its lessening participation, the result of massive shipbuilding efforts of the now leaders in the ownership of the world's merchant fleets. In 1946 the United States was the acknowledged leader both in numbers of ships and cargo carrying capacity. The forces which knocked us from the perch of mercantile leadership were for the most part of our own making and were the results of courses which did not reflect much foresight in our country's leaders.

To some degree the decline of our merchant fleet is the result of

[1]Richard Nixon, Message to the Congress of the United States, October 29, 1969.

the Ship Sales Act of 1946, but even greater blame can be properly placed on the subsequent loose program of public and private ship transfers which gave rise to the so-called "runaway" fleets. Though the sales to foreign governments under the Ship Sales Act of 1946 ended in 1948, the ill-conceived and loosely administered United States foreign transfer policy continued on uninhibited until 1968, after a total of 740 ships had been transferred to foreign registry. Instead of fostering new construction in and retention of the merchant fleet of the United States, our nation's policy was to encourage massive transfers to the flags of countries having lower operating costs[2] and at the same time discourage new construction of our own.

Many transfers were to newly created foreign corporations which were subsidiaries of the corporations of the United States making the transfer. To make matters even worse, the same foreign transferred ships also participated in the movement of cargo of the United States at low foreign operating costs, utilizing foreign allotments under our 50-50 cargo preference laws. Thus, this self-created foreign competition not only helped to deteriorate our merchant fleet, but it did so at the expense of the American taxpayer. The foreign transfer policy has not only permitted transfers of ships from our merchant fleet, but it also has resulted in a loss of investment capital available for shipbuilding, with the effect that the return of capital on those ships accruing through depreciation accounts is used to construct ships in foreign shipyards.

[2] The U. S. Merchant Marine Today, Labor-Management Maritime Committee, 1970, p. 2.

That the United States foreign transfer policy probably has been more responsible than any other factor for the decline in our merchant fleet seems clear from the fact that the United States merchant fleet was carrying 43 percent of the foreign commerce of this country in 1951, whereas today our fleet carries only about 6 percent of our foreign commerce. Is it any wonder that our foreign fleet has diminished? The wonder of it all is that we have any merchant fleet remaining under our control at this time.

Throughout the history of this nation we have been dependent on a viable merchant marine. From early colonial days when merchant vessels served as the only dependable element of commerce for the colonies, through the era of clipper ships until today, a functioning and healthy merchant marine has filled an important need of our country. The need, however, has not always seemed clear, for twice during the last six decades the United States has been compelled to undertake massive shipbuilding programs to meet the urgent commercial and defense needs of the times. [3]

In general, in the last century American Merchant Marine activity and capability has been subject to wide cyclical fluctuations. From a position of impressive strength that was achieved and maintained in the period of the first three quarters of the 1800's, American maritime

[3]United States Senate, 91st Congress, Report No. 91-1080, August 10, 1970, p. 9.

capacity declined precipitously during the final 25 years of that century to the point where American flag vessels were carrying only a small percentage of our waterborne commerce. By 1910, only 8.8 percent of American trade was moving in American vessels.[4] The outbreak of the war in Europe in 1914 resulted in a fast step-up of our shipbuilding activity and a concomitant resurgence in the United States merchant fleet.

As ships which had been constructed during World War I began to approach block obsolescence, our Government adopted its first systematic formulation of marine policy. This policy, first expressed in the Merchant Marine Act of 1936, remains relevant today.[5] In spite of this statutory recognition which fully reflects commercial thinking of our dependence on a strong merchant marine, the outbreak of hostilities in World War II found our nation again woefully lacking in shipping capacity. A second massive shipbuilding effort was required until, as stated, by the end of

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[4]Ibid, p. 10.

[5]Sec. 101 of the Merchant Marine Act of 1936 reads: "It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a merchant marine (a) sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and foreign commerce of the United States and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign water-borne commerce at all times, (b)capable of serving as a naval and military auxiliary in time of war or national emergency, (c)owned and operated under the United States flag by citizens of the United States insofar as may be practicable, and (d)composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel. It is hereby declared to be the policy of the United States to foster the development and encourage the maintenance of such a merchant marine." Title 46, United States Code.

the war, the United States merchant fleet was the largest in the world. However, we today again find ourselves in a status of a declining regard for our merchant marine industry. Although the importance of sealift capacity again was fully recognized during the Korean conflict and now in our difficult times in Viet Nam where 98 percent of all supplies have been carried by ships, the United States merchant fleet has deteriorated to the point that it now is capable of carrying only about six percent of our waterborne foreign commerce. Matters are scheduled to get even worse in the very near future, for we are again facing massive obsolescence of the ships constructed during World War II.

It is all too clear that without a substantial government program to revitalize our merchant fleet, it will fade from the scene of domestic and international commerce, and carry with it an adverse effect on our economy and security. Since early mercantile days, the merchant ships of the world have traded internationally in accordance with the principles of freedom of the seas and open ports. Basically, this principle permits, with limited exceptions based upon national security, merchant ships of the world to proceed on any course at any time to any destination. Therefore, merchant ships of the world compete with one another for available cargoes, and since cargo rates are generally the same for all ocean carriers, it becomes all too obvious that the United States operator is at a competitive disadvantage with foreign competition when recognition is given to the fact that our higher standard of living increases the cost of operations of the United States flag merchant vessels.[6] Further aggravating the situation, is the fact that other substantial merchant fleet nations accord a wide variety of direct and indirect benefits, subsidies, and incentives to their shipbuilding and ship-operating industries. Ships registered under the flags of Panama, Liberia, and Honduras pay no income taxes. The British grant vessel operators an investment credit. Norway authorizes its shipowners to deposit twenty percent of profits after depreciation in a fund upon which taxes are deferred. Other incentives are also available to our foreign competitors.[7] Moreover, the tax laws of the United States provide an exclusion from income tax of the earnings of foreign corporations derived from the operation of foreign-flag vessels within the United States if the country of the foreign corporation grants an equivalent exemption to United States ship operating corporations. Since Panama, Honduras, and Liberia do not have an income tax, ship operating corporations of those countries pay no income taxes to either their own country or to the United States.[8]

It is obvious that without some form of Governmental assistance the United States would probably have little or no merchant fleet engaged

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[6]William J. Waugh, Our Merchantmen Are Disappearing From the 7 Seas, Louisville Times - Courier Journal, October 31, 1969, p. 67.

[7]House of Representatives, Testimony of Andrew E. Gibson, Maritime Administrator, before House Merchant Marine and Fisheries Committee, February 3, 1970, pp. 15-16.

[8]Section 883, Internal Revenue Code of 1954.

in foreign commerce and what has been called our fourth arm of defense would soon disappear from our arsenal.[9] To permit our security and economy to become totally dependent upon foreign vessels, operated by foreign crews, subject to the dictates of foreign governments would be running a risk that would be unacceptable in the eyes of most Americans. The presence of a viable United States Merchant Marine is necessary to provide us with some guarantee that we will not be subject to the mandates of other nations, and that the desires of our export shippers to compete in foreign markets and the delivered price of our imports will not be determined without our having a strong say in the matter. Therefore, it is inevitable that we accept the burden of continuing to provide direct governmental support for our merchant fleet which is engaged in foreign commerce.[10]

Earlier it was noted that the number of United States flag vessels engaged in foreign commerce had declined to 650 ships. As small as this number is, the number of ships is expected to continue to decline so that by 1980 only 310 ships would be in our foreign commerce inventory if no new ships are built.[11]

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[9]The United States has the world leadership in container ships which is rapidly becoming a dominating area in world shipping. House of Representatives, Testimony of Alfred Mekin, Executive Director, American Maritime Association, before House Merchant Marine and Fisheries Committee, February 17, 1970, and "A Dramatic Change in Course for Shipping", Nations Business, May 1970, pp. 77-79.

[10]Ships which have been constructed and being operated under Governmental subsidies should not be permitted to establish rates for domestic commerce which would enable such ships to compete unfairly with land carriers which have not received comparable subsidies. This position is supported by Transportation Association of America before the Senate and House of Representatives Committees hearing testimony in respect to S. 3287 and H. R. 15424. TAA Institute Report, dated March 17, 1970.

[11]Appendix - Chart No. 1

Approximately 75 percent of the United States mercantile fleet is over twenty years of age, and many of these ships face block obsolescence in the next few years. By 1974 our foreign flag fleet is expected to decline to 272 ships.[12] While approximately three-quarters of the American foreign flag fleet is over twenty years old, only one-quarter of the flag fleets of other nations are so antiquated. The comparison is even more striking with respect to dry bulk carriers where over 98 percent of the United States vessels are over twenty years old, whereas more than two-thirds of such vessels of foreign registry are less than ten years old.[13]

The problem of the age of the United States flag fleet is further accentuated by improvements in technology and increases in ship size and speed which have led to increases in the carrying capacities of the more recently constructed, more modern merchant fleets. The 650 ships now in our foreign trade fleet are equivalent in carrying capacity of only 228 modern ships of present-day design,[14] and within the next few years our foreign fleet, if we do not take immediate action, will shrink to the equivalent of 144 modern vessels and by 1980 to the level of only 123 modern ship equivalents.[15] When it is fully appreciated that only 6.4 percent of the foreign commerce of the United States is carried in our present merchant fleet, and that this participation will decline to less than three percent by 1980, it becomes all too obvious that the situation has become

[12] Ibid, Chart No. 2

[13] Ibid, Chart No. 3

[14] Ibid, Chart No. 4

[15] Ibid, Chart No. 5

drastic. Probably the most tragic part of our failure to rebuild our merchant fleet is the tremendous amount of lost cargo which has become increasingly available in the world trade and which could have had a pronounced beneficial effect on our efforts to improve our balance of payments. Walking hand-in-hand with the decline in our foreign-flag fleet is the ever decreasing seafaring job opportunities. Today such opportunities number 56,700, but will fall to only 22,300 in 1980 if the fleet is not improved upon as well as augmented.[16]

Clearly, the time has come for a major effort to be expended in revitalizing our Merchant Marine. Concern about the future of our security and foreign commerce require nothing less. Fortunately the leaders of our country have now recognized the need and have initiated action to cure the ills before a resurrection or renaissance rather than a revitalization will be necessary. It has been proposed that maritime research be given a comparable high priority with the aerospace industry if we expect a modern fleet of highly efficient ships to be constructed so that we will be able to enter into the world's competitive arena. The American shipbuilding industry must be the world's best through every creative, competitive, innovative effort possible, backed by the fullest ingenuity and know-how of American technology.

On October 23, 1969, the President sent a message to the Congress of the United States describing the decline of the Merchant Marine

[16]United States Senate, 91st Congress, Report No. 91-1080 dated August 10, 1970, p. 16.

and outlining a program for its revitalization. The Secretary of Commerce and the Merchant Marine Administrator both appeared before the appropriate Senate and House of Representatives Committees to provide further details of the Chief Executive's program. In late December 1969, legislation to effectuate the President's program was introduced as S. 3287 and H. R. 15424 in the Senate and House of Representatives, respectively. The principal provisions of the two companion bills would (1) provide for an increase in the level of subsidized ship construction from ten to thirty ships per year; (2) establish a Commission on American Shipbuilding to study the commercial shipbuilding of the United States and to report within three years or within six months after a contract for construction subsidy exceeded the new productivity goals which call for a reduction in the subsidy rate from the present 55 percent to 35 percent by 1976; (3) make construction subsidies payable to shipyards; (4) revise the operating differential subsidy program to cover bulk cargo carriers and provide for payment of operating subsidy tied to a wage index; (5) extend eligibility for tax deferment privileges to all ship operators in foreign trade; and (6) increase the ceiling on the mortgage insurance program from one billion to three billion dollars and extend eligibility to oceanographic vessels.[17]

Hearings on the two bills proceeded before the committees of both legislative bodies and in May 1970 the House of Representatives Committee on Merchant Marine and Fisheries reported out and the House passed a

[17]House of Representatives, Testimony of the Honorable Maurice H. Stans, Secretary of Commerce, before Committee on Merchant Marine and Fisheries, October 23, 1969, pp. 3-4 and October 28, 1969, pp. 4-5.

bill which may be regarded as fairly comparable to that suggested by the President. The bill did contain a number of changes from the bill as originally introduced. The principal changes made in the bill include provisions (1) setting out with particularity the 10-year, 300-ship scope of the program; (2) authorizing negotiated ship procurement contracts as an alternative to competitive bidding; (3) requiring that material used in the construction of the hull and superstructure be of United States origin; (4) retaining subsidy for maintenance and repair work in United States shipyards; (5) extending tax deferment privileges to operators in the Great Lakes and non-contiguous domestic trades and to the commercial fisheries; (6) permitting operators with foreign flag affiliations and holdings to continue such affiliations and holdings as they existed on April 15, 1970, for a period of twenty years after entering a subsidy contract; (7) recognizing the Great Lakes as a fourth seacoast; and (8) creating a new Assistant Secretary of Commerce for Maritime Affairs.[18]

The Senate Committee on Commerce also embraced the new maritime program of the President and it also concurred with the vast majority of the changes in the bill as passed by the House of Representatives. In addition, the Senate Commerce Committee adopted more than 50 amendments to the bill as passed by the House of Representatives. A detailed discussion of the differences between the actions of the House of Representatives and of the Senate Commerce Committee would add unnecessarily

[18] United States Senate, 91st Congress, Report No. 91-1080, August 10, 1970, p. 18.

to the length of this paper and is unnecessary for a clear understanding of the situation. Moreover, it is likely that the Senate will pass the bill as reported out by its Committee on Commerce and a conference will be required between the Senate and House of Representatives to iron out the differences between the two bills. Suffice it to say that substantial progress in the matter of a merchant marine program is being made.

Enactment of the pending legislation and successful effectuation of the new program will unquestionably result in the creation of a more affluent United States merchant fleet made up of modern efficient ships. A greatest effect of the program will be felt in 1974, the same year in which the last of the vessels built during World War II is scheduled to be phased out.

Studies and forecasts of United States oceanborne foreign trade made in conjunction with the development of the new program indicate that at the time the 300 ships are completed such trade will have increased from the 1969 level of approximately 428 million long tons to about 600 million long tons. At that time, American Merchant Marine ships should have the capacity to transport three to four times the percentage of our trade that they now carry, even taking into account the substantial increase in that trade which is expected to occur in these next ten years. This increased percentage, while only a modest one, should enable our ship owning companies to exercise some amount of influence on world ocean freight rates both within and outside the various world's rate conferences.

Aside from the commercial benefit which will be derived from such an increase in our foreign flag fleet, important sealift capacity will be created which will enable us to meet more fully our defense needs or other emergency situations which occur.

The law which will ultimately come from the legislators and the chief executive will set up actions, the result of which will make substantial contributions to the United States balance of payments position through earning of exchange from foreign nationals and contributions through the provision of the necessary foreign transportation services to American importers. This will avoid the dollar outflow which would occur if these transportation services were to be purchased from those foreign corporations owning the foreign flag ships.[19] The balance of payments contribution of the new program has been estimated by the supporters of the legislation to be $2.9 billion for the period prior to the completion of the vessel construction program and thereafter would approximate $600 million annually.[20]

Even more important to the economy of the United States, is the result which will flow from the increase in seafaring job and shipbuilding employment opportunities. Although a reduction in seafaring positions

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[19] James J. Reynolds, "A Breakthrough--U.S. Shipping's Contribution to Distribution," Presidential Issue, Fall 1969, pp. 1-8, and "Challenge and Opportunity For American Merchant Marine", Scandinavian Shipping Gazette, January 1970, pp. 32-34.

[20] United States Senate, 91st Congress, Report No. 91-1080, August 10, 1970, p. 21.

will occur in 1980 under those presently available, the new program will have about 17,000 more positions than if no new construction were to take place.[21] It appears that a minimum of 440,000 man-years of employment for manufacturing employees would be required merely to replace our present unsubsidized fleet. This employment would also generate additional indirectly connected employment. About 173,000 man-years of employment would be generated in the shipyards alone which, because of their location, would have special significance in contributing to the reduction of poverty stricken areas.[22] Moreover, employment in the shipbuilding industry prepares workers for employment in other industries by enabling those workers to become trained in various crafts such as plumber, pipefitter, sheetmetal worker, electrician, iron-worker, machine tool operator, tool and die maker, power truck operator, heavy equipment operator, welder, and the like. Such acquired skills are useful in many industries and usually command well paying salaries. Consequently, it would seem inevitable that an important incidental beneficial by-product of revitalizing our merchant fleet will be to provide training and generate employment opportunities in some of the areas of the United States in which they are in critical need.[23]

The legislation that is expected to be enacted into law does not contemplate a gift to the shipbuilding and ship-operating industries. A quid

[21] Appendix, Chart No. 6

[22] United States Senate, 91st Congress, Report No. 91-1080, August 10, 1970, p. 22.

[23] House of Representatives, Testimony of Page Groton, Director, Boilermakers Iron Shipbuilders Marine Counsel, Before Committee on Merchant Marine and Fisheries, February 19, 1970, pp. 7-8.

pro quo will be exacted from both the shipbuilding as well as the ship-operating companies. The proposed legislation only provides for a foundation upon which an improvement in our Merchant Marine can grow. It represents the governmental commitment necessary to overcome the starting friction. The actual success or failure of the new program will depend to the greatest extent on the contributions of private industry. Specifically, the two fact. rs which will be crucial to the success of the legislation are substantial private capital investments made in the maritime industry and sufficient cargo to keep the ships operating profitably on the high seas.[24] Although everyone mindful of the maritime needs of one great nation would agree that new ships of modern design are vital if our maritime needs are to be met from sources within our country, not everyone agrees that an improved maritime fleet can be expected. The most serious reservation stated at the committee hearings was that concerning labor-maragement relations. It was stated that before substantial investments or commitments for cargoes were made, stability and harmony were required in the labor-management field. In testimony before the Senate Commerce Committee, Chase Manhattan Bank, stressed the importance of the problem from the standpoint of the investor as follows:

> "Labor relations must be stable enough to allow a lender reasonably accurate profit projections on which to base his decisions. *** It is important, however, that the industry achieve an overall stability and growth pattern if

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[24] "Americans Urged to Place Country First in Fight to Revive Merchant Marine." Traffic World, March 28, 1970, pp. 132-133.

> the Bank is to continue and expand its financing in the future. *** With alternative methods of employing funds available, many analysts are loath to spend the time necessary to explore an industry that appears, on the surface, to be complicated at best, and at worst, completely unstable. It is this instability, whether caused by lack of a comprehensive maritime policy or other disruptive influences, that forces investors to shorten their risk parameters when considering ocean transportation."

The importance of labor-management stability in respect to the importers and exporters of goods was highlighted by the testimony of the New York Freight Forwarders and Brokers Association before the same committee. It stated:

> "The instability in the labor relations between the American flag operators and their employees makes it most difficult for shippers and forwarders todo business on a steady basis with U. S. registered ships. Exporters are always concerned that their cargo will be tied up at the pier and overseas consignees are interested in having their shipments arrive when needed. As a result, unauthorized stoppages and impending strikes strongly deter the use of American flag vessels by the person who controls the routing of shipments. *** Unless some understanding of a permanent nature is effectuated to assure our shipping public that it will have uninterrupted service, there would appear to be little reason to add to our American fleet."

There can be no doubt but that stability in labor-management relations in the maritime industry is necessary in order for the program to have any hope of working. Strikes create serious disruptions both in the flow of goods and capital necessary to encourage investment in the maritime industry. Perhaps some type of compulsory arbitration will be required to settle maritime disputes so that dependable, uninterrupted maritime services will be available to the shippers and consignees and thus justify substantial capital investments by the financial community. To be certain that the United States does not slip back into its former lethargic ways, programs of oceanic education must be instituted and pursued at every intellectual level within our system to regain the knowledge and understanding of the truly seafaring nation that the United States must become to regain its world leadership and a competitive position on the world oceans.

As it is readily apparent, strong reasons exist for revitalizing our Merchant Marine and developing a fleet that is able to compete effectively for a more equitable share of our import and export trade. This is nothing new. It has been so recognized by other Chief Executives and Congress.[25] The achievement of the goals of the program will have beneficial import on our commerce, defense capability, balance of payments and employment, but such benefits can only be attained if all elements of maritime management and labor, the shipbuilding industry, American exporters and importers and the financial community work cooperatively to bring it about. Revitalization thus can result, but it will require the reciprocants to take strong positive, aggressive action in order to assure success. There is now some expectation that the flag of the United States on American built ships, carrying a substantial portion of our foreign trade, will again be prominently displayed around the world on our liners and bulk and tanker ships.

[25] Appendix B.

Donald L. Junkel

APPENDIX

CHART NO. 1 *

PROJECTED DECLINE OF ACTUAL SHIPS IN THE U.S. MERCHANT FLEET FROM 1969 TO 1980

(ASSUMES NO NEW CONSTRUCTION)

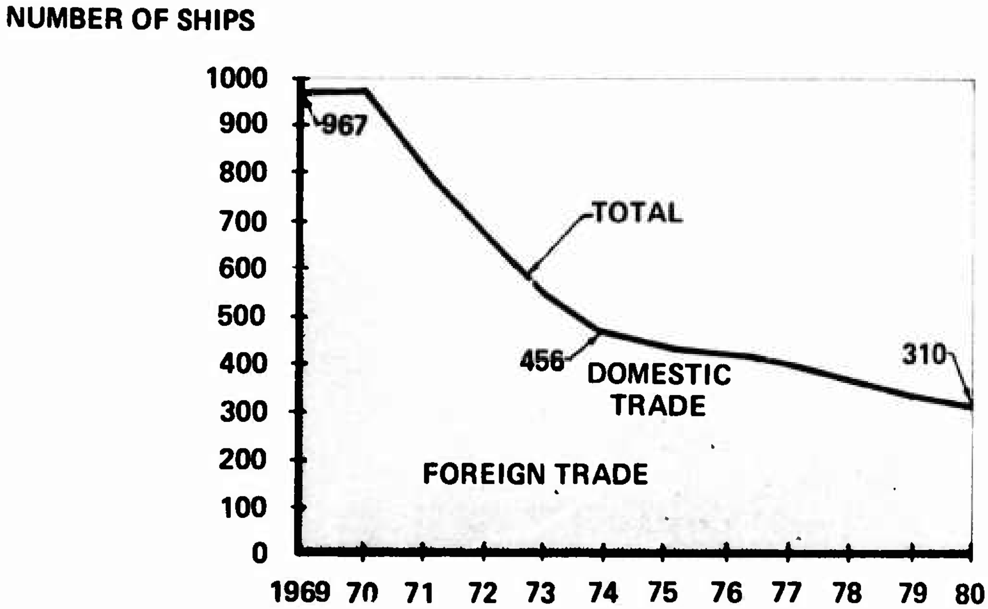
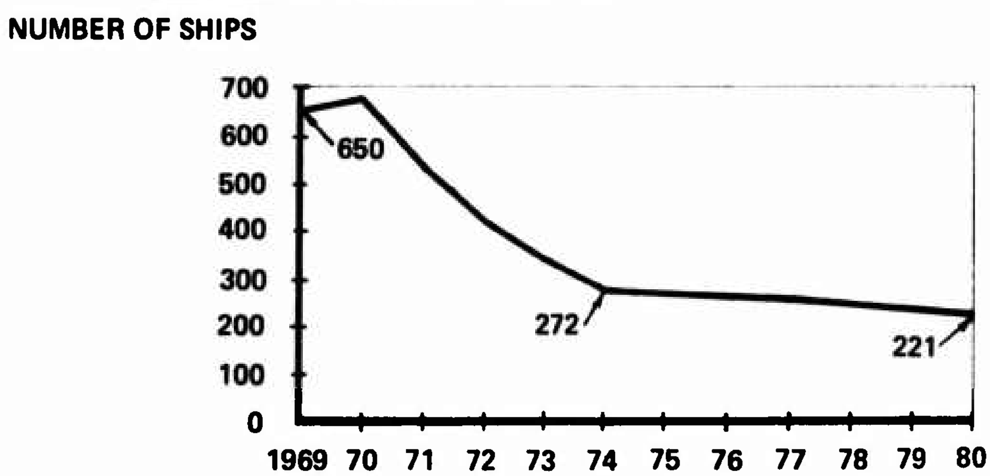


CHART NO. 2 *

PROJECTED DECLINE OF ACTUAL SHIPS IN THE U.S. FOREIGN TRADE FLEET FROM 1969 TO 1980

(ASSUMES NO NEW CONSTRUCTION)



*SOURCE: Testimony of Honorable Maurice H. Stans before House Committee on Merchant Marine and Fisheries. October 28, 1969

CHART NO. 3 *

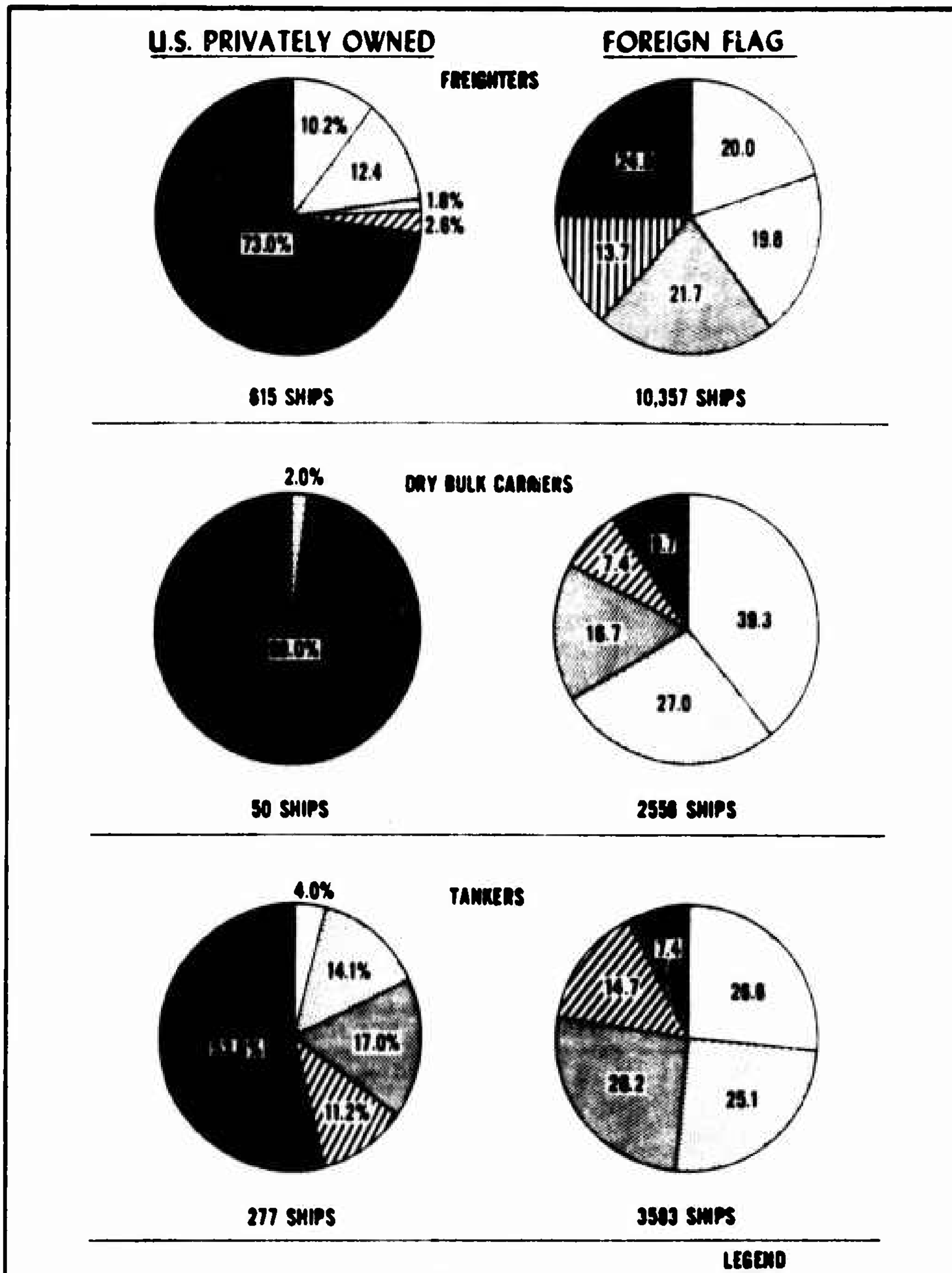


FIGURE I
FLEET AGE AS OF JANUARY 1, 1969
VESSELS 1,000 GROSS TONS & OVER
(Excludes Passenger/Combination Ships)

*SOURCE: Marine Administration – Department of Commerce

CHART NO. 4 *

CURRENT INVENTORY

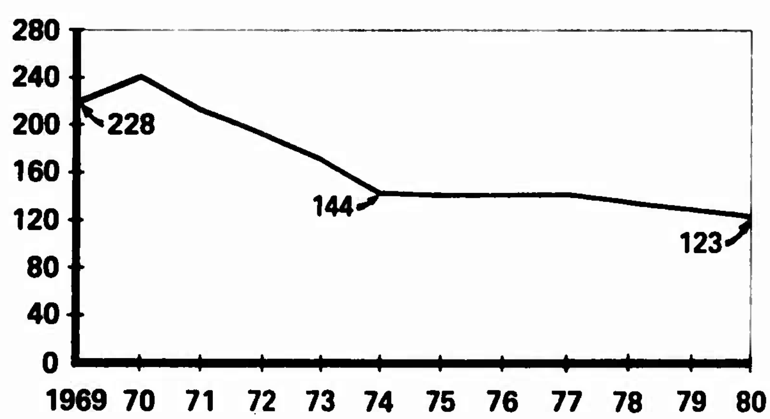
U.S. - FLAG FOREIGN TRADE FLEET JANUARY 1, 1969

SHIP TYPE	ACTUAL SHIPS	CARRYING CAPACITY IN MSE'S
PASSENGER	13	3
COMBINATION P/C	9	3
GENERAL CARGO	409	176
DRY BULK CARRIER	175	28
TANKER	44	18
TOTAL	650	228

CHART NO. 5 *

PROJECTED DECLINE IN CARRYING CAPACITY OF U.S. FOREIGN TRADE FLEET FROM 1969 TO 1980 SHOWN IN MODERN SHIP EQUIVALENTS

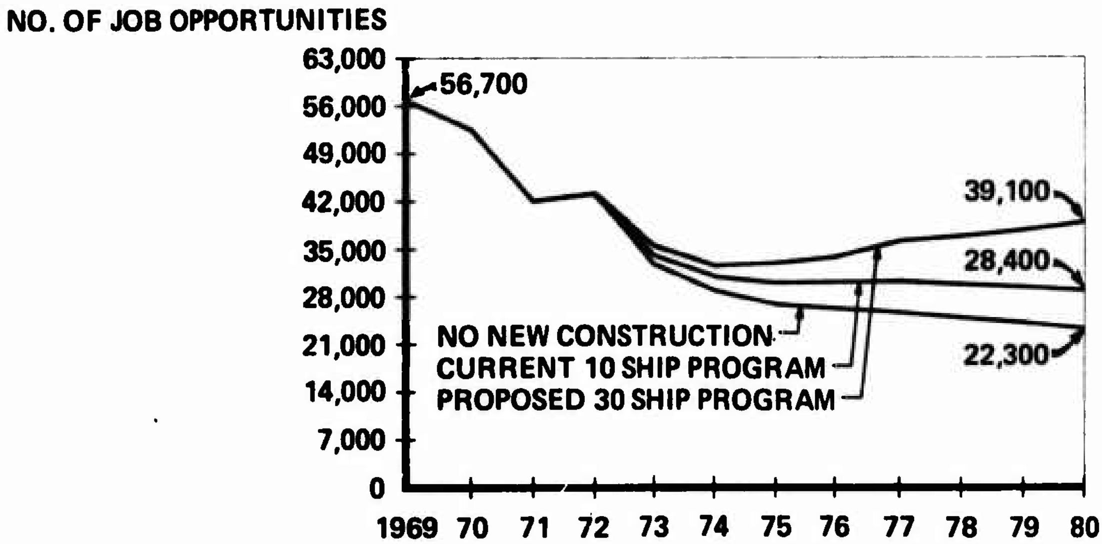
(ASSUMES NO NEW CONSTRUCTION)



*SOURCE: United States Senate, 91st Congress, Report No. 91-1080, dated August 10, 1970, pp 15-16.

CHART NO. 6 *

PROJECTED SEAFARING JOB OPPORTUNITIES IN FOREIGN TRADE FLEET FROM 1969 TO 1980 UNDER ALTERNATIVE BUILDING PROGRAMS



*SOURCE: House of Representatives, 91st Congress, Report No. 91-1073, p. 24.

COMPARISON OF PRESIDENT'S MESSAGE AND LEGISLATIVE PROPOSALS

President's Message Oct. 23, 1969	S-3287 & HR-15424	S-2650 H.R. 13940 90th Congress as introduced	Johnson Administration Proposals Draft Bill May 10, 1968	HR 13940 Approved by Committee and Reported July 2, 1968	Shipbuilders Council of America - Draft Bill Nov. 15, 1969
"We should make it possible for industry to build more ships over the next ten years, moving from the present subsidy level of about ten ships a year to a new level of thirty ships a year."	No provision specifically related to this policy. An early draft would have authorized a 10 year program.	Sec. 1 authorizes $300,000,000 per year to be appropriated for each of five years plus $25,000,000 for each of these years for R & D. Total $1.625 billion in authorization over 5 years.	Sec. 1 authorizes $110,000,000 for 1970 plus $30,000,000 each year for 5 years. (For R & D)	No program authorization section was contained in the bill.	Sec. 1 authorizes Secretary of Commerce to approve subsidy applications totaling 300 ships prior to June 30, 1981 (ten year program) of such size, type and design as he may consider best suited to carry out the Act.
"We should reduce the percentage of total costs which are subsidized. xxx to 45 percent of total costs in fiscal year 1971. That percentage should be reduced by 2 percent in each subsequent year until the maximum subsidy payment is down to 35 percent of total building expense.	Sec. 6(c) provides a limit of 45% in FY'71; 43% in FY'72; 41% in FY'73; 39% in FY'74; 37% in FY'75; and 35% in FY'76 and thereafter. Sec. 6(e) provides that after FY'71 no CDS contract in excess of these limits shall be entered into unless the Secretary of Commerce has given due consideration to the fact of such excess. In such case also, the final report of the Commission on American Shipbuilding as to what should be done is due a year earlier. Sec. 39(7) provides for a report by the Commission on Shipbuilding or productivity of the industry with regard to the level of the differential between U.S. and foreign shipyard prices and if 35% differential is not reached then to recommended alternatives.	No comparable section.	No comparable section.	No comparable section.	Section 5(2) would provide for annual administrative establishment of the maximum CDS by Secretary as he would determine to be necessary to carry out the policy of the Act.
"Construction differential subsidies should be paid directly to shipbuilders xxx."	Sec. 8(2) would amend 504 of the Act to provide for a contract between shipyard and Secretary of Commerce to pay CDS to the shipyard even though Secretary does not become a third party to the construction contract itself. Bill requires competitive advertised bids.	Sec. 6 of this bill provides for a change from present procedure to allow shipyards to be applicants for CDS and to submit negotiated agreements with prospective shipowners. However it continues to provide for a three party construction contract as at present.	Sec. 3 of bill would amend Act to permit negotiated building contract to be approved by Secretary of Commerce. Subsidy would be paid directly to shipyard.	Bill proposed continuance of the present procedure in which the shipowner is the applicant for CDS. The bill retained the provisions of law under which CDS is handled by way of a three-way contract procedure between the Secretary, the operator and the shipyard with the Secretary responsible for advertising for and receiving bids from shipyards for building the proposed vessel but also provided an alternative procedure by which the applicant could elect to contract directly with the shipyard after obtaining competitive bids. The construction contract would then be between the yard and the applicant. By separate contract with the shipyard, the Secretary would obligate the U.S. to pay directly to the yard the CDS and national defense features.	Sections 3, 4 and 5 amend the Act to permit shipbuilders to apply for subsidy and submit a contract price negotiated with a prospective shipowner.
"Encourage builders to improve designs, reduce delays and minimize costs."	Section 5(1)(e) provides that Secretary of Commerce "may" give preferred consideration to application that will tend to reduce CDS and that propose the construction of ships of high transport capability and productivity.	Section 20(1303) provides for development of new operating subsidy systems tied in with incentives expected to reduce unit cost of subsidy in the future but no direct policy on CDS approvals.	Includes an amendment to section 503 of the Act stating that within the limits of available appropriations CDS should be allocated among applicants on the basis of a standard which favors those contracts yielding the least subsidy per productive ton taking into consideration the purpose and function of the vessel.	Bill included a provision that the Secretary consider whether the vessel is of such design, with respect to both hull and components as will facilitate efficient and economic production.	No comparable provision

President's Message Oct. 23, 1969	S-3287 & HR-15424	S-2650-H.R.13940 90th Congress as introduced	Johnson Administration Proposals Draft Bill May 10, 1968	HR 13940 Approved by Committee and Reported July 2, 1968	Shipbuilders Council of America - Draft Bill Nov. [illegible]
Extend multi-year procurement to shipbuilding.	No legislation proposed to specify this system.	Section 1 would have authorized 5 years of appropriations at the $300 million per year level "to remain available until expended."	No legislation proposed to specify this system.	The Committee report on the bill states that the reason for the language giving the Secretary the duty of making a finding with regard to the design of the vessel is to require the use of multiple ship procurement insofar as practical.	Section 1 of the bill gives ample authority for multi-year procurement.
Increase the ceiling on our present mortgage insurance programs from $1 billion to $3 billion.	Section 29 provides for this increase.	No provision	No provision	No Provisions	Nothing proposed.
Extend construction differential subsidy to ore, grain or oil "bulk carriers."	Extension of CDS effected by provisions in sections 1, 2, 3, 4 and 5 of the bill. Also section 6 amends section 502(b) of the Act to provide for CDS determinations by "types" of vessels.	This Bill appears to provide for extension of CDS to "contract carriers" but not to "proprietary operations" wherein the owner of the vessel also owns the cargo.	Extends CDS to contract carriers only.	No extension of CDS to bulk carriers was contained in the bill as reported to the House.	Sec. 1 leaves it up to the Secretary to establish size, type and design of vessels to be awarded CDS. No restriction is included to prevent CDS for proprietary carriers. This would be left to the Secretary.
Commission on American Shipbuilding.. "xxx to review the status of the American shipbuilding industry, its problems, and its progress toward meeting the challenge we have set forth. The Commission should report its findings within three years and recommend any changes in government policy which it believes are desirable."	Section 39(7) Seven man Commission with one shipbuilder to report in 3 years. "xxx review the status of the American shipbuilding industry, its problems and its progress toward increasing its productivity and reducing production costs. The Commission shall determine whether the American shipbuilding industry can achieve a level of productivity by the fiscal year 1976 such that the construction-differential subsidy payable under the title V of the Merchant Marine Act, 1936, will not exceed 35 per centum of the United States construction cost. The Commission shall recommend a course of action which should be taken on the part of Government and industry to improve the competitive situations of the United States shipbuilding industry in world shipbuilding markets and if the Commission shall determine that the construction-differential subsidy cannot be reduced to 35 per centum of the United States cost it shall recommend alternatives to the ship construction program then in effect."	Section 21(6) provides for a 6 man Commission with one shipbuilder. "The Commission shall conduct a study of the extent to which Federal assistance to the private shipbuilding in the United States is necessary to preserve a national capability for the building and repair of United States merchant and United States naval ships."	No provision	No provisions for a Commission on Shipbuilding was contained in the reported bill.	Section 8(c) provides for a 5 man Commission within 3 public members with no direct interest in shipbuilding or ship operating and one shipbuilder and one operator. Chairman would be a public member. "The Commission shall review the status of the American shipbuilding industry, its problems, and its progress toward rebuilding the U. S. Merchant Marine at reasonable expense."
"Subsidies for maintenance and repair and for subsistence should be eliminated."	Section 14 would amend Section of the Act to eliminate these subsidies and it is assumed that the intent is that the special operating subsidy for bulk carriers not include items such as repairs in computing the lump sum.	Section 20 extending ODS to contract carrier continues to recognize subsidy for repairs.	Section 19 extends ODS to contract carrier with the Secretary given freedom to work out new systems. Ship repair subsidy is not singled out for retention or discard.	No provision	No provision.

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