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U.S. MERCHANT MARINE ACADEMY, 6:00 P.M.
WEDNESDAY, OCT. 28, 1970, AT KINGS
POINT, NEW YORK.

NEW DIRECTIONS
Reform -
60s
70s

Postal -
Welfare -
Tax - 2.R.S.
Crime -

Admiral Arthur Engel

IT IS INDEED AN HONOR TO BE HERE
TONIGHT WITH THE STAFF AND STUDENTS OF
THE U.S. MERCHANT MARINE ACADEMY.

THE TOPIC THAT COMES IMMEDIATELY
TO MY MIND AS I SPEAK TO YOU TONIGHT IS
THE NEW MARITIME PROGRAM WHICH PRESIDENT
NIXON SIGNED INTO LAW ON OCT. 22. IT IS
WONDERFUL TO BE ABLE TO STAND HERE AND
EXPRESS ENTHUSIASM AND HOPE CONCERNING
THE MERCHANT MARINE AFTER YEARS OF
MOURNING ITS DECLINE THROUGH APPALLING
NEGLECT.

I AM ENTHUSIASTIC AND HOPEFUL
BECAUSE THE NEW MARITIME PROGRAM COULD,
IN THIS DECADE, GENERATE THE LARGEST
PEACETIME SHIPBUILDING PROGRAM EVER



UNDERTAKEN IN THE UNITED STATES.

WHY IS THE UNITED STATES FINALLY EMBARKING ON THIS AMBITIOUS NEW PROGRAM, AN EFFORT WHICH I AND OTHERS IN THE CONGRESS HAVE BEEN URGING FOR YEARS?

ONE REASON IS THAT THE SOVIET UNION IS MOUNTING A NEW THREAT TO THE UNITED STATES AT SEA — A THREAT WITH WHICH OUR NATION WILL BE FACED LONG AFTER THE LAST AMERICAN TROOPS HAVE BEEN WITHDRAWN FROM VIETNAM.

THE SOVIET NAVY TODAY IS SECOND ONLY TO THAT OF THE UNITED STATES, AND THE MODERN SOVIET MERCHANT MARINE SOON WILL BE LARGER THAN THE PREDOMINANTLY OVER-AGED AMERICAN MARITIME FLEET IN BOTH NUMBERS AND TONNAGE.

LET US HEED THE LESSON OF HISTORY WHICH TELLS US THAT THE NATION WHICH



BUILDS THE SHIPS, / CARRIES THE CARGOES / AND
KEEPS THE SEA LANES CHURNING WITH
COMMERCE HAS A BIG VOICE IN THE WORLD.

THE RUSSIANS RECOGNIZE THIS, AND
SO WE HAVE BEEN WITNESSING A RUSSIAN
REVOLUTION AT SEA.

THIS PAST DECADE HAS SEEN THE
SOVIET UNION SURGE TO PREEMINENCE AS A
WORLD MARITIME POWER WHILE THE UNITED
STATES HAS DRIFTED TOWARD OBLIVION ON THE
HIGH SEAS.

PRESIDENT NIXON IS ALL TOO AWARE
OF THIS, AND SO HE HAS ADOPTED THE GOAL
OF KEEPING THE UNITED STATES A FIRST-RATE
SEA POWER WITH A NAVAL FLEET SECOND TO
NONE AND A MERCHANT FLEET AS MODERN AS
THOSE OF OTHER PRESENT-DAY MARITIME NATIONS.

THE MAZE OF ABORTIVE PROGRAMS AND
STUDIES WHICH HAVE CHARACTERIZED THE



UNITED STATES' APPROACH TO MARITIME AFFAIRS IN THE PAST DECADE HAS BEEN MOST DISCOURAGING, ESPECIALLY WHEN CONTRASTED WITH RUSSIA'S STEADY PROGRESS.

THE SOVIET EFFORT TO DEVELOP A NAVY OF FIRST RANK MUST BE CONSIDERED IN THE LIGHT OF ITS POTENTIAL THREAT TO OUR NATIONAL SECURITY. THE CREATION OF A VIABLE SOVIET MERCHANT MARINE SHOULD BE VIEWED PRIMARILY AS A CHALLENGE — A CHALLENGE WE CAN AND MUST MEET.

A MODERN SOVIET MERCHANT FLEET NOW CONFRONTS US ON EVERY SEALANE OF THE WORLD. THIS IS AN HISTORIC DEVELOPMENT SURPASSED ONLY BY THE UNITED STATES' GREAT SHIPBUILDING PROGRAM OF WORLD WAR II.

EIGHTY PER CENT OF THE RUSSIAN FLEET IS NOW LESS THAN 10 YEARS OLD AND INCORPORATES THE LATEST TECHNOLOGICAL



DEVELOPMENTS IN WORLD SHIPBUILDING
RELEVANT TO THE SOVIET UNION'S MARITIME
NEEDS.

THE RUSSIANS SAY THEY INTEND TO
DOUBLE THEIR PRESENT FLEET BY 1980. IN
VIEW OF THEIR PAST PERFORMANCE AND THE
FACT THAT ONE-FOURTH OF THE SHIPS UNDER
CONSTRUCTION IN THE WORLD TODAY ARE FOR
SOVIET REGISTRY, I SEE NO REASON TO DOUBT
THAT STATEMENT.

RUSSIAN GROWTH FIGURES FOR THE
PAST DECADE INDICATE THAT WATER
TRANSPORTATION FOR THE SOVIET UNION NOW
ACCOUNTS FOR ABOUT 20 PER CENT OF ALL
DOMESTIC CARGO MOVEMENT AS COMPARED WITH
6.6 PER CENT IN 1958. THE SOVIET FLEET
HAS CARRIED MORE THAN HALF OF THE SOVIET
UNION'S FOREIGN OCEAN-BORNE COMMERCE
SINCE 1968.



WHAT HAS HAPPENED TO THE U.S. MERCHANT FLEET AND TO OUR OCEAN-BORNE TRADE?

AT THE CLOSE OF WORLD WAR II, THE U.S. MERCHANT FLEET OF (3,696) SHIPS WAS THE LARGEST IN THE WORLD AND THE PRIDE OF THIS NATION.

IN THE YEARS SINCE THAT TIME, HOWEVER, THE U.S. FLAG FLEET HAS STEADILY DECLINED. THE PRESENT FOREIGN TRADE FLEET NUMBERS ONLY (650) SHIPS AND RANKS FIFTH IN THE WORLD.

IN 1968, THE VALUE OF U.S. EXPORTS AND IMPORTS WAS \$67 BILLION, ONE-THIRD OF THE WORLD'S TRADE. BUT ONLY 6 PER CENT OF THE TOTAL TONNAGE OF THAT TRADE WAS CARRIED BY AMERICAN FLAG SHIPS.

ONE FACT IS UNMISTAKABLY CLEAR. WITH THE GROWTH OF U.S. TRADE DEPENDENT



UPON EFFICIENT AND REASONABLY-PRICED OCEAN TRANSPORTATION AND THE SECURITY OF THE NATION CONTINGENT UPON THE MOVEMENT OF MEN AND SUPPLIES, THE AMERICAN SHIPPING AND SHIPBUILDING RECORD MUST BE DRASTICALLY IMPROVED.

HOW HAVE WE SUNK TO THE ABYSMAL LOW WE NOW OCCUPY? IN 1958, WHEN PRESIDENT EISENHOWER SPOKE OF AN ECONOMIC WAR FACING THE UNITED STATES IN WORLD TRADE CIRCLES, THE FIRST CONTRACTS WERE EXECUTED UNDER AN AMBITIOUS PROGRAM THAT WOULD HAVE REPLACED THE ENTIRE SUBSIDIZED LINER FLEET.

DURING THE DECADE THAT FOLLOWED, OUR PLANNED SHIP REPLACEMENT PROGRAM NEVER GOT OUT OF FIRST GEAR. THE HIGHEST PERFORMANCE POINT WAS REACHED IN 1963 WHEN CONTRACTS FOR 27 SHIPS WERE



EXECUTED. FROM THAT POINT FORWARD, THE PROGRAM DECELERATED TO AN AVERAGE LEVEL OF 10 TO 11 SHIPS PER YEAR, ~~WHERE WE HAVE SINCE REMAINED.~~

DURING THIS PERIOD, THE MEAGER EXPANSION OF OUR PRIVATELY-OWNED MERCHANT MARINE WAS OFFSET BY A SUBSTANTIAL DECREASE IN THE RESERVE FLEET. THIS RESULTED IN A NET DECREASE OF 7.5 MILLION TONS. AND DURING THIS SAME TIME SPAN, THE AVERAGE AGE OF THE ENTIRE U.S. MERCHANT FLEET LENGTHENED FROM 14 TO 27 YEARS.

I REPEAT -- 27 YEARS!

DURING THE CRITICAL DECADE OF THE SIXTIES, THE NATION'S MARITIME PROGRAM DRIFTED AIMLESSLY IN A SEA OF GOVERNMENTAL NEGLECT AND CONFUSION. THE EISENHOWER SHIPBUILDING PROGRAM WAS SCRAPPED AND THE AMERICAN MERCHANT FLEET



WAS VIRTUALLY SCUTTLED — OVER THE VIGOROUS AND REPEATED PROTESTATIONS OF THE CONGRESS.

~~I PERSONALLY CALLED REPEATEDLY FOR A REDIRECTION AND RESTORATION OF OUR MARITIME PROGRAM.~~

IN OCTOBER 1969, PRESIDENT NIXON PROPOSED A COMPREHENSIVE LONG-RANGE MERCHANT SHIPBUILDING PROGRAM TO RESTORE THIS COUNTRY TO A PROUD POSITION IN THE SHIPPING LANES OF THE WORLD.

LEGISLATION INCORPORATING THE PRESIDENT'S PROPOSALS WAS INTRODUCED BY ALL MEMBERS OF THE HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE.

WE NOW ARE ABOUT TO SEE THE FIRST FRUITS OF THAT LEGISLATION -- A NEW MARITIME PROGRAM THAT WILL BUILD 300 MERCHANT SHIPS OVER THE NEXT 10 YEARS AND WILL EXTEND OPERATING SUBSIDIES TO




ALMOST THE ENTIRE FLEET.

THE NEW SHIPBUILDING PROGRAM WILL TRIPLE THE CURRENT OUTPUT OF 10 SHIPS A YEAR WHILE SLOWLY REDUCING THE GOVERNMENT'S SUBSIDY FOR EACH NEW VESSEL FROM THE CURRENT 55 PER CENT OF THE SHIPYARD PRICE TO A MAXIMUM OF 35 PER CENT.

THE PURPOSE OF THE PROGRAM IS NOT SIMPLY TO PRESERVE OUR MERCHANT FLEET BUT TO MODERNIZE IT.

COST OF THE NEW PROGRAM OVER THE NEXT 10 YEARS IS NEARLY \$2.7 BILLION. THERE MUST BE JUSTIFICATION FOR THAT KIND OF AN OUTLAY -- AND THERE IS.

THE FOREIGN TRADE OF THE UNITED STATES HAS REACHED TRULY STAGGERING PROPORTIONS. IT NOW ACCOUNTS FOR ONE-THIRD OF TOTAL WORLD TRADE AND IS VALUED AT ABOUT \$70 BILLION.



THERE WAS A TIME WHEN THE UNITED STATES WAS REASONABLY SELF-SUFFICIENT IN TERMS OF BASIC RAW MATERIALS. THAT TIME IS GONE FOREVER. THE UNITED STATES CAN NO LONGER RELY EXCLUSIVELY ON DOMESTIC SOURCES FOR OIL, IRON ORE, BAUXITE, AND THE MYRIAD OTHER RAW MATERIALS FROM WHICH INDUSTRY FASHIONS THE GOODS OUR ECONOMY DEMANDS.

PRESENTLY, OUR LINER TRADE INVOLVES THE CARRIAGE OF ABOUT 46 MILLION TONS ANNUALLY, WHILE OUR BULK TRADES ACCOUNT FOR ALMOST 350 MILLION TONS.

AT THE END OF THE PRESIDENT'S PROJECT 10-YEAR SHIPBUILDING PROGRAM, OUR LINER TRADE WILL HAVE INCREASED TO PERHAPS 60 MILLION TONS A YEAR, AND OUR BULK TRADES WILL HAVE INCREASED TO BETWEEN 550 MILLION AND 600 MILLION TONS.



OUR ABILITY TO SUSTAIN OUR ECONOMY WILL BECOME MORE AND MORE DEPENDENT UPON THE AVAILABILITY OF FOREIGN RAW MATERIALS. HEREIN LIES THE ANSWER TO THE BASIC QUESTION: WHY A MARITIME PROGRAM NOW?

IF AMERICAN-FLAG SHIPS ARE NOT BUILT TO TRANSPORT A REASONABLE PERCENTAGE OF OUR EXPANDING FOREIGN TRADE, WE WILL BE TOTALLY DEPENDENT UPON FOREIGN SHIPPING INTERESTS TO MOVE THOSE GOODS. WE CANNOT AFFORD THAT DEPENDENCE.

WE KNOW THAT FREIGHT RATES IN THE WORLD SHIPPING MARKET ARE SUBJECT TO TREMENDOUS ESCALATION WHENEVER NORMAL TRADING PATTERNS ARE UPSET. THE CLOSING OF THE SUEZ CANAL WAS THE CLASSIC EXAMPLE OF THIS IN RECENT TIMES.

A COUNTRY WHICH BECOMES INCREASINGLY DEPENDENT UPON FOREIGN RAW



MATERIALS IS IN DOUBLE JEOPARDY IF IT LOSES COMPLETE CONTROL OVER THE MEANS OF INSURING THE FLOW OF THOSE RAW MATERIALS.

WE MUST, THEREFORE, HAVE A MERCHANT MARINE WHICH INSURES THAT AT LEAST OUR MINIMUM NEEDS CAN BE MET.

SOMETHING THAT IS GENERALLY OVERLOOKED IS THE FACT THAT THE DIRECT INVESTMENT WE WILL MAKE IN OUR SHIPBUILDING PROGRAM OVER THE NEXT 10 YEARS WILL BE ALMOST ENTIRELY OFFSET.

THESE SHIPS WILL EARN ROUGHLY \$2 BILLION, MONEY WHICH WOULD OTHERWISE BE PAID TO FOREIGN-FLAG CARRIERS.

OUR BALANCE OF PAYMENTS WILL, THEREFORE, BE SUBSTANTIALLY IMPROVED BY OUR SHIPBUILDING PROGRAM.

IN ADDITION, THE FEDERAL GOVERNMENT WILL REALIZE BETWEEN ONE-HALF AND

THREE-QUARTERS OF A BILLION DOLLARS IN
INCREASED TAX REVENUE.

THUS THE NET COST OF THIS PROGRAM
OVER A 10-YEAR PERIOD WILL BE MINIMAL.

NOW LET ME SPELL OUT IN SOME
DETAIL JUST WHAT THE MARITIME ACT OF
1970 PROVIDES.

BROADLY SPEAKING, IT WILL ENCOURAGE
THE DEVELOPMENT OF BULK-CARRYING CAPACITY
UNDER THE AMERICAN FLAG BECAUSE IT WILL
ENABLE THOSE CARRIERS NOT NOW RECEIVING
OPERATING SUBSIDIES TO ACCUMULATE THE
CAPITAL NEEDED FOR SHIP CONSTRUCTION
THROUGH DEFERRAL OF TAX ON EARNINGS
DEPOSITED IN CONSTRUCTION ACCOUNTS.

IT WILL RATIONALIZE THE
COMPUTATION OF OPERATING SUBSIDY THROUGH
THE ESTABLISHMENT OF A WAGE INDEX SYSTEM
AND WILL ELIMINATE MUCH OF THE RED TAPE



BUILT INTO THE MARITIME ACT OF 1936.

IT PERMITS PAYMENT OF THE SHIPBUILDING SUBSIDY DIRECTLY TO THE SHIPYARD INSTEAD OF HAVING IT PASS THROUGH THE SHIP OPERATOR AS AT PRESENT. UNDER THIS SYSTEM, IT IS ENVISIONED THAT THE SHIPYARDS WILL DEVELOP THEIR OWN EXPERTISE IN THE DESIGN OF SHIPS AND WILL ACTIVELY COMPETE TO SELL THEIR PRODUCT TO THE SHIP OPERATORS.

THE LEGISLATION ESTABLISHES A COMMISSION ON AMERICAN SHIPBUILDING WHICH WILL BE APPOINTED BY THE PRESIDENT AND WILL MONITOR THE SUCCESS OF THE PROGRAM.

I BELIEVE THE MARITIME ACT OF 1970 PROVIDES THE FOUNDATION FOR A VIABLE AMERICAN-FLAG FLEET FOR THE NEXT TWO DECADES.

I MENTIONED AT THE OUTSET THAT I



NOW SPEAK OF THE MERCHANT MARINE WITH HOPE. IT IS THIS LANDMARK LEGISLATION WHICH GIVES ME THAT HOPE. IT IS SPECIFICALLY DESIGNED TO REMEDY THE MANY DEFECTS I HAVE TOUCHED UPON. AND SO THERE IS GOOD CAUSE FOR OPTIMISM AS TO THE HEALTH OF THIS NATION'S TRIED AND TRUE FRIEND, ITS MERCHANT MARINE.

LET ME SPEAK NOW OF THE FUTURE OF THE U.S. MERCHANT MARINE ACADEMY. THAT FUTURE IS, AS A RESULT OF THE NEW MARITIME PROGRAM, CONSIDERABLY BRIGHTER AND BROADER.

ALTHOUGH WE WILL BE BUILDING 300 NEW SHIPS, WE WILL BE MOTHBALLING MORE THAN THAT NUMBER OF OBSOLESCE VESSELS. OUR FLEET WILL ACTUALLY BE SMALLER IN NUMBER BUT IT WILL BE LARGER IN CAPACITY.



NOW WHAT DOES THIS MEAN FOR THE U.S. MERCHANT MARINE ACADEMY? WE ARE NOT GOING TO BE CUTTING BACK AT THE ACADEMY. WE ARE GOING TO BE BROADENING OUR SCOPE. WE ARE GOING TO TRAIN OUR MERCHANT MARINE OFFICERS IN NEW WAYS — TO BE OCEANOGRAPHERS, FOR INSTANCE.

CONGRESS HAS BEEN LOOKING INTO THIS MATTER AND THE NEXT CONGRESS WILL GO INTO IT IN GREATER DEPTH. WE WILL BE UPDATING THE FEDERAL LAWS DEALING WITH THE U.S. AND STATE MERCHANT MARINE ACADEMIES.

MILLIONS OF AMERICANS ARE AWARE THAT THE MERCHANT MARINE HAS A VITAL ROLE TO PLAY IN THE FUTURE GROWTH OF THIS NATION.

THEY KNOW THAT LONG BEFORE THERE WAS A U.S. FLAG THERE WAS AN AMERICAN



MERCHANT MARINE PLYING THE TRADE ROUTES OF THE WORLD. THEY KNOW THAT THE MERCHANT MARINE SERVED THE NATION VALIANTLY DURING THE REVOLUTIONARY WAR, THE WAR OF 1812, WORLD WARS I AND II, THE KOREAN WAR AND NOW THE VIETNAM WAR.

THE MARITIME ACT OF 1970

RECOGNIZES THIS LONG AND PROUD HISTORY, AND I CONGRATULATE YOU HERE TONIGHT.

AMERICA OWES THE MERCHANT MARINE A DEBT OF GRATITUDE AND LOOKS WITH FOND FAVOR ON THE OFFICERS TRAINED IN THIS FINE ACADEMY.

I LOOK FORWARD NOW TO THE COMPLETE REVITALIZATION OF OUR MERCHANT FLEET AND TO NEW DAYS OF GLORY FOR OUR GALLANT MEN WHO GO DOWN TO THE SEA IN SHIPS.

-- END --



*Distribution: GRP + TV in GR 10/27/70 a.m. M Office Copy
20 Copies w/ Mr. Ford*

AN ADDRESS BY REP. GERALD R. FORD, R-MICH.
REPUBLICAN LEADER, U.S. HOUSE OF REPRESENTATIVES
BEFORE THE U.S. MERCHANT MARINE ACADEMY
KINGS POINT, NEW YORK
6 P.M. WEDNESDAY, OCTOBER 28, 1970

FOR RELEASE AT 6 p.m. WEDNESDAY

It is indeed an honor to be here tonight with the staff and students of the U.S. Merchant Marine Academy.

The topic that comes immediately to my mind as I speak to you tonight is the new maritime program which President Nixon signed into law on Oct. 22. It is wonderful to be able to stand here and express enthusiasm and hope concerning the merchant marine after years of mourning its decline through appalling neglect.

I am enthusiastic and hopeful because the new maritime program could, in this decade, generate the largest peacetime shipbuilding program ever undertaken in the United States.

Why is the United States finally embarking on this ambitious new program, an effort which I and others in the Congress have been urging for years?

One reason is that the Soviet Union is mounting a new threat to the United States at sea -- a threat with which our Nation will be faced long after the last American troops have been withdrawn from Vietnam.

The Soviet navy today is second only to that of the United States, and the modern Soviet merchant marine soon will be larger than the predominantly over-aged American maritime fleet in both numbers and tonnage.

Let us heed the lesson of history which tells us that the nation which builds the ships, carries the cargoes and keeps the sea lanes churning with commerce has a big voice in the world.

The Russians recognize this, and so we have been witnessing a Russian revolution at sea.

This past decade has seen the Soviet Union surge to preeminence as a world maritime power while the United States has drifted toward oblivion on the high seas.

President Nixon is all too aware of this, and so he has adopted the goal of keeping the United States a first-rate sea power with a naval fleet second to none and a merchant fleet as modern as those of other present-day maritime nations.

The maze of abortive programs and studies which have characterized the United States' approach to maritime affairs in the past decade has been most discouraging,

(more)

especially when contrasted with Russia's steady progress.

The Soviet effort to develop a navy of first rank must be considered in the light of its potential threat to our national security. The creation of a viable Soviet merchant marine should be viewed primarily as a challenge -- a challenge we can and must meet.

A modern Soviet merchant fleet now confronts us on every sealane of the world. This is an historic development surpassed only by the United States' great shipbuilding program of World War II.

Eighty per cent of the Russian fleet is now less than 10 years old and incorporates the latest technological developments in world shipbuilding relevant to the Soviet Union's maritime needs.

The Russians say they intend to double their present fleet by 1980. In view of their past performance and the fact that one-fourth of the ships under construction in the world today are for Soviet registry, I see no reason to doubt that statement.

Russian growth figures for the past decade indicate that water transportation for the Soviet Union now accounts for about 20 per cent of all domestic cargo movement as compared with 6.6 per cent in 1958. The Soviet fleet has carried more than half of the Soviet Union's foreign ocean-borne commerce since 1968.

What has happened to the U.S. merchant fleet and to our ocean-borne trade?

At the close of World War II, the U.S. merchant fleet of 3,696 ships was the largest in the world and the pride of this Nation.

In the years since that time, however, the U.S. flag fleet has steadily declined. The present foreign trade fleet numbers only 650 ships and ranks fifth in the world.

In 1968, the value of U.S. exports and imports was \$67 billion, one-third of the world's trade. But only 6 per cent of the total tonnage of that trade was carried by American flag ships.

One fact is unmistakably clear. With the growth of U.S. trade dependent upon efficient and reasonably-priced ocean transportation and the security of the Nation contingent upon the movement of men and supplies, the American shipping and shipbuilding record must be drastically improved.

How have we sunk to the abysmal low we now occupy? In 1958, when President Eisenhower spoke of an economic war facing the United States in world trade circles, the first contracts were executed under an ambitious program that would have replaced the entire subsidized liner fleet.

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During the decade that followed, our planned ship replacement program never got out of first gear. The highest performance point was reached in 1963 when contracts for 27 ships were executed. From that point forward, the program decelerated to an average level of 10 to 11 ships per year, where we have since remained.

During this period, the meager expansion of our privately-owned merchant marine was offset by a substantial decrease in the Reserve Fleet. This resulted in a net decrease of 7.5 million tons. And during this same time span, the average age of the entire U.S. merchant fleet lengthened from 14 to 27 years. I repeat -- 27 years!

During the critical decade of the Sixties, the Nation's maritime program drifted aimlessly in a sea of governmental neglect and confusion. The Eisenhower shipbuilding program was scrapped and the American merchant fleet was virtually scuttled -- over the vigorous and repeated protestations of the Congress.

I personally called repeatedly for a redirection and restoration of our maritime program.

In October 1969, President Nixon proposed a comprehensive long-range merchant shipbuilding program to restore this country to a proud position in the shipping lanes of the world.

Legislation incorporating the President's proposals was introduced by all members of the House Merchant Marine and Fisheries Committee.

We now are about to see the first fruits of that legislation -- a new maritime program that will build 300 merchant ships over the next 10 years and will extend operating subsidies to almost the entire fleet.

The new shipbuilding program will triple the current output of 10 ships a year while slowly reducing the Government's subsidy for each new vessel from the current 55 per cent of the shipyard price to a maximum of 35 per cent.

The purpose of the program is not simply to preserve our merchant fleet but to modernize it.

Cost of the new program over the next 10 years is nearly \$2.7 billion. There must be justification for that kind of an outlay -- and there is.

The foreign trade of the United States has reached truly staggering proportions. It now accounts for one-third of total world trade and is valued at about \$70 billion.

There was a time when the United States was reasonably self-sufficient in terms of basic raw materials. That time is gone forever. The United States can no

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longer rely exclusively on domestic sources for oil, iron ore, bauxite, and the myriad other raw materials from which industry fashions the goods our economy demands.

Presently, our liner trade involves the carriage of about 46 million tons annually, while our bulk trades account for almost 350 million tons.

At the end of the President's projected 10-year shipbuilding program, our liner trade will have increased to perhaps 60 million tons a year, and our bulk trades will have increased to between 550 million and 600 million tons.

Our ability to sustain our economy will become more and more dependent upon the availability of foreign raw materials. Herein lies the answer to the basic question: Why a maritime program now?

If American-flag ships are not built to transport a reasonable percentage of our expanding foreign trade, we will be totally dependent upon foreign shipping interests to move those goods. We cannot afford that dependence.

We know that freight rates in the world shipping market are subject to tremendous escalation whenever normal trading patterns are upset. The closing of the Suez Canal was the classic example of this in recent times.

A country which becomes increasingly dependent upon foreign raw materials is in double jeopardy if it loses complete control over the means of insuring the flow of those raw materials.

We must, therefore, have a merchant marine which insures that at least our minimum needs can be met.

Something that is generally overlooked is the fact that the direct investment we will make in our shipbuilding program over the next 10 years will be almost entirely offset.

These ships will earn roughly \$2 billion, money which would otherwise be paid to foreign-flag carriers.

Our balance of payments will, therefore, be substantially improved by our shipbuilding program.

In addition, the Federal Government will realize between one-half and three-quarters of a billion dollars in increased tax revenue.

Thus the net cost of this program over a 10-year period will be minimal.

Now let me spell out in some detail just what the Maritime Act of 1970 provides.

Broadly speaking, it will encourage the development of bulk-carrying capacity under the American flag because it will enable those carriers not now receiving operating subsidies to accumulate the capital needed for ship construction through

(more)

deferral of tax on earnings deposited in construction accounts.

It will rationalize the computation of operating subsidy through the establishment of a wage index system and will eliminate much of the red tape built into the Maritime Act of 1936.

It permits payment of the shipbuilding subsidy directly to the shipyard instead of having it pass through the ship operator as at present. Under this system, it is envisioned that the shipyards will develop their own expertise in the design of ships and will actively compete to sell their product to the ship operators.

The legislation establishes a Commission on American Shipbuilding which will be appointed by the President and will monitor the success of the program.

I believe the Maritime Act of 1970 provides the foundation for a viable American-flag fleet for the next two decades.

I mentioned at the outset that I now speak of the Merchant Marine with hope. It is this landmark legislation which gives me that hope. It is specifically designed to remedy the many defects I have touched upon. And so there is good cause for optimism as to the health of this Nation's tried and true friend, its Merchant Marine.

Let me speak now of the future of the U.S. Merchant Marine Academy. That future is, as a result of the new maritime program, considerably brighter and broader.

Although we will be building 300 new ships, we will be mothballing more than that number of obsolescent vessels. Our fleet will actually be smaller in number but it will be larger in capacity.

Now what does this mean for the U.S. Merchant Marine Academy? We are not going to be cutting back at the academy. We are going to be broadening our scope. We are going to train our merchant marine officers in new ways -- to be oceanographers, for instance.

Congress has been looking into this matter and the next Congress will go into it in greater depth. We will be updating the Federal laws dealing with the U.S. and state merchant marine academies.

Millions of Americans are aware that the merchant marine has a vital role to play in the future growth of this nation.

They know that long before there was a U.S. flag there was an American merchant marine plying the trade routes of the world. They know that the merchant marine served the Nation valiantly during the Revolutionary War, the War of 1812,

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World Wars I and II, the Korean War and now the Vietnam War.

The Maritime Act of 1970 recognizes this long and proud history, and I congratulate you here tonight.

America owes the merchant marine a debt of gratitude and looks with fond favor on the officers trained in this fine Academy.

I look forward now to the complete revitalization of our merchant fleet and to new days of glory for our gallant men who go down to the sea in ships.

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One reason is that the Soviet Union is mounting a new threat to the United States at sea -- a threat with which our Nation will be faced long after the last American troops have been withdrawn from Vietnam.

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In the years since that time, however, the U.S. flag fleet has steadily declined. The present foreign trade fleet numbers only 650 ships and ranks fifth in the world.

In 1968, the value of U.S. exports and imports was \$67 billion, one-third of the world's trade. But only 6 per cent of the total tonnage of that trade was carried by American flag ships.

One fact is unmistakably clear. With the growth of U.S. trade dependent upon efficient and reasonably-priced ocean transportation and the security of the Nation contingent upon the movement of men and supplies, the American shipping and shipbuilding record must be drastically improved.

How have we sunk to the abysmal low we now occupy? In 1958, when President Eisenhower spoke of an economic war facing the United States in world trade circles, the first contracts were executed under an ambitious program that would have replaced the entire subsidized liner fleet.

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During the decade that followed, our planned ship replacement program never got out of first gear. The highest performance point was reached in 1963 when contracts for 27 ships were executed. From that point forward, the program decelerated to an average level of 10 to 11 ships per year, where we have since remained.

During this period, the meager expansion of our privately-owned merchant marine was offset by a substantial decrease in the Reserve Fleet. This resulted in a net decrease of 7.5 million tons. And during this same time span, the average age of the entire U.S. merchant fleet lengthened from 14 to 27 years. I repeat -- 27 years!

During the critical decade of the Sixties, the Nation's maritime program drifted aimlessly in a sea of governmental neglect and confusion. The Eisenhower shipbuilding program was scrapped and the American merchant fleet was virtually scuttled -- over the vigorous and repeated protestations of the Congress.

I personally called repeatedly for a redirection and restoration of our maritime program.

In October 1969, President Nixon proposed a comprehensive long-range merchant shipbuilding program to restore this country to a proud position in the shipping lanes of the world.

Legislation incorporating the President's proposals was introduced by all members of the House Merchant Marine and Fisheries Committee.

We now are about to see the first fruits of that legislation -- a new maritime program that will build 300 merchant ships over the next 10 years and will extend operating subsidies to almost the entire fleet.

The new shipbuilding program will triple the current output of 10 ships a year while slowly reducing the Government's subsidy for each new vessel from the current 55 per cent of the shipyard price to a maximum of 35 per cent.

The purpose of the program is not simply to preserve our merchant fleet but to modernize it.

Cost of the new program over the next 10 years is nearly \$2.7 billion. There must be justification for that kind of an outlay -- and there is.

The foreign trade of the United States has reached truly staggering proportions. It now accounts for one-third of total world trade and is valued at about \$70 billion.

There was a time when the United States was reasonably self-sufficient in terms of basic raw materials. That time is gone forever. The United States can no

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longer rely exclusively on domestic sources for oil, iron ore, bauxite, and the myriad other raw materials from which industry fashions the goods our economy demands.

Presently, our liner trade involves the carriage of about 46 million tons annually, while our bulk trades account for almost 350 million tons.

At the end of the President's projected 10-year shipbuilding program, our liner trade will have increased to perhaps 60 million tons a year, and our bulk trades will have increased to between 550 million and 600 million tons.

Our ability to sustain our economy will become more and more dependent upon the availability of foreign raw materials. Herein lies the answer to the basic question: Why a maritime program now?

If American-flag ships are not built to transport a reasonable percentage of our expanding foreign trade, we will be totally dependent upon foreign shipping interests to move those goods. We cannot afford that dependence.

We know that freight rates in the world shipping market are subject to tremendous escalation whenever normal trading patterns are upset. The closing of the Suez Canal was the classic example of this in recent times.

A country which becomes increasingly dependent upon foreign raw materials is in double jeopardy if it loses complete control over the means of insuring the flow of those raw materials.

We must, therefore, have a merchant marine which insures that at least our minimum needs can be met.

Something that is generally overlooked is the fact that the direct investment we will make in our shipbuilding program over the next 10 years will be almost entirely offset.

These ships will earn roughly \$2 billion, money which would otherwise be paid to foreign-flag carriers.

Our balance of payments will, therefore, be substantially improved by our shipbuilding program.

In addition, the Federal Government will realize between one-half and three-quarters of a billion dollars in increased tax revenue.

Thus the net cost of this program over a 10-year period will be minimal.

Now let me spell out in some detail just what the Maritime Act of 1970 provides.

Broadly speaking, it will encourage the development of bulk-carrying capacity under the American flag because it will enable those carriers not now receiving operating subsidies to accumulate the capital needed for ship construction through

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deferral of tax on earnings deposited in construction accounts.

It will rationalize the computation of operating subsidy through the establishment of a wage index system and will eliminate much of the red tape built into the Maritime Act of 1936.

It permits payment of the shipbuilding subsidy directly to the shipyard instead of having it pass through the ship operator as at present. Under this system, it is envisioned that the shipyards will develop their own expertise in the design of ships and will actively compete to sell their product to the ship operators.

The legislation establishes a Commission on American Shipbuilding which will be appointed by the President and will monitor the success of the program.

I believe the Maritime Act of 1970 provides the foundation for a viable American-flag fleet for the next two decades.

I mentioned at the outset that I now speak of the Merchant Marine with hope. It is this landmark legislation which gives me that hope. It is specifically designed to remedy the many defects I have touched upon. And so there is good cause for optimism as to the health of this Nation's tried and true friend, its Merchant Marine.

Let me speak now of the future of the U.S. Merchant Marine Academy. That future is, as a result of the new maritime program, considerably brighter and broader.

Although we will be building 300 new ships, we will be mothballing more than that number of obsolescent vessels. Our fleet will actually be smaller in number but it will be larger in capacity.

Now what does this mean for the U.S. Merchant Marine Academy? We are not going to be cutting back at the academy. We are going to be broadening our scope. We are going to train our merchant marine officers in new ways -- to be oceanographers, for instance.

Congress has been looking into this matter and the next Congress will go into it in greater depth. We will be updating the Federal laws dealing with the U.S. and state merchant marine academies.

Millions of Americans are aware that the merchant marine has a vital role to play in the future growth of this nation.

They know that long before there was a U.S. flag there was an American merchant marine plying the trade routes of the world. They know that the merchant marine served the Nation valiantly during the Revolutionary War, the War of 1812,

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World Wars I and II, the Korean War and now the Vietnam War.

The Maritime Act of 1970 recognizes this long and proud history, and I congratulate you here tonight.

America owes the merchant marine a debt of gratitude and looks with fond favor on the officers trained in this fine Academy.

I look forward now to the complete revitalization of our merchant fleet and to new days of glory for our gallant men who go down to the sea in ships.

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