

The original documents are located in Box D32, folder “Seafarers International Union, AFL-CIO, Washington, DC, December 8, 1971” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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It was just over a year ago that President Nixon signed into law the Merchant Marine Act of 1970. With that signature, he put into effect legislation that had twin purposes:

-- First, to bring back to our nation a strong, viable and profitable privately-owned maritime industry.

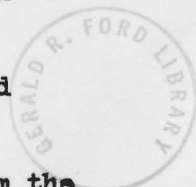
-- Second, to develop for the United States a merchant fleet that would guarantee that our country would have the oceangoing capacity to promote its economy in times of peace, and to protect the vital flow of materials in times of conflict.

It is timely and appropriate to report to you now on what has been done--and what is being done--to implement the Merchant Marine Act of 1970.

Every major provision[#] of the Act has been carried out, including all the ~~most~~ innovative features that give a new dimension and scope to this Nation's maritime policies.

I would be less than candid if I told I am fully satisfied with the progress made to date. In one important area progress has fallen short of expectations. It was the intention to award contracts for the subsidized construction of 19 new merchant ships during fiscal year 1971 -- the first year of the new program. A total of only 12 new ships were ordered.

But while the new construction contracts encompassed only 12 ships, the award of contracts covering the subsidized conversion of 11 existing ships into fully containerized vessels also was made during the past fiscal year. Significantly, nearly all of the containership conversions will be completed within 12 months from the contract award dates. New construction contracts awarded during the year call for delivery dates ranging from two to three years from the



time of contract signing. But ⁹the lines undertaking the conversions will be able to place highly productive vessels in service in a relatively short period of time.

Nor should it be overlooked that while our new construction plans fell short of the mark, subsidized shipbuilding and conversion contracts awarded in fiscal year 1971 exceeded \$390 million -- a record high. Of this amount, \$171 million will be borne by the government, the largest construction subsidy commitment made in any single year since the inception of the subsidized program thirty-five years ago.

Several factors have contributed to the less than anticipated volume of new construction contracts: The expected surge of orders for liquid and dry bulk carriers was undermined by the softening of the bulk charter market. Additionally, the generally poor earnings of American-flag lines and the resulting difficulty in lining up investment capital at reasonable interest rates hindered many operators planning new construction.

We do not regard these impediments as long-term. We believe that American shipyards are crossing the threshold to one of the largest commercial shipbuilding markets in the industry's peacetime history.

Now let us look at some of the many accomplishments under the 1970 Act:

- 1. Construction and operating subsidies for two combination oil/bulk/ore vessels were awarded. These are the first bulk carriers to receive both forms of Federal assistance.



----- 2. The first new operating differential subsidy agreement with a liner operator in 10 years was executed.

----- 3. The Maritime Administration is effectively exercising its strengthened authority under the new law to monitor and regulate the shipments of government-impelled cargoes. It has put into effect three new rules designed to provide more equitable treatment and participation of American-flag operators. These cover reporting requirements for the shipper agencies, fixing of the U.S.-flag share of such cargoes before the foreign-flag allocations, and measuring the movements in terms of freight revenues as well as tonnage. Additional regulations governing such shipments are expected to be put into effect in the near future.

----- 4. To assist the shipping and shipbuilding industries to increase their productivity, a fourfold increase in the Maritime Administration's research and development programs and funding levels has been achieved. Additionally, a National Maritime Research Center has been established at the U. S. Merchant Marine Academy. Primary emphasis is being placed on R&D projects which offer the promise of near-term application of advanced technology.



----- 5. To assist American-flag operators to garner a larger share of this Nation's foreign trade cargoes, the Maritime Administration has established an Office of Market Development. A network of seven field offices are now located on the East, Gulf and West Coasts and the Great Lakes to promote shipper patronage of our merchant marine. Additionally, a continuing flow of detailed data on foreign trade shipments is provided to the American-flag lines to help them to identify and capitalize on marketing opportunities.

Let's look now at the future prospects of the maritime industry.

As ~~mentioned~~st earlier, I believe that in terms of commercial ship construction, the shipyard industry is entering one of the most dynamic peacetime periods in its history.

Our forecasts indicate that U. S. foreign trade tonnage will rise by as much as 80 per cent in this decade -- from an annual movement of 470 million tons in 1970 to more than 800 million in 1980.

Traditional liner type commodities are expected to increase by more than 25 per cent in this period, although much of the ~~growth~~^{growth} will be in the ~~new~~ bulk category which is expected to be moved in shipload lots by nonscheduled carriers. As a consequence, I see the high-revenue tonnage moved by liner-type vessels holding relatively constant, approximating 55 to 60 million tons annually during this decade. The replacement of vessels in liner trades will continue to be an important part of the shipbuilding program.

It is the projected increase of our bulk trade movement that offers a major new market for American shipyards, now that bulk carriers are eligible for construction and operating subsidies.

By 1980, we expect the bulk movement to exceed 650 million tons, reflecting a 56 per cent increase in the dry bulk movement and an 83 per cent increase in the liquid bulk tonnage. Virtually all of the latter represents petroleum imports to contend with this nation's mounting energy crisis which becomes more critical with each passing year.

By the mid-1980's foreign imports are expected to account for two-thirds of our petroleum supply. To put this into perspective, to transport these imports will require as much tanker tonnage as now exists in the combined world fleet -- 153 million deadweight tons.

With the subsidy assistance now available for such ships, American shipyards and shipping companies will be able to capitalize on this marketing opportunity. Present indications are that we will approve construction subsidy applications for at least eight 225,000 deadweight ton tankers this fiscal year. These will be the forerunners of what promises to be a sizable number of these very large crude carriers in our fleet.

In terms of the expected increase in liquified natural gas imports, it is estimated that as many as 80 LNG tankers of the 120,000 cubic meter size will be required to meet domestic demands for this clean burning fuel. Here again, a substantial number of these ships may be built in this country and operated under the U. S. flag.



The LNG market isn't one that might materialize in a few years. It exists today. For a number of years many gas companies in the Northeast have refused to accept any new additional industrial customers because of their inability to obtain sufficient supplies from domestic producers. *Recently,*

~~this week~~ the Washington Gas Light Company serving the Nation's Capital and the surrounding Maryland and Virginia suburbs adopted a similar policy.

So there is ample evidence of the need to bring in overseas gas supplies.

Late in October, MarAd received subsidy applications from Transportation Techniques, Inc., for the construction of three LNG tankers. And a few days later the El Paso Natural Gas Company announced plans to construct six LNG carriers in U. S. yards, at an estimated cost of \$70 million each, to import Algerian gas.

So far this fiscal year, however, only one contract under the shipbuilding program has been actually signed, this one for the conversion of one conventional freighter into a containership at a total cost of \$9.5 million.

Another type of bulk carrier which should figure importantly in the subsidized shipbuilding program is the oil/bulk/ore ship, or OBO. Two of these combination liquid and dry bulk vessels of 80,000 deadweight tons have been ordered to date, and it is expected subsidy applications for two in the 160,000-ton size will be approved in the near future.

Another promising market for the shipbuilders is represented by the Alaskan oil discoveries. While no decision has been rendered as yet by the Department of Interior on the Alyeska pipeline linking the oil fields on the North Slope with the port of Valdez on Alaska's South Coast, the energy



crisis confronting this Nation should dictate a go-ahead. A favorable decision is expected to generate the construction of more than 30 large tankers ranging in size from 125,000 to 250,000 tons, all of which will have to be built in U. S. yards under the Jones Act provision.

To complete the shipbuilding outlook, I think it should not be overlooked that the domestic shipping segment offers additional promising prospects for new ship construction. The long standing famine of new commercial ship construction on the Great Lakes has been broken, with three bulk carriers and one tug-barge combination presently building or on order. Because of an enormous fleet obsolescence problem and as a result of the liberalization of the tax-deferred construction reserve fund eligibility and expanded mortgage insurance program provided by the 1970 Act, we expect to see a strong volume of shipbuilding activity on the Great Lakes.

In conclusion, we have made ~~the~~ ^{considerable} progress in implementing the Merchant Marine Act of 1970. The building of these new ships will help restore this Nation's merchant marine to its former preeminence. In the process, substantial employment opportunities for labor will be created in the marine supply industries, at sea and in the shipyard.

We have difficult problems to overcome, but this Administration is ~~following~~ following a course which will again bring us to a leadership position on the seas.

And I ~~am~~ assure you that you will have the continuing support of members of Congress on both sides of the aisle. They have shown by their overwhelming support of the Merchant Marine Act and by their continuing interest in the maritime industry that they do not intend to quit until the job is done.

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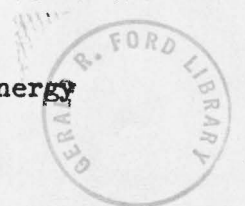
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