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95-12 TANKER CONSTRUCTION OVERSIGHT
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HEARING

BEFORE THE

COMMITTEE ON

MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

OVERSIGHT HEARING ON THE IMPACT OF TANKER
CONSTRUCTION ON NAVY SHIPBUILDING NEEDS AND
H.R. 1037, THE ENERGY TRANSPORTATION SECURITY
ACT OF 1977

JULY 13, 1977

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CHAPTER I

The first part of the book is devoted to a general survey of the history of the subject. It begins with a brief account of the early attempts to explain the origin of life, and then proceeds to a more detailed examination of the various theories which have been advanced. The author then discusses the progress of the science of biology, and the various branches which have been developed. He then turns to a consideration of the principles of natural philosophy, and the various theories which have been advanced to explain the origin of the universe. The book concludes with a chapter on the philosophy of science, and the various theories which have been advanced to explain the nature of truth and knowledge.

TANKER CONSTRUCTION OVERSIGHT AND CARGO EQUITY

WEDNESDAY, JULY 13, 1977

HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 1334, Longworth House Office Building, Hon. John M. Murphy (chairman) presiding.

Present: Representatives Murphy, Jones, Biaggi, AuCoin, Zeferetti, Hughes, Bonior, Akaka, Ruppe, McCloskey, Treen, Lent, Emery, Evans and Tribble.

The CHAIRMAN. The committee will come to order.

The committee is pleased to have with us today, as the representative of the Department of Defense, the Honorable W. Graham Claytor, Jr., the Secretary of the Navy, and Vice Adm. C. R. Bryan, Commander, Naval Sea Systems Command; his Special Assistant for Shipbuilding, Rear Adm. Edward J. Otth, Jr., and from the Office of the Chief of Naval Operations, Vice Adm. J. H. Doyle, Jr., and Vice Adm. Edward W. Cooke.

I noted that in the Chief of Naval Operations' Annual Posture Statement to the Senate Appropriations Committee and Armed Services Committee Admiral Holloway stated " * * * U.S. national security cannot be assured without the balance of maritime superiority residing in favor of the United States and its allies."

It seems to me that the basic requirement for maritime superiority is a shipbuilding industry able to produce naval vessels and a sufficient number of merchant ships to import the oil and raw materials needed to keep our industries operating and possessing immediate surge capacity.

Shipbuilding is essentially a munitions industry; every world power must recognize this fact. We cannot depend on foreign nations to provide this industrial capability, or supply it with materials of war. Yet, we find ourselves in the position of relying on foreign sources for critical raw materials, and our energy resources. It is disastrous to compound this by continuing to depend on foreign-flag tankers to carry nearly 100 percent of our oil imports.

I believe enactment of a national cargo policy will bring an element of security to the delivery of our energy requirements. We must achieve self-reliance and independence in the transportation of raw materials and fuel. And President Carter addressed himself to that policy last fall.

The security of the United States, industrially as well as militarily, demands that we exercise greater direct control of our seaborne transportation through the employment of U.S.-flag ships. The foremost means of developing an adequate and modern U.S.-flag fleet is to have a guaranteed supply of cargo.

The U.S. merchant marine is dependent on its capability to secure cargo, and the American shipbuilding industry's construction of merchant ships and combatants is generally dependent on the health and future prospects of the merchant marine.

Despite the drastic decline in the shipbuilding market and the continuing uncertainties in the industry, U.S. shipyards programed approximately \$132.5 million for improvement of facilities during the current fiscal year. Obviously, shipbuilders cannot continue to make expenditures of this magnitude under current conditions.

Commercial shipyards are a national asset that must be maintained. The Secretary of the Navy and the Secretary of Commerce must coordinate naval and commercial shipbuilding to achieve a reasonably constant workload.

If effective solutions are not found for the constant instability in shipyard workloads and procurement patterns, the country is in danger of having its overall shipbuilding and ship repair base seriously depleted.

Since wartime capability almost always is needed on short notice, both the trained labor force and facilities must be in place during peacetime.

I recall the statement of Adm. William D. Leahy, U.S. Navy, during World War II: "When you need the ships it's too late to build them".

We cannot again risk going "In Harm's Way." The needless and tragic shipping losses of the last two World Wars are bitter testimonials to the mistake of being unprepared. The judgment of history upon those nations who have neglected their responsibilities as major ocean powers has been devastating.

It is my personal belief that seapower is vital to the survival of the United States. By "seapower" I mean a larger, technologically superior Navy and merchant marine, supported by the Department of Defense and the administration.

At a time when the Navy is, unfortunately, becoming smaller because of budgetary constraints, it is in the interest of national security to encourage the growth and stability of the merchant marine, shipbuilding and its supporting industries, and to develop a strong and cooperative working relationship between the two sea services. I hope our exchange here today will actively further such a relationship.

On July 7 President Carter announced his position on the cargo equity legislation before this committee. The administration has agreed in principle to a Federal plan to give preference to U.S.-flag tankers in the importation of foreign oil. Beginning with the carriage of 4½ percent of imported oil, the Carter proposal would escalate the percentage to 9½ percent over the next 5 years.

With the support of the President, I am convinced this legislation will pass the Congress and become law.

It will be significant in reducing our Nation's dependence on foreign-flag vessels for the importation of oil.

And, it will be significant in effecting stability of the shipbuilding industrial base, essential to our defense preparedness.

The committee would like to know the precise impact additional tanker construction will have on Navy shipbuilding requirements, and whether the shipbuilding industry is adequate as a mobilization base.

I have asked for this hearing in recognition of the importance of naval construction to the shipbuilding and repair industry, because national defense requirements must have first priority.

And, Secretary Claytor, we are grateful that you came today to present the Department of Defense's position. I might add that it is the first time in many years that a Secretary of the Navy has come before this committee to discuss the interface between the merchant marine and the U.S. Navy. We welcome you today. Your prepared statement will appear at this point in the record.

[The statement follows:]

STATEMENT OF THE HONORABLE W. GRAHAM CLAYTON, JR.,
SECRETARY OF THE NAVY

W. Graham Claytor, Jr., was nominated by President Carter to be Secretary of the Navy on 7 February 1977, confirmed by the Senate on 11 February, and sworn into office on 14 February 1977.

Mr. Claytor was born in Roanoke, Virginia, on 14 March 1912, and is the son of Graham and Gertrude Harris (Boatwright) Claytor. He married the former Frances Hammond in 1948. They have two children: a daughter, Murray, and a son, Graham, III. Mrs. Claytor was commissioned Ensign USNR in 1942 and served throughout World War II in Eastern Sea Frontier headquarters. She was promoted to the rank of Lieutenant Commander prior to release from active duty in 1946.

Mr. Claytor received his Bachelor of Arts Degree from the University of Virginia and is a graduate of the Harvard Law School, where he was President of the Harvard Law Review from 1935 to 1936.

After serving successively as Law Clerk to the late U.S. Court of Appeals Judge Learned Hand and to the late U.S. Supreme Court Justice Louis D. Brandeis, Mr. Claytor was admitted to the New York and District of Columbia bars, and from 1938 to 1967 was an associate and partner of the firm of Covington and Burling in Washington, D.C., with leave of absence for Naval service in World War II.

He served on active duty in the U.S. Navy during World War II. Entering service as an Ensign in 1941, he was promoted to the rank of Lieutenant Commander prior to his release from active duty in 1946. During this period he served as Commanding Officer of a submarine chaser, USS SC-516 in 1942-43, and as Commanding Officer of U.S.S. *Lee Fox* (DE-65) from 1943 to 1944, and of U.S.S. *Cecil J. Doyle* (DE-368) from 1944 to 1945.

He joined the Southern Railway System on 1 September 1963 as Vice President-Law. He was elected President, Southern Railway Company, on 1 October 1967, and Chairman of the Board from 1 March 1976 until 10 February 1977. Mr. Claytor also served as President and a Director of Southern Railway System companies and as Chairman of the Board of the Central of Georgia Railroad Company and other affiliated lines of the Southern Railway System.

He is a member of the American Bar Association, the American Law Institute, the American Judicature Society, the Advisory Board of the University of Virginia's Center for Advanced Studies, and Harvard Law School Association.

He is an associate member of the American Society of Corporate Executives and the National Railway Historical Society.

Mr. Chairman and Members of the Committee. It is a privilege for me to appear before this Committee and to discuss some of the major aspects of H.R. 1037 which are of particular importance to the Navy. I have with me this morn-

ing VADM Doyle, Deputy Chief of Naval Operations for Surface Warfare; VADM Cooke, Deputy Chief of Naval Operations for Logistics; VADM Bryan, Commander, Naval Sea Systems Command; and RADM Otth, Special Assistant for Shipbuilding, Naval Sea Systems Command.

I would like to concentrate my preliminary remarks on two areas of concern to the Navy. First, the potential impact of increased tanker construction on the Navy shipbuilding program as a result of cargo preference legislation; and second, the value to the Department of Defense of having U.S. flag ships involved in American shipping in preference to foreign vessels. Let me address the shipbuilding area first.

Clearly, an efficient, productive shipbuilding and repair industry in the United States is essential to our Navy and to the Nation's Defense. It follows, therefore, since all of the Navy's new construction and some 30 percent of our ship repair is being accomplished in private yards, that the health of commercial shipbuilding in this country is most important to us. Beside that, the requirement to maintain an adequate mobilization base both for ship construction and repair is a defense requirement mandated by the Merchant Marine Act of 1970. While the Commerce Department is charged in that act with overall responsibility for the adequacy, Navy work has been—and will continue to be—a major factor in maintaining that base.

We work closely with the Maritime Administration—through the Joint Policy and Planning Committee, and the Joint MARAD/Navy Shipbuilding and Repair Committee—in supporting this mobilization base. Joint assessments are made, for instance, as to whether anticipated shipbuilding programs can be accommodated by the industry, as well as what the impact of such programs might be on the Navy's shipbuilding plans for the long run. In addition, we are completing a Navy/MARAD Study of the adequacy of the shipbuilding base for mobilization; with the conclusion now under final review. Such studies as these form the analytic basis for our joint efforts. They also show quite consistently that a steady, stable workload of naval and merchant ship construction is essential to this base; and that surges and lags in workloads are needlessly expensive, both to the industry and the taxpayer.

There is some concern whether the industry will have the capacity to accommodate both Navy and Merchant shipbuilding. So I believe a discussion of the shipbuilding base might be helpful at this point. For our purposes, the base can be defined satisfactorily as those 27 shipyards determined by the Maritime Administration to be capable of building seagoing vessels of 475 feet by 68 feet, or larger. All of the Navy's new warship construction is handled by these shipyards which, in April of this year, were devoting 48 percent of their optimum manpower capacity to Navy work. Similarly, if we project the Navy's shipbuilding and repair requirements through 1983, as shown in the current Five Year Defense Plan, it is our estimate that we would use up to a maximum of about 54 percent of this capacity at any given time during the next five years.

H.R. 1037 calls for 30 percent of petroleum imports to be carried in U.S. flag ships by 1980. If the necessary new shipping generated by this Act were to be added to other shipbuilding programs already underway or anticipated, it is highly doubtful that the total capacity of the national shipbuilding industry could meet the full requirements in that time frame. Accordingly, I think that adjustments in the amount—or timing—of any such tanker construction should be made if turbulence is to be avoided. The Administration's recently announced decision to support an increase in the amount of petroleum carried by U.S. Flag ships to 9½ percent in five years would plainly accommodate this adjustment. I support this position, since the ship construction requirements to reach that percentage are within the capabilities of the U.S. shipbuilding industry and will not adversely impact on Navy's shipbuilding needs.

A second area I would like to address concerns the value to our National Defense of having U.S. Flag ships transport American cargoes in preference to foreign vessels. Certainly, U.S. Flag ships, when owned and operated by U.S. citizens, are likely to be more responsive to national emergencies. However, current U.S. Flag tonnage, by itself, is inadequate to satisfy both defense and commercial needs in event of war or national emergency; any increase in U.S. Flag ships will obviously improve this situation. Even with increased U.S. Flag tonnage of tankers, we would have to continue to rely on our NATO allies and others to provide the reliable backup in merchant shipping on which we have depended during emergencies in the past.

In summary, the Administration plan to increase the percentage of petroleum imports carried by U.S. Flag tankers to 9½ percent over the next five years plainly would not overtax the U.S. shipbuilding industry; it would strengthen the nation's mobilization base; it is compatible with the Navy's own shipbuilding needs; and it contributes to our national defense needs.

Thank you Mr. Chairman.

STATEMENT OF HON. W. GRAHAM CLAYTOR, JR., SECRETARY OF THE NAVY; ACCOMPANIED BY VICE ADM. C. R. BRYAN, COMMANDER, NAVAL SEA SYSTEMS COMMAND; VICE ADM. J. H. DOYLE, JR., DEPUTY CHIEF OF NAVAL OPERATIONS FOR SURFACE WARFARE; VICE ADM. EDWARD W. COOKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR LOGISTICS; AND REAR ADM. EDWARD J. OTTH, JR., SPECIAL ASSISTANT FOR SHIPBUILDING, NAVAL SEA SYSTEMS COMMAND

Secretary CLAYTOR. Thank you, Mr. Chairman.

It is a great pleasure for me to appear before this committee today, and I am happy to have with me Admiral Doyle, Admiral Cooke, Admiral Bryan, and Admiral Otth, who will assist in answering the committee's questions.

I would like to start with a brief statement, and then, after that we would like to address ourselves to the questions that the members of the committee might have.

I would like to concentrate my preliminary remarks on two areas of concern to the Navy. First, the potential impact of increased tanker construction on the Navy shipbuilding program as a result of cargo preference legislation; and second, the value to the Department of Defense of having U.S.-flag ships involved in American shipping in preference to foreign vessels. Let me address the shipbuilding area first.

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Similarly, if we project the Navy's shipbuilding and repair requirements through 1983, as shown in the current 5-year defense plan, it is our estimate that we would use up to a maximum of about 54 percent of this capacity at any given time during the next 5 years.

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Even with increased U.S.-flag tonnage of tankers, we would have to continue to rely on our NATO allies and others to provide the reliable backup in merchant shipping on which we have depended during emergencies in the past.

In summary, the administration plan to increase the percentage of petroleum imports carried by U.S.-flag tankers to 91½ percent over the next 5 years plainly would not overtax the U.S. shipbuilding industry; it would strengthen the Nation's mobilization base; it is compatible with the Navy's own shipbuilding needs, and it contributes to our national defense needs.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary.

You raised the question of turbulence in your statement; turbulence, caused by a 20 to 30 percent requirement, as in H.R. 1037; and you referred to capacity. Have the Navy studies taken into account the expandability of the current shipbuilding base?

Secretary CLAYTOR. I think they have, Mr. Chairman. It is a matter of timing, as well as volume, of course, and I would like Admiral Bryan, who is really on top of these studies, to answer the question, if I might.

Admiral BRYAN. Yes, sir.

Regarding the expandability of our existing shipbuilding base, there is no question that it is expandable. The issue is to what degree is it expandable in a sensible fashion, and in what time frame.

In June of this year, we and the Maritime Administration went to the 27 yards which, as Secretary Claytor mentioned, determined by the Maritime Administration, have the capability to build seagoing vessels, and we inquired of the presidents, or general managers of those yards, what, in their opinion and given their current facilities to start with, is the total manning level they would ideally choose for operating their shipyard with a continuous stable workload.

The results of that survey resulted, in their opinion and assuming they would be given time to acquire those skilled people, an increase in the order of 20,000 people over their current employment level. To add this to the rest of the industry, one would reach a total employment level on the order of 200,000 men in the total industry.

Today, that total industry employs about 175,000 men. So this is the view of the industry. Separately, we and the Maritime Administration have made our own professional view of what we thought was the expandability of the industry to the efficient level of their existing facilities, and we came, through our own estimating sources, to about that same value, about 200,000 people.

So, yes, sir, we have taken account of the expandability of the industry, of the existing industry.

It does seem to us, though, that that can be a dangerous and incomplete answer, if one assumes that you can expand just like that, to use those facilities.

One of the problems that plagues the industry now is the shortage of skilled labor in the shipbuilding trades and journeymen. It results in low productivity, in high turnover, which is well known among the private shipbuilding industry. Maritime Administration figures show that many shipbuilders have as high as 40 percent turnover a year.

The CHAIRMAN. Naval shipbuilders?

Admiral BRYAN. No, sir, the private shipbuilders.

The CHAIRMAN. A 40 percent turnover?

Admiral BRYAN. Many of them have a 40 percent annual turnover in their work force. It has been the subject of previous congressional hearings. The House Armed Services Committee joined with us in expressing concern over the lack of an adequate training program for shipyard journeymen, in the private sector.

So before one can practically achieve the expandability of the present industry, it seems to us that one should, as a necessary prerequisite, identify and place into being a program to train and acquire those additional people; that takes a program, and it takes time.

Mr. BIAGGI. Mr. Chairman.

The CHAIRMAN. Mr. Biaggi.

Mr. BIAGGI. On that 40 percent, would you attribute a portion of that large percentage to the language expressed by the Secretary, the lags in the buildings?

Admiral BRYAN. That, of course, has some effect, but in this context of attrition, the Maritime Administration, with the industry, attempted to identify what was turnover for the sake of worker mobility, not to accommodate volume changes.

The CHAIRMAN. Getting back to your response on expandability. It seems to me that expandability in your study was a cost-effective, efficient expandability, on a tight, cost basis.

I would think that any study would have to take into consideration the need or emergency that the country and the industry might be facing under certain conditions. There might be a cost-efficient level, an expansion of 20,000 workers, maybe an expansion of 50,000, maybe an expansion of 100,000.

Within those parameters there would be a choice to make. We should have an answer on expandability. At a meeting at the White House, prior to the announcement of the cargo equity program that the President has endorsed, one shipyard representative did not talk about his yard's expandability in hard terms. He talked about his company's contraction in real terms; from 125,000 employment down to 15,000 employment because of the contraction in Navy shipbuilding programs and the instability of commercial shipbuilding.

We saw contractibility and a movement of personnel away from shipyards.

In my own district we had a shipyard that employed 75,000 people; it went down to a level of 15,000 people, and then when it was closed, those skills were absorbed in the economy. When it reopened as a private yard, 3,000 trained workers did come back into that industry and it is a productive yard today.

When we talk about expandability, and 40 percent turnover, we are talking about instability in the shipbuilding industry, and the lack of a clearcut, long-range career pattern. Many of those skilled personnel have gone into Government jobs.

We have to look at expandability rather than the narrow criteria of a cost-effective increase.

Admiral BRYAN. I would agree, sir.

The mobilization scenario would be a different story.

The CHAIRMAN. Does the Navy have any training program for technicians in the field of ship construction?

Admiral BRYAN. Yes, sir. The Navy has a very effective apprentice program for teaching the full range of skills to its journeymen mechanics and craftsmen.

In fact, the Navy, in our public yards, accounts for almost two-thirds of all the apprentices trained by the Federal Government. It is a very sound program. It results in men and women being given skills that last them a lifetime, that make them employable throughout their life, whether they stay in naval shipyards or not. It results in a great deal of permanence and stability in the work force, because those men and women obviously generate a great deal of employees' loyalty after going through that program. We think it is very effective.

We have urged, for a long time, that some such program be expanded, or established in the private industry.

The CHAIRMAN. Mr. Secretary, what recommendations has the Secretary of the Navy made to the Secretary of Commerce concerning manpower and the ship construction base necessary for an adequate merchant marine, capable of serving as a naval auxiliary?

Secretary CLAYTOR. Again, I would like to turn to Admiral Bryan for that.

Admiral BRYAN. Yes, sir, if I may, and speaking specifically to the issue of a trained work force, to support and sustain the private shipbuilding industry, initiated by hearings before the Armed Services Committee in 1974, that committee expressed a great interest in this issue, and requested the Defense Department, in the form of the Navy, the Department of Commerce, in the form of the Maritime Commission, and the Department of Labor, to participate toward the view of establishing some kind of a nationally supported program of training workers for the shipbuilding, private shipbuilding industry.

We and the Maritime Administration have continued to press hard, and we are called on to make periodic progress reports to the Seapower Subcommittee of the House Armed Services Committee.

As I reported in my recent testimony earlier this year to that subcommittee, the Department of Labor has not yet favored designating funds for an assistance training program of this type for the shipbuilding industry, and we are looking forward now, with the change in personnel, to pressing forward again with the Maritime Administration, to see if we can get some kind of an effective, nationally sponsored program by the Department of Labor, to establish those training programs.

I regret to say that we have not been effective to date.

The CHAIRMAN. The Secretary of Commerce is required by law to allocate construction work on a regional or national basis, in order to insure an adequate shipbuilding base.

Is there any coordination between the Secretary of the Navy and the Secretary of Commerce in the commercial shipbuilding program?

It would seem to me that this is necessary.

Admiral BRYAN. As far as coordination with the Navy and Commerce on the award of ship construction, the Navy, of course, is governed by the armed services procurement regulations on its award of Naval ship construction, which does not have these geographical guidelines or guidance.

We, to the degree that we are informed by the Maritime Administration of their awards, and their plan to award, you can say there is that degree of coordination, sir, but as far as our participating in their decisions as to what ships they will build, no, sir, we do not participate in that decision.

The CHAIRMAN. Mr. Jones?

Mr. JONES. Thank you, Mr. Chairman.

Admiral, getting back to the training program, how many training schools does the Navy operate?

Admiral BRYAN. We have an apprentice program in each of our naval shipyards. All eight naval shipyards have a continuing, effective, well-managed productive apprentice training program. Everyone of them.

Mr. JONES. Thank you.

The CHAIRMAN. Mr. Ruppe?

Mr. RUPPE. I have no questions at this time.

The CHAIRMAN. Mr. Biaggi?

Mr. BIAGGI. Thank you, Mr. Chairman.

First, I would like to share the chairman's sentiments, and also welcome the Secretary to the committee.

On page 3 of your statement, you make reference to a current U.S.-flag ships transport tonnage. You say, "however, current U.S.-flag tonnage, by itself, is inadequate to satisfy both defense and commercial needs in event of war or national emergency."

In light of President Carter's stated position on cargo preference, which would accelerate this, can you tell this committee how far short we will be at the end of the 5 years, taking into consideration all of the anticipated building to accommodate this increase in transportation of oil? How far short will we be of adequate U.S.-flag tonnage?

Secretary CLAYTOR. Our experience in World War II, when we had a great deal larger merchant marine than we have today, proved that when we are faced with that type of emergency, we will be short no matter how much we have, and we have to rely on our friendly merchant vessels to provide the additional service.

We know we will be short. We know we will have to rely on our NATO Allies and our Far Eastern Allies, for their merchant shipping in any emergency.

The more that we have under the U.S.-flag, obviously the larger base we have, however, the base will never be large enough to take care of the whole problem.

Mr. BIAGGI. I did not anticipate that to be enough to operate independently, without our allies, our neighbors. But I would like to make the distinction between a normal satisfactory level of U.S.-flag tonnage, as contrasted to a national emergency situation.

Secretary CLAYTOR. I just do not think I am in a position to make a judgment on that, sir.

The U.S. merchant marine needs are going to depend on the requirements of U.S. commerce, and that is an area in which I have done no study in the short period of time that I have been Secretary of the Navy. I have been worrying mostly about our naval vessels, which presents a serious problem in itself.

Mr. BIAGGI. The thrust of my question is to ascertain whether or not when we get past the 5 years, whether 91½ percent will be sufficient, whether we should contemplate going further.

Secretary CLAYTOR. Perhaps Admiral Cooke would like to comment on that.

ADMIRAL COOKE. Our mobilization study, which was done by the Joint Chiefs of Staff, results in a finding that we have adequate ships available now, if we count on our allied forces.

For instance, we have 250 tankers in the U.S. merchant marine, we have another 330 under foreign-flag, that is under effective U.S. control. Add this to the capability of our NATO Allies, and the finding of the Joint Chiefs of Staff mobility studies is that this is adequate for carrying out our requirements in mobilization now.

As the Secretary stated, we have not quantified the specific number requirement that we would have to build to know that we would be completely capable with U.S. forces alone. That has not been done.

On the other hand, in dry cargo ships, additional studies have been made, and we can quantify them somewhat better. But it has not been done in the tanker area yet.

The CHAIRMAN. Would the gentleman yield at that point?

This Committee had a Sealift Mobility briefing, about a year ago, and then about a month and a half ago, we had another Sealift Mobility briefing. The question of the effective control of U.S. vessels was raised. The Defense Department representatives were dismayed when we informed them that most of the contracts under which the so-called effective U.S. control fleet would be called on, had expired over a year ago. We also found that there were only 16 dry cargo ships that could be recalled; that was a rather startling revelation, both to the Defense Department and to the members of this committee.

We felt that the Department of Defense and the Department of the Navy relied upon the NATO-flag fleets to support their position that there was adequate shipping to support the U.S. Navy in time of a contingency. I pointed out that that may be true in the case of an attack on NATO, but when NATO was not involved, would the United States be supported by NATO-flag ships. Would you address that specific question?

Admiral COOKE. Yes, sir.

I cannot give all of the answers on the control of the effective U.S. ships, that is, the flag-of-convenience ships. There are 330 U.S.-owned tankers in that category.

In case of mobilization, we believe those ships will be available. There is a contractual control, based on war-risk insurance, but beyond that, there is the fact that they are U.S.-owned in case of mobilization. We believe they would be available for U.S. forces.

The CHAIRMAN. What about NATO-flag ships supporting the United States in a non-NATO situation?

Admiral COOKE. In a non-NATO situation, we cannot count on NATO-flag ships. We do not know that we can.

Perhaps there would be some that we could, and some that we could not. But we do not know that we could.

The CHAIRMAN. Mr. McCloskey?

Mr. MCCLOSKEY. Mr. Secretary, in your statement, you say "We are completing a Navy/MarAd study of the adequacy of the shipbuilding base for mobilization."

This committee was advised, in two previous hearings, that this study would be completed before January of this year. In January, we were told the study would be completed by April 15.

Can you tell the committee why it is taking so long to complete that Navy/MarAd study? In March, we were told that all of the necessary facts had been gathered; all that remained was reaching a final conclusion in the Office of the Secretary of Navy, and the Office of the Secretary of Commerce; and that study would be in our hands by April 15.

Can you tell me what is taking so long?

Secretary CLAYTOR. Admiral Cooke?

Admiral COOKE. Yes, sir.

The study, as you know, Mr. McCloskey, was a joint study by the Navy and the Maritime Administration. The facts have been gathered. It addressed the——

Mr. McCLOSKEY. I understand, Admiral, that the facts are completely gathered. Then all that remains is the analysis?

Admiral COOKE. That is correct. The facts have been gathered.

Mr. McCLOSKEY. Is there any problem with delivering the facts to this committee?

Admiral COOKE. It would be raw data we would be giving you. I would have to defer to the Secretary of the Navy here, because we have not had a complete review and are not sure that we would be giving you good information.

Mr. McCLOSKEY. Let me ask again: What has delayed the completion of that study from April 15 to July 12?

Admiral COOKE. It is a matter of priorities in getting to address this by all of the various people in both the Department of Defense and the Maritime Administration.

Mr. McCLOSKEY. Who must still sign off on the report?

Admiral COOKE. Neither the Department of Defense nor the Department of Commerce have finally agreed on this.

Mr. McCLOSKEY. Tell me why—I really do not understand.

We started these oversight hearings 2 years ago, and it was recognized by the Navy and Commerce Departments that the basic element before any review of this policy could be made, was the completion of this study. I do not understand why the priorities are such that repeatedly the delivery of this study has been delayed.

Admiral COOKE. I cannot give a better answer than that, Mr. McCloskey.

Mr. McCLOSKEY. Mr. Secretary?

Secretary CLAYTOR. I do not know, either, but I can tell you that I will try to find out. It obviously has to go beyond the Navy Department.

This study has to be approved by the Department of Defense.

Mr. McCLOSKEY. The testimony to us came from a gentleman named Dr. Bennett, who we understood was a special assistant to the Department of Defense, to see that this study was completed, and his word to us was April 15 for completion. Somebody moved that date ahead.

Mr. JONES. Will the gentleman yield?

Mr. McCLOSKEY. I will be glad to yield.

Mr. JONES. I think maybe in answer to your question, it is the change in administration.

Mr. McCLOSKEY. That change occurred January 20. The statement to us came after the change in administration.

I want to give every courtesy to you, Mr. Secretary, but I do not understand why a report that was to be completed by April 15 is not completed. If I can put it in exactly the chairman's words, it is a national disgrace.

Mr. BIAGGI. Would the gentleman yield?

Mr. McCLOSKEY. I would be glad to yield in a moment.

But, I believe the chairman's precise words with respect to the relationship between the Secretary of Commerce and the Secretary of the Navy, was that the seapower of this country was a national disgrace.

The CHAIRMAN. I do not recall that I referred to the relationship between the Secretary of the Navy and the Secretary of Commerce, in this administration. My remarks were to the effect that it is a national disgrace that the U.S.-flag fleet is in the state it is today.

Secretary CLAYTOR. I will personally undertake to see what is causing the delay in final approval of the analysis of this report.

I will undertake to see to it that Defense and Commerce get together on it, as soon as possible, and get back to you. But I promise you that this is not something I have personal knowledge of at all. As I said, in the 5 months that I have been here, I have had to work on priorities, and my priorities have been the Navy budget which has been extremely hot over the last 5 months, and I have not been able to personally get into this issue, but I will get into it and get back to you.

Mr. McCLOSKEY. Mr. Secretary, I could ask for no more.

The CHAIRMAN. The Navy and Marine Corps budget.

Secretary CLAYTOR. And the Marine Corps budget, by all means.

Mr. RUPPE. The Secretary did talk in terms of priorities.

Mr. McCLOSKEY. Mr. Secretary, one other question bothers me a good deal. We understand the Russians have a merchant fleet that is adequate to serve as an auxiliary for their Navy in a time of war or national emergency. This committee has the responsibility of developing a merchant marine which is adequate in time of war or national emergency.

In its budget this year, the Navy asked for two oilers, at a cost of \$161 million each.

Now, under the cargo preference bill approved by this administration, the Government will authorize the building of new tankers. I think it would be a tragedy if the civilian tankers built under an oil cargo preference policy we may adopt, would not be suitable for services as an auxiliary to the Navy in time of war.

Have you been able to address that question among your priorities, in your first 4 months?

Secretary CLAYTOR. Yes, sir; they certainly would be able to be used as auxiliary vessels to transport fuel from oil sources to the United States for our use, and for us to move it from here to the Mediterranean for our use.

They would be unusable as fleet auxiliaries, because of the amount of special equipment required for refueling at sea, and the speed involved in fleet operations.

Mr. McCLOSKEY. Mr. Secretary, are you aware of the testing of the *Erna Elizabeth*, in 1972, on her capability of refueling Navy convoys at sea?

Secretary CLAYTOR. Not specifically, but I know a good deal about that since, in olden times as my children say, during World War II we used converted tankers for that purpose. There is quite a difference in the speeds which we need. Our fleet oilers need to have speed and equipment, that basically is not going to be built into the average ship, without a great increase in cost.

Mr. McCLOSKEY. The size of the fleet oilers you seek to build are what, 38,000 deadweight tons?

Secretary CLAYTOR. Admiral Bryan, what is the size?

Admiral BRYAN. 26,000 tons.

Mr. McCLOSKEY. In your judgment, should any of these tankers constructed to carry oil cargo, be constructed to meet the Navy's speed and equipment requirements?

Secretary CLAYTOR. Have you looked into that, Admiral Bryan?

Admiral BRYAN. We think they should be built to have certain features.

Mr. McCLOSKEY. The speed and equipment?

Admiral BRYAN. No, sir, that is not just a practical thing to do. We have looked at that, when we keep getting asked the question why build fleet oilers, why not use merchant ships, or convert tankers, and the nature of the task to be performed would require that you would have to modify the tanker, not only to get the required ship speed, but you have to modify the tanker structurally.

Mr. McCLOSKEY. You are talking of what, 22 knots for the speed of the tanker?

Admiral BRYAN. We are talking of replenishing at 15 knots, but in an kind of seaway, close coupled with a man-of-war, and with men on deck, which means you have to change your whole design, to install pumping capacity and piping, to deliver at fast rate—Admiral Doyle probably knows the details.

Mr. McCLOSKEY. Let us assume your judgment is correct. If we are to build new tankers, we have the choice between 100,000 tons, 250,000 tons, or 40,000 tons, including the equipment and speed changes to make these tankers available as auxiliaries to the Navy. Has anyone computed what the cost would be to construct a merchant marine fleet capable of eliminating the Navy's need to build special fleet oilers?

Admiral BRYAN. I do not believe anyone has computed the specific answer to your question.

Mr. BIAGGI. Will the gentleman yield?

The CHAIRMAN. The time of the gentleman has expired.

Mr. Biaggi.

Mr. BIAGGI. Pursuant to that point, what vessels do the Russians use in refueling? Do they have special naval vessels, or their merchant marine vessels?

Admiral DOYLE. They have been using auxiliary ships, but they have, for years, been using the stern method of refueling, which is time consuming. They have not yet achieved the capability to refuel alongside, which we have. Underway replenishment requires a quick transfer of a large volume of fuel, in order to accomplish the refueling in the shortest time possible.

We have developed a better capability than the Russians have. They are still developing the alongside refueling capability. We vitally need to retain the capability to replenish our carriers, cruisers, destroyers, and other combatants at sea in a seaway, in a short time, and at a high speed.

The *Erna Elizabeth* refueling presented several problems.

First of all, the *Erna Elizabeth* does not have any way of passing rigs to the other ships. They have to be passed by the combatant.

Second, the fuel transfer rate was extremely slow, and the low freeboard of the *Erna Elizabeth* was a problem. This type of refueling does not meet the requirements that must be satisfied to accomplish the quick, high volume transfer, in wartime conditions.

Mr. BIAGGI. But does our Nation have the capacity, or will it have the capacity after we get these two additional tankers, to provide refueling on a full-time basis, or will it need these auxiliaries provided by the merchant marine?

Admiral DOYLE. The oilers in the budget will provide additional capability to meet high-speed refueling requirements.

Mr. BIAGGI. Thank you.

The CHAIRMAN. Mr. Zeferetti?

Mr. ZEFERETTI. Thank you, Mr. Chairman.

Admiral Bryan, you mentioned earlier the amount of turnover that was in the private yards. How about our Navy yards? What kind of turnover do we have there, in skilled trades?

Admiral BRYAN. It runs on the order of 5 to 7 percent annually—only a fraction of that in private industry.

Mr. ZEFERETTI. I happen to agree with remarks made earlier by my colleague from New York, Mr. Biaggi. I think it is a question of slow-downs and lags of employment that created a shortage of skills. One of the things that I feel strongly about is that in my short time in this Congress, all I have heard about is the dependency on foreign-flag vessels for our national needs in time of emergency.

I think that for too long a period of time maybe we have gone into a psychological hangup of building a merchant service that is going to be adequate for our needs when we need it, and I think maybe the advocating of shipbuilding, whether it be under our 30-percent cargo preference legislation or whatever, I think some emphasis has to be put on a further building, and not depend on them through on war risk insurance and so forth to get them to be available for our country.

I do not think we should be relying on other countries. I think, as the Russians do, we should be supporting our own Navy and have ourselves equipped in time of national emergency.

I am happy, Mr. Secretary, that you are here, and that you are joining with us, and hopefully we get those survey figures, and we can maybe go forward toward that end.

Now, I have no questions, Mr. Chairman. I just want to say that for the record.

Secretary CLAYTOR. Thank you.

The CHAIRMAN. Mr. Bonior?

Mr. BONIOR. Thank you, Mr. Chairman.

I have just one question.

It was mentioned earlier that we have somewhere in the neighborhood of 300 flag vessels. I am just curious, at any one time, given an average, how many of those are in U.S. waters and ports?

Admiral COOKE. I do not know. I could provide that information, and I shall. But I do not know the answer.

Mr. BONIOR. Thank you.

[The following was received in reply to the foregoing:]

Question. "At any one time, given an average, how many U.S.-flag tankers are in U.S. waters and ports?"

Answer. Of the approximately 250 U.S.-flag tankers, about 200 are engaged in domestic trade in U.S. waters and ports at any given time.

Source: Mr. Russell F. Stryker, U.S. Department of Commerce, Maritime Administration.

The CHAIRMAN. Mr. Treen?

Mr. TREEN. Thank you, Mr. Chairman.

I would like to yield to Mr. McCloskey.

Mr. McCLOSKEY. Thank you for yielding.

Mr. Secretary, please do not consider these questions hostile.

We would like to develop a merchant marine that is an adequate auxiliary in time of war. We have been faced, however, with a lack of the studies necessary to make judgment decisions and are given testimony that amounts to an unbroken success story of how shipbuilding and training programs work properly.

In the Defense briefing we had about 6 weeks ago, there was testimony that in a non-NATO situation, in a short localization contingency, the United States was shy a number of merchant marine ships to support an expeditionary force ashore in a foreign area.

Have you undertaken any steps to change that situation?

Can you make any recommendations on how to increase the number of merchant ships available to the Navy in a nonmobilization contingency?

Secretary CLAYTOR. I think Admiral Cooke has an answer to that.

Admiral COOKE. Yes, sir.

Mr. McCloskey, we are short in the nonmobilization situation, and we are doing something about it. Specifically, we have instituted a program where in the Military Sealift Command, we will always have 10 ships on berth in 10 days, dry cargo ships. These will be available to us.

That requires some funding by the Navy Department, beyond our normal costs to transport defense cargo. We have to have some ships that we fund that are underutilized, but we do that, and we program the funds to do it, so that we will have 10 ships on berth in 10 days.

Mr. McCLOSKEY. What about your sealift readiness program? Do you have enough ships in that?

Admiral COOKE. Yes, sir. The sealift readiness program involves the charter ships, the commercial contractors who carry defense cargo. They are required by contract to make available up to 50 percent of their ships that they have in DOD business.

Mr. McCLOSKEY. But that was my question. If you admittedly are short ships in a nonmobilization contingency, but you have enough ships in your Sealift Readiness Command program, where is the gap?

Admiral COOKE. The gap is in the third step. We have not implemented the program all the way yet.

The second step is the sealift readiness program, which is the contractual agreement with our contract.

Mr. McCLOSKEY. Could you cure this gap in a nonmobilization contingency by adding other ships to your sealift readiness program?

Admiral COOKE. Yes, sir, but I believe we do not need to. I believe we can close the gap by the 50 percent requirement, which will give us up to 130 ships.

Mr. McCLOSKEY. How soon?

Admiral COOKE. In up to 60 days.

Mr. McCLOSKEY. How soon will you be able to cure this gap by taking that step? How many months?

Admiral COOKE. This year. We will have the contractual arrangements made this year.

Mr. McCLOSKEY. At what cost?

Admiral COOKE. That particular program, at no cost to the Government.

Mr. McCLOSKEY. Could you do it through alternatives to the sealift readiness program?

Admiral COOKE. I am sorry, I did not understand.

Mr. McCLOSKEY. As an alternative to the program you are pursuing now, could you instead increase the number of ships available to you through the sealift readiness program?

Admiral COOKE. We could, but it is not as responsive as the other two parts of this, of the things we are doing.

The first part we have done. The Military Sealift Command has these 10 ships ready in 10 days.

The second part is the sealift readiness program.

The third part is the Ready Reserve Force of our Defense Fleet. We have a program—

Mr. McCLOSKEY. Are these those old ships that have a maximum speed of 8 or 12 knots?

Admiral COOKE. Victory ships—but they are not all old ships. Some of those will be C-3's, which are 15 knots. We are going to have a total of 24 ships.

Mr. McCLOSKEY. But the American owners are building a whole series of new, faster containerhips?

Admiral COOKE. Yes, sir.

Mr. McCLOSKEY. What steps is the Navy taking toward the containerization of cargo on commercial containerhips rather than using the old breakbulk general cargo ships on which the Navy has depended in the past?

I ask because we understand you do not feel that containerhips are adequate, because it can't support the Navy onshore in the manner it is presently handled commercially.

Admiral COOKE. Well, we have moved along very well in that.

Mr. McCLOSKEY. It is reasonable to suggest that it might be helpful to Navy-Marine coordination, if containerhips could be used by the Navy for auxiliary service in time of war?

Secretary CLAYTOR. Mr. McCloskey, the answer is yes, it certainly would, but there is some problem there.

The Marines have probably gone further than any other service in developing container operations for amphibious landings. I have not had a detailed briefing on this, so I am not entirely up to date on a lot of the things you are asking about.

Nevertheless, I do know that we have a program in the Marines, to go as far as we can with this. Although there are some problems, we have developed the containers, all types of containers, for the Marines, including containers to provide living accommodations ashore.

The CHAIRMAN. The time for the gentleman has expired.

Mr. AuCoin?

Mr. AuCOIN. I will yield my time to the gentleman.

Mr. McCLOSKEY. Thank you.

My question is this. The commercial merchant marine has developed two standard containers, one 40 feet and the other 20 feet.

Are there any steps being taken by the Navy and Marine Corps to use these commercial containers as an auxiliary to the Navy?

We understand there were tremendous problems with ammunition that stacked a certain way did not fit in either the 20- or 40-foot containers. It seems incredible we do not require you and the Department of Commerce, which is funding these ships, to use the same kinds of containers.

Admiral COOKE. Yes, sir, and we have a problem with the use of containers for certain kinds of cargo. Ammunition is a good example.

Mr. McCLOSKEY. Granted, we are also looking to compromise. You are never going to get the Navy you think you need, and we are never going to get the merchant marine we think we need. It is going to cost us more, and it is going to cost you more, or you are going to lose a little if you have the merchant marine.

But, what can we do to see that the Navy uses the same containers?

Admiral COOKE. We have specific programs to do just that, both for Marine equipment and Navy cargo. We have programs for offloading in undeveloped ports. Containerships have some problems.

You have to have developed capability on each end before you use containerships. We have specific programs underway, and not just starting—these have been going on for sometime. We have run tests off Norfolk, where we have our elevated causeway to unload ships.

We have gone a long way in developing standardization of containers, and in using this type ship.

The CHAIRMAN. Would the gentleman yield?

Counsel had a comment.

Mr. CORRADO. Mr. McCloskey, one of the problems involved historically with this question of standardization was that when containerization started, the subsidized lines had 10-, 20-, and 40-foot standard containers. Sea-Land had 35-foot containers and Matson had 37-foot containers which were not standard size containers. Historically, the first steamship company that started to carry DOD cargo was Sea-Land which used nonstandard size containers and I think that is one of the reasons why we now have this problem with nonstandard size container use with the DOD cargo today.

It is being phased out, and I think everybody now, including Matson and Sea-Land, have gone toward the standard sizes. But I think that is the reason we have had the nonstandard size problem.

Mr. McCLOSKEY. What I would like to do, Mr. Secretary, is to make a suggestion. I think this committee would be receptive to a series of recommendations as to what features should be required of all new merchant ship construction, particularly of ships we are going to subsidize.

I just do not want to leave the status quo that led us into this situation we are in today.

One final question about the situation the *Mayaguez* found itself in. Now that other nations are claiming 200 miles, we are going to have the possibility of Third World nations making claims against our merchant ships.

What steps are you taking to assure that the gear on the ships are compatible with the Navy's so that a ship in a situation similar to the *Mayaguez* might contact them?

Admiral COOKE. There is another program, and it is a joint MarAd program, on joint ship communication. The problem is in general, merchant ship communication stayed at the World War II level, and the Navy moved on to very sophisticated—

Mr. McCLOSKEY. Whose fault is that? The Congress fault, or the Navy's for not making the recommendation?

We have built a lot of ships since then.

Admiral COOKE. Yes, sir, and the problem is lack of coordination between the two, and perhaps some lack of an urgent need that anyone sought.

The CHAIRMAN. Section 501(b) of the Merchant Marine Act of 1936 states, that the Secretary of the Navy shall certify "that such vessel shall be suitable for economical and speedy conversion into a naval or military auxiliary or otherwise suitable for the use of the U.S. Government in time of war or national emergency".

The Secretary of the Navy has to signoff on all these vessels.

Secretary CLAYTOR. Conversion would include the installation of communications equipment, so I do not think it is inconsistent.

We would not expect a merchant ship which is to be converted into a Navy auxiliary to have that type of equipment already on it. I think the point here is the problem of having a merchant ship with communications equipment that is compatible, so that as a merchant ship we can communicate with it.

The CHAIRMAN. Operation Steel Pike demonstrated that the merchant marine could be integrated into a strike force, and one of the requirements would be a pod of communications equipment for close coordination with the naval counterpart.

But I doubt that every merchantman providing logistic support should have that type of expensive equipment on board. That was one of the lessons to be learned at that time.

Mr. Tribble?

Mr. TRIBBLE. Thank you, Mr. Chairman.

Mr. Secretary, it is nice to see you, and Admiral Bryan, it is nice to see you again.

I think, very properly, Mr. Secretary, you first addressed the question of whether our shipbuilding industry would have the capacity to have shipbuilding mandated by the proposed cargo preference bill.

In that regard, you addressed the question to what extent we can reasonably expand the shipbuilding base.

Your analysis is based on the assumption that the 5-year plan would be implemented.

Let me ask you, Mr. Secretary, have we ever successfully implemented a 5-year naval shipbuilding plan?

Secretary CLAYTOR. Well, I have been here for 5 months, so I cannot answer that, personally. But I think the answer is yes. I think we have.

Mr. TRIBBLE. Let me take back the word successfully. That is in our use of the language.

Have we ever realized a 5-year plan as originally proposed?

Secretary CLAYTOR. I do not know. I would be very surprised if we had. I would say this, I have had a great deal of experience with 5-year plans in industry, and I do not know of any 5-year plan in industry that has ever been carried out in 5 years.

The object of the plan is not to do that. The object of the plan is to set an objective, as we now see it, and it is going to be changed each year as we move along.

Mr. TRIBLE. I think the answer to that question is no?

Secretary CLAYTOR. That is correct.

Mr. TRIBLE. Is it also true that—you say then that the 5-year plan, as we have known it through the years, has been dramatically changed and amended?

Secretary CLAYTOR. Some have, and they were expected to be.

Mr. TRIBLE. All right.

Sir, I think the answer to that question also is yes?

Secretary CLAYTOR. Yes, sir.

Mr. TRIBLE. In regard to this 5-year plan, let us talk specifically about aircraft carriers. It proposes a construction of two mini carriers, does it not?

Secretary CLAYTOR. That is the 5-year plan we are working on for the 1978 budget. The 1979 budget has not come out. But for the 1978 budget it does contemplate that.

Mr. TRIBLE. Would it be fair to say that the future of those mini carriers is somewhat in question?

Secretary CLAYTOR. Yes; I think that the timing of those carriers is somewhat in question, because we were unable to reprogram 1977 money in order to start on the time schedule originally planned.

Mr. TRIBLE. Would it be also fair to say that those are two very important items in the 5-year plan?

Secretary CLAYTOR. Yes; I think they are.

Mr. TRIBLE. The point I am trying to make here, with your assistance, I think we made it, is that your analysis is based on naval needs as set forth in a 5-year plan, which we know, by experience, will be changed dramatically, and is really not an accurate guide, in my view, of the Navy's requirement.

Secretary CLAYTOR. I would not quite agree with that, because while the individual ships included in the plan will undoubtedly be changed, I would be surprised if the volume of shipbuilding significantly changes. But I expect we will have the volume of shipbuilding in this 5-year plan, because we need it. It may be a different mix of ships.

We may have cruisers of one type instead of destroyers, or vice versa, but the shipbuilding is going to go ahead pretty much as we predicted.

Mr. TRIBLE. As a member of the House Armed Services Committee, I pledge to see that that aim is realized.

Politicians present plans, and we are getting the ships that we drastically need to meet our international requirements.

Moving on to another question, if I might.

You indicated also in your analysis that we have 27—that there are 27 shipyards, determined by the Maritime Administration, capable

of building seagoing vessels of a large size, as set forth in your statement.

Is it not true that principal naval construction work is performed by a limited number of yards? And how many are those, sir?

Admiral BRYAN. The principal major naval ships are built by nine private yards.

Mr. TRIBLE. And let me ask you, what is the employee turnover at those nine yards? Is it indeed 40 percent employed turnover each year as suggested?

Admiral BRYAN. I do not have those specific statistics with me. I would like to provide them, if I can.

I would like to point out that there is quite a range. You are talking, I think, particularly of the very largest.

Mr. TRIBLE. Let us talk about using your shipbuilding in Newport News.

Admiral BRYAN. Newport News, having gone through a period of high turnover a few years ago, has achieved relative stability for a private shipyard.

Mr. TRIBLE. This is one of the principal shipbuilders, is it not?

Admiral BRYAN. And might I add, it is also fairly unique, in that it has one of the apprentice programs that most closely approximates naval ship yard training.

Mr. TRIBLE. I wish you would, with the chairman's concurrence, supply those figures, because I would suggest that they would show in those yards that perform principal naval construction work, there is a much smaller employee turnover, and I think that goes to the heart of the testimony of the Secretary here today.

I may be proved wrong, but I would like to see those figures.

The CHAIRMAN. What figures is the gentleman asking for?

Mr. TRIBLE. This, Mr. Chairman, would be specific employee turnover at the nine yards that are the principal naval shipbuilders in the country. I think that would give us an insight into the question of employee turnover, which of course is an important part of the Secretary's argument that we have to weigh very carefully how far we can expand the shipbuilding base.

Admiral BRYAN. We will provide them.

The CHAIRMAN. We will ask for those figures. But we are not just looking at naval shipbuilding, we are looking at the capacity, and the problems of the shipbuilding mobilization base of the United States as a whole.

Mr. TRIBLE. I think that would be very constructive.

[The following was received for the record.]

The following information was obtained from individual shipyards via the Supervisors of Shipbuilding, Conversion and Repair, USN. There may be some differences due to individual interpretation but generally the definition of turnover as defined by the Bureau of Labor Statistics is used. In this definition labor turnover actions are divided into two broad groups: accessions or additions to employment, and separations or terminations of employment. These two broad groups are further divided; accessions into new hires and other accessions, and separations into quits, discharges, layoffs, and other separations. For purposes of this report only that part of the definition that applies to separations or terminations of employment is used. Where available the turnover information has been broken down into quits/discharges and layoffs.

ANNUAL TURNOVER RATES OF SELECTED PRIVATE SHIPYARDS (CALENDAR YEAR 1976) PER 100 EMPLOYEES

	Total separations	Quits/ discharges	Layoffs
ATLANTIC COAST			
1. Bath Iron Works.....	29.0	8.8	20.2
2. General Dynamics, Quincy.....	(1)	(1)	(1)
3. General Dynamics, Groton.....	28.0	16.4	11.6
4. Seatrain Shipbuilding, Brooklyn.....	24.0	NA	NA
5. Sun Shipbuilding & Drydock.....	28.4	NA	NA
6. Maryland Shipbuilding & Drydock Co.....	24.8	6.1	18.7
7. Bethlehem Steel, Sparrows Point.....	NA		
8. Newport News.....	21.0		
GULF COAST			
9. Tampa Ship Repair & Drydock.....	156.0	36.0	120.0
10. Alabama Drydock & Shipbuilding.....	² 276.0	48.0	² 228.0
11. Ingalls, Litton, Pascagoula.....	68.2	NA	NA
12. Avondale Shipyards.....	NA		
13. Livingston Shipbuilding, Orange, Tex.....	NA		
14. Bethlehem Steel, Beaumont, Tex.....	NA		
15. Galveston Shipbuilding.....	NA		
PACIFIC COAST			
16. Marathon Shipbuilding.....	66.6		
17. Todd Shipyard, San Pedro.....	127.2	16.8	110.4
18. Bethlehem Steel, San Francisco.....	NA		
19. Triple A Machine Shop.....	NA		
20. FMC Corp., Portland.....	NA		
21. Lockheed Shipbuilding.....	68.0	39.2	28.8
22. Todd Shipyards, Seattle.....	28.8	28.8	NA
23. National Steel & Shipbuilding.....	28.8	26.3	2.5
GREAT LAKES			
24. American Shipbuilding, Lorain ³	66.0	48.0	18.0
25. American Shipbuilding, Toledo ³			
26. Bay Shipbuilding, Sturgeon Bay, Wis.....	40.1	23.6	16.5
27. Fraser Shipyards, Superior, Wis.....	115.7	9.2	106.5

¹ Not available—on strike.

² Reflects impact of 2-month strike.

³ Combined rate of 2 shipyards.

Mr. TRIBLE. Do I have some time?

The CHAIRMAN. Your time has expired.

Mr. Ruppe?

Mr. RUPPE. Mr. Secretary, the Carter administration has called for an oil cargo preference program that would raise the percentage of oil imports brought into the United States in American bottoms to 9½ percent over 5 years. I am very curious how we really got to 9½ percent, instead of 9 or 10.

Could you tell me how that number was derived, if you do know it, and did the Navy have any part in developing that figure?

Secretary CLAYTOR. No. I assume that it is a judgment figure which was reached by the President, but I was not in on that and I cannot give you any information on that.

Mr. RUPPE. So it had nothing to do with national security?

Secretary CLAYTOR. I do not want to speculate on what it had to do with.

Mr. RUPPE. If it had national security implications or reasons behind it, I presume you would have—

Secretary CLAYTOR. Not necessarily. There may have been some national defense consultation with the Defense Department. I was personally not involved, and I do not feel I am in a position to provide any information on that.

Mr. RUPPE. As far as the Navy's own procurement problems, vessel construction and repair efforts are concerned, do you feel that the 9½ percent figure is a great deal less inflationary than would be the original figure suggested of 30 percent?

Secretary CLAYTOR. Yes, we do.

Mr. RUPPE. And you do feel then that there will be a way to accommodate the commercial construction of tankers required to meet the 9½ percent import figure, and the Navy's construction and repair program, without significant impact on your costs?

Secretary CLAYTOR. Yes, we are quite clear that there will be a way to accommodate the import figure.

Mr. RUPPE. Do you think it will have any impact on your costs?

Secretary CLAYTOR. We do not believe that it will have any significant impact.

Mr. RUPPE. Can you tell me how many U.S.-flag tankers will be constructed in the next 5 years, in American yards, to meet the 9½ percent oil import figure?

Admiral BRYAN. If I could speak to that.

The source of accurate information on this, of course, is the Maritime Administration.

The CHAIRMAN. And we will have that information.

Admiral BRYAN. I believe they have a multipart answer to that, sir. I discussed it just generally with them. They believe it can be met by a number of measures. They have some ships that are laid up now, plus 21 tankers now under construction.

Now, I just do not know how many in addition to those that are programed, that would answer your total number of how many have to be built, that will satisfy the 9½ percent.

I would like to defer to them.

Mr. RUPPE. So there are some tankers under construction, and there will be a new tanker construction program. In essence, you are saying if we want to know the size of the new program, perhaps we best get the Maritime Administration up here?

Admiral BRYAN. Yes.

Mr. RUPPE. If any of these ships are built with any kind of Government subsidy, will the Navy certify them as to their suitability for economic and speedy conversion to naval auxiliaries?

Admiral BRYAN. That is required.

Mr. RUPPE. Right, but what I am getting at, apparently there has been a question in the past, whether the communications gear, in other certified vessels, or the containers used in other certified vessels actually met the Navy's requirements in time of war, and I would gather that there is some question as to whether that certification has been undertaken as seriously as it might have been, in the last 5 years?

Admiral BRYAN. I believe the interpretation has been in effect for a number of years on a compliance with both the letter and the intent of that legislation. It is generally aimed at those features of a ship built with a construction differential subsidy, and in fact, had to be built into the ships that are not susceptible to a conversion kind of add-on, and they have to deal with the measures of construction, with the type of propulsion plant, with the type of materials used, not brittle materials used in construction of the ship. Those are, by and large,

the kind of features that must be built into a ship, in order to make it potentially useful for us.

Mr. RUPPE. But it would also run to the communications gear, and also to the containers, would it not?

Admiral BRYAN. I would not—I think that would be a different interpretation than now placed under law, because those kinds of things could sensibly be added to a ship by a conversion, and the law now says that it be convertible to Defense use.

Admiral COOKE. We are undertaking the communication problem as a specific problem that we have had in the past. That is, we could add the communication equipment if they needed it.

Now, the program that I mentioned is a Navy program to specifically address peacetime operation of merchant ships, and communication between the Navy and those merchant ships in peacetime.

Mr. RUPPE. Are you satisfied that the vessels built in the United States, with construction subsidy, do indeed meet all the Navy requirements for naval auxiliaries in times of war or national emergency?

Admiral BRYAN. We certify they are useful.

Mr. RUPPE. Is the Navy satisfied, through the certification process, that all of the vessels built in recent years, with construction subsidy, do meet all of the tests for conversion in a national emergency for use as naval auxiliaries.

Admiral BRYAN. The last two words are the key. As naval auxiliaries.

No, sir, not as naval auxiliaries, but are suitable, or otherwise would be useful to the U.S. Government in time of war or national emergency, as provided by law.

The law provides, either as naval auxiliaries, or otherwise would be useful to the Government.

Mr. RUPPE. They would meet the latter test?

Admiral BRYAN. Yes, sir.

Mr. McCLOSKEY. Would the gentleman yield?

Mr. RUPPE. Yes.

Mr. McCLOSKEY. The containerization of freight is fairly new.

The RO/RO ships are even newer. The LASH ships are fairly new. It would be a tragedy to find out that on a RO/RO the door was a little too narrow to let a Marine Corps tractor or Army tank through it. We have the capacity to change the Merchant Marine Act to support the Navy with new technologies and to require ships in the U.S. trades receiving any kind of subsidy to meet these features.

I want to suggest that you prepare a laundry list of recommendations of features you would like to see in these liners being built, whether or not we are subsidizing them.

Admiral BRYAN. We do that now.

Mr. McCLOSKEY. Have you submitted it to the committee?

Admiral BRYAN. We have submitted to the Maritime Administration.

Mr. McCLOSKEY. Mr. Chairman, could I ask that the witnesses submit to us in writing the list of requests they have made over the last 5 years?

The CHAIRMAN. We have a series of questions for the record. We will maintain two records, an open record and a classified record.

The time of the gentleman has expired.

Mr. Secretary, has a study been made of the political, economic, or military actions that the Soviet Union can take without declaring war—to prevent foreign-flag ships from carrying oil and other critical materials to the United States, our NATO Allies and Japan.

Secretary CLAYTOR. I do not know.

Admiral Doyle, do you?

Admiral DOYLE. I do not know of any specific study.

Admiral COOKE. No; I have no knowledge of any study that has been made of that aspect.

The CHAIRMAN. We had great pressure brought on President Tolbert of Liberia when he ruled that no Liberian-flag ship could carry any cargoes to the Middle East during the 1973 crisis. That shot down the effective U.S. control concept.

Another concern of this committee is the possibility of foreign crews on foreign-flag ships refusing to deliver material; Vietnam is an example. We must have an adequate U.S.-flag merchant marine, manned by U.S. personnel; there would be no question as to their dependability in time of emergency.

Getting back to the questions that we had before us this morning: I will propose some questions in writing regarding the newer types of ships; Roll on/Roll off, LASH, and other cargo ships. I want to know how the Department of Defense coordinates with the Department of Commerce in determining how these vessels will be utilized?

Now, to go to the Military Sealift Command: Has any analysis been made on the impact on U.S. trade routes should the Military Sealift Command bring in the U.S.-flag carriers for a contingency?

Admiral COOKE. I do not know of any; no, sir. I guess I do not really understand the question, Mr. Chairman.

The CHAIRMAN. Well, if there were a two or four divisional lift to the Mediterranean, the Persian Gulf or the Far East, there is a 30- and 60-day requirement to support shipping. That would probably require most U.S.-flag ships that are operating in commercial trades.

Under their contracts those ships would have to report for service during a contingency thereby leaving their commercial commitments open to foreign-flag carriers.

What impacts does this have on their trade routes, and has the Navy made an analysis of that impact?

Admiral COOKE. We have not made any complete analysis. I have discussed this with members of the shipping industry. It is a big step to take to invoke that sealift readiness program and take those ships up to 50 percent of their available ships. It would be very costly to the U.S. Government to do this because we would have to pay for the charter of the ships plus probably the losses incurred by the loss of these other cargoes.

So it would be expensive.

We have not done a complete analysis of this, and we have never invoked that sealift readiness program. We have never used it. It is available to us but we have not used it.

We could do an economic study of that. It would take some effort and some time.

The CHAIRMAN. Mr. Secretary, have you looked at the Reserve fleet?

Would you give us your analysis of the capability of the Reserve fleet?

Secretary CLAYTOR. Admiral Cooke?

Admiral COOKE. The National Defense Reserve Fleet that we are interested in here amounts to 140 vessels. In general, they are *Victory* ships. There are some Seatrains in there.

We have recently had some upgrading of that national defense reserve fleet by ships turned into the Maritime Administration as ship-owners construct new ships and turn in the old ones.

We have had five C-3's this year.

In general, the ships are quite old. They are available. They are useful. We can count on the 140 ships. This is the Maritime Administration's position. And we agree with them.

In the long run these ships will have to be replaced, and we would expect that they would be replaced by these turn ins as shipowners buy new ships. So we will always be running with some older ships. But these 140 ships are available and we are selecting the 24 that we expect to upgrade to have available on 10 days' notice. And we think they are adequate ships for this purpose. We can have them in good shape and ready to go.

The CHAIRMAN. My inspection of that fleet gave me the impression it was totally deficient and, at the very least, the numbers available were inadequate for effective logistic support.

Admiral COOKE. We have some ships beyond the 140 that are older: there are some troopships that are older and their material condition is not good.

But we believe some of the older ships could be useful to us.

There are 140 cargo carriers. Beyond these there are some tankers, troop ships, and many Navy auxiliaries. There are probably about 50 Navy auxiliaries. LST's and that type of thing, and old repair ships that probably will have to be scrapped very soon.

We have a program where we inspect these every so often and scrap the old ones. And as I think you know, Mr. Chairman, that the reserve fleet has gone way down in the past 5 to 10 years, reduced significantly from the couple of thousand ships that we had. But there are still some ships in there that are very old and in very bad material condition.

The CHAIRMAN. Most of the ships are in that category.

What is the Department of Defense cargo policy regarding utilization of American-flag carriers vis-a-vis foreign-flag carriers?

Admiral COOKE. Yes, sir, it is required that all cargo, all defense cargo be hauled in U.S. bottoms unless there is a specific exception granted by the Secretary of the Navy to our Military Sealift Command.

The CHAIRMAN. All DOD cargoes go in American carriers?

Admiral COOKE. Yes, sir, but there are some exceptions.

The CHAIRMAN. Mr. Emery.

Mr. EMERY. No questions.

The CHAIRMAN. Mr. McCloskey.

Mr. McCLOSKEY. No questions.

The CHAIRMAN. Mr. Secretary, we will forward some questions to you in writing. We appreciate you, and your staff, being here today and responding so forthrightly.

Secretary CLAYTOR. Thank you very much.

It has been a great privilege for me.

[The following material was submitted for inclusion in the printed record:]

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, D.C., September 30, 1977.

HON. JOHN M. MURPHY,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of July 29th which forwarded several questions to me for inclusion in the record. My responses to these questions are attached.

I too am convinced that any weaknesses and deficiencies in Navy aspects of defense planning must be corrected if they exist. I assure you that this is a continuing and high priority item with me and my staff. Also, within my immediate staff, Mr. Edward Hidalgo, Assistant Secretary of the Navy (Manpower, Reserve Affairs and Logistics) serves as my principal advisor and oversight individual on the shipbuilding industry.

A major area of interest and concern to the Department of the Navy is the availability of sealift in the event of a national emergency. In this regard, my primary responsibilities under the Merchant Marine Act of 1936 are: (1) examining plans and specifications for new construction ships and suggesting to the Secretary of Commerce any changes necessary so that the ship will be suitable for conversion into a naval or military auxiliary or otherwise suitable for the use of the United States Government in time of war or national emergency; and (2) promulgating, in conjunction with the Secretary of Commerce, regulations under which commercial shipping may be built in Navy yards; advising the Secretary of Commerce on annual surveys of existing privately-owned yards to ascertain if their capabilities for merchant ship construction provide an adequate mobilization base for national defense and national emergency.

We have well established procedures to discharge the first responsibility. All new construction ships to be used in the foreign commerce of the United States and which make application to the Secretary of Commerce for a construction-differential subsidy are reviewed, and changes are recommended as necessary by the Navy.

With regard to the latter, the primary responsibility of the Commander, Naval Sea Systems Command is the effective development, acquisition and life cycle support of naval ships. As coordinator of Shipbuilding, Conversion and Repair for the Department of Defense, he has a special responsibility to ensure that there is compatibility between the nation's naval shipbuilding program and the industrial capability and capacity, public and private, to construct the Navy's ships in number and quality. In addition to these basic responsibilities, the Commander, Naval Sea Systems Command, by authority of a Letter of Agreement between the Department of Defense and the Department of Commerce, is also the Coordinator for Ship Repair and Conversion for the Department of Defense and the Department of Commerce. This responsibility, although essentially a planning function, requires that the coordinator maintain an adequate assessment of the facilities and capacities of the various shipyards and repair plants to enable the two departments to use such repair facilities to the best advantage during periods of national emergency or mobilization.

To insure proper coordination and planning, I believe it is appropriate for the Commander, Naval Sea Systems Command to be invested with these responsibilities and to act as the Navy's interface with the shipbuilding and ship repair industry, and that he is in the best position to serve as advisor to myself and Mr. Hidalgo on the industry, both for present needs and in mobilization situations.

The other matters addressed in your letter such as potential Soviet actions to disrupt foreign shipping, insofar as they fall within the area of responsibility of the Department of Defense, are under continuous study and review.

I share your belief in the need to maintain a strong defense posture and the desirability of achieving security in the ocean transportation of military forces, raw materials and energy resources. I assure you that the Department of the Navy will support and cooperate in fulfilling these important responsibilities.

Sincerely,

W. GRAHAM CLAYTOR, Jr.,
Secretary of the Navy.

QUESTIONS FOR SECRETARY CLAYTOR

1. In determining the adequacy of the shipbuilding mobilization base, what are your findings in comparing a quantitative assessment of the nation's ship construction and ship repair capability (utilizing JCS scenarios) with estimates of:

- (A) Ship attrition rates.
- (B) Emergency civilian shipping requirements to support the industrial base.
- (C) Ship repair requirements.
- (D) Reactivation of the National Defense Reserve Fleet.

This question is essentially addressed in the Joint Commerce-DOD study to reassess the mobilization requirements of the United States for shipbuilding, overhaul, repair and conversion of naval and commercial ships and the readiness of the United States shipbuilding industry to support these requirements. The study has been reviewed within Navy and is currently under review by the Office of the Secretary of Defense. In general, the study concluded that shipyard capacity in a short war is marginally adequate. The limiting factor is drydock availability to handle the initial surge of activation and repair work. During a longer war, the study concluded that the present shipbuilding base would not be adequate to handle the demand placed on it by the study.

2. What are your comments on the conclusion of the Commission on American Shipbuilding (October 1973) that the present shipbuilding capacity is only one-third of what would be required in the event of a national emergency?

The mobilization study mentioned in question one addresses the shipbuilding capacity requirement and concludes that it is not adequate to handle a heavy demand as imposed by the study. However, the deficiency is not as great as that expressed in the Commission on American Shipbuilding Study.

3. What are the Navy's firm shipbuilding requirements for the next five years and how do you assess the adequacy of shipbuilding capacity for this period, given the frequent changes in your Five Year Shipbuilding Program?

Attachment 1 is the Navy's Five Year Shipbuilding Program (FYDP) as it was contained in the President's Budget, as amended on February 22, 1977. There is adequate capacity in the U.S. Shipbuilding industry to execute that program.

ATTACHMENT 1

NAVY 5-YR SHIPBUILDING PROGRAM (PRESIDENT CARTER'S BUDGET OF FEBRUARY 1977)

Ship type	Fiscal year—				
	1978	1979	1980	1981	1982
SSBN Trident submarine.....	2	1	2	1	2
SSN 688 (nuclear attack submarine).....	1	2	2	2	2
CVV (VSTOL aircraft carrier).....		1		1	
DDG-47 (guided missile frigate).....	1		3	3	3
LX (LSD-41) (general purpose assault ship).....		1		2	3
FFG (guided missile patrol frigate).....	9	11	12	12	12
FFG-X (guided missile patrol frigate).....				1	1
MCM (mine countermeasure).....		1	6	6	6
AO (fleet oiler).....	4	4	2	2	2
AOE (fast combat support/ship).....			1		
AD (destroyer tender).....		1	1		
ARX (repair ship).....		1			1
TAGOS (oceanographic survey ship).....		3	5	4	
TATF (fleet tug).....	5	2			
TASR (submarine rescue ship).....			1	2	
TARC (cable layer).....		1	1		
Total.....	22	29	37	36	32

4. What is your estimate of the maximum amount of tanker tonnage U.S. shipyards could produce by 1983 without impacting adversely on the Navy's firm shipbuilding requirements?

- (A) What percentage of the total available capacity is this?
- (B) What percentage of U.S. shipyard capacity is currently being utilized for Navy construction?
- (C) What do you determine the percentages of shipyard capacity required for Navy construction to be for each year through the next five years?

Before providing such an estimate, some cautionary caveats are in order. We are making assumptions into the out years as to what the Navy shipbuilding program will be when actually funded by the Congress. We are making assumptions regarding the size of both subsidized and unsubsidized commercial shipbuilding programs, which have been historically difficult to predict, as furnished by the Maritime Administration. We are making assumptions that the shipbuilding base, itself, will remain static over the period of the estimate and finally, we are making estimates of what the total imports of foreign petroleum will actually amount to on a daily basis.

Given the above, we have examined the effects of various possible alternative tanker construction programs on the shipbuilding industry as a whole. One such alternative called for importation of 25 percent by 1985 in U.S. flag bottoms, with a 10 percent repatriation of foreign built ships. The MARAD assessment of actual construction of new tankers that would be required over this period of time was 3.8 million deadweight tons, or approximately 43 tankers, depending on the size mix, that would actually be constructed. Our workload evaluation was that this would increase the total shipbuilding and repair industry manpower to a level of approximately 205,000 employees by 1983. This is a feasible growth pattern over this period of time and would probably not have any appreciable adverse effect on shipyards capacity to accommodate Navy shipbuilding programs. Based on the above, our opinion is that the maximum amount of tanker construction would be in the order of 3.8 million deadweight tons between now and 1985, without requiring an inordinate expansion in the employment rolls of the industry and without creating a potential sizable drop-off in industry demand in future years.

(A) Present estimates show that this work would require about 15,000 men per day or about 7.3 percent of the 205,000 expanded workforce.

(B) Approximately 42 percent (74,000) of the nation's 175,500 total shipyard employment is involved in Navy new construction.

(C) The Navy expects its utilization of the total shipyard employment to be about the same over the next five years.

5. Is your primary concern with the impact of tanker construction on Navy shipbuilding that of sufficient way space, skilled shipyard personnel or the availability of materials?

Our studies indicate that there are adequate building positions to handle increased shipbuilding depending on which yards receive the work. In determining this assessment, all programs in terms of specific ships which would be built are speculative. Therefore, the answer assumes a spread in tonnage equally across candidate yards.

Under present economic conditions, material suppliers should be able to meet an increased demand. However, the possibility exists that any one individual source could become overloaded due to a shipbuilder's preference for a particular vendor, more favorable pricing or bid quotes by any one vendor and reluctance of some vendors to bid on material where military specifications are invoked.

Our primary concern is with the availability of skilled shipyard personnel and the ability to retain these personnel after the surge created by a stimulated shipyard orderbook. It is the Navy's estimation that a steady buildup over a number of years to about 200,000 total shipyard employment is attainable providing that sufficient future work is available to retain such workforce after the initial surge.

6. Would the shipbuilding industries be operating at maximum employment if H.R. 1037, the Energy Transportation Security Act, 1977, was enacted with the percentages proposed by President Carter; 4½ percent escalating to 9½ percent in five years? If not; at what percentage level would U.S. shipyards be operating at maximum employment capacity?

Since present estimates indicate little or no shipbuilding impact if H.R. 1037 was enacted with the percentages proposed by President Carter, such enactment would not affect the employment level of the shipbuilding industry. A survey of the 27 major shipyards conducted by Navy and the Maritime Administration in June 1977 indicated that these shipyards would increase their total employment by almost 30,000 people if given the opportunity to choose an ideal manning level and an assurance of a continuous stable workload. When added to the current total shipyard employment of 175,500, the resultant 205,500 total employment equals the feasible employment level noted in the answer to question 4 and theoretically the assumed workload outlined in that answer.

7. Which of the 27 shipyards that you referred to as the shipbuilding base are actively engaged in Navy ship construction at the present time, and what percentage of employment in each of these yards is dedicated to Navy construction?

Yards currently engaged in Navy ship construction with percentage of employment dedicated to that work for June are as follows:

	Percent
1. Bath Iron Works.....	38
2. General Dynamics, Groton.....	90
3. Bethlehem Steel, Sparrows Point.....	12
4. Newport News Shipbuilding Drydock.....	61
5. Litton	88
6. Avondale Shipyard ¹	0
7. National Steel.....	8
8. Todd, Los Angeles.....	31
9. Todd, Seattle.....	45
10. Lockheed	91

¹ Construction of AO 177 Class oilers not started.

8. Which shipyards are likely to have Navy contracts within the next 18 months, and what is your estimate of the percentage of employment in each of these yards that will be dedicated to Navy construction?

A listing of the private shipyards likely to have Navy contracts within the next 18 months and the percentage of employment estimated to be dedicated to Navy new construction by each shipyard follows:

Estimated employment on Navy new construction as of March 31, 1979:

	Percent
Bath Iron Works.....	63
General Dynamic, Groton.....	94
Newport News Shipbuilding Drydock.....	47
Litton	83
Avondale Shipyard.....	30
National Steel	55
Todd, Los Angeles.....	85
Todd, Seattle.....	85
Lockheed	90
Present Navy Employment:	
Bethlehem Steel, Sparrows Point.....	12
Avondale	0

10. How would cargo equity legislation (30% petroleum imports carried in U.S.-flag ships by 1982) affect the cost of Navy ship construction or the time required to build Navy ships?

Cargo equity legislation (30 percent petroleum imports carried in U.S. flag ships by 1982) or 30 percent carried by 1980 as originally proposed by H.R. 1037 would have an adverse effect on both the cost of Navy ship construction and the time required to build Navy ships if past experience is repeated. As in question 4, a number of assumptions must be made. The foremost of these is that a sufficient amount of shipbuilding will be generated by such legislation so as to create a seller's market. This scenario would equate with the situation that existed in the 1971-73 time frame when the additional shipbuilding encouraged by the 1970 amendment to the Merchant Marine Act caused difficulty for the Navy in both securing competitive bids and in obtaining a price within the Congressional appropriation.

Traditionally, some of the shipyards prefer to construct commercial vessels rather than naval ships. This results in a twofold problem. First, the yards that secure the bulk of the expanded commercial market are usually the more efficient yards. This leaves the Navy with the less efficient yards as potential builders. Initial costs are driven up and usually these yards will take longer to build the ships that a more efficient yard further increasing costs. Second, shipyards that obtain commercial work while already having Navy work under contract have tended to concentrate on the commercial work while the Navy work slips. This delay extends the building period and also causes costs to rise since delay and increased cost are usually associated.

Worker productivity deficiencies will occur and be evenly spread across Navy and commercial work.

11. What are the problems in attempting to achieve coordination between the Navy Department and the Maritime Administration in the allocation of naval vessel and commercial ship construction in commercial shipyards?

The Navy and the Maritime Administration have an excellent relationship and have frequent exchanges regarding the industry in general and the types and numbers of ships that are planned. However, as a general practice, neither the Navy nor MARAD allocate shipbuilding to the commercial shipyards. The Navy has, in the past, allocated shipbuilding work and has the legal authority to accomplish formal allocations if determined appropriate in accordance with expressed provisions under the law. Some Navy work is in effect allocated due to the special nature of the ships being built and the required equipment and expertise of the shipyards.

Commercial shipbuilding contracts in recent years have been negotiated between the owner and the building yard prior to MARAD involvement as permitted by the Merchant Marine Act. When not negotiated between shipbuilders and owner, the Act requires that vessels be constructed with construction-differential subsidy be awarded by competitive bidding. However, the Act also allows the Secretary of Commerce to allocate work to remedy inadequacies in the mobilization base. This has not been done in recent years.

12. Do you have an Industrial Advisory Board; if so, are the shipping and shipbuilding industries represented on the Board and, does your personal staff include an advisor on the Merchant Marine?

I do not currently have an Industrial Advisory Board; however, we are working directly with the Shipbuilders Council of America in some areas and additional interface with the shipbuilding industry is being explored. Also, the Military Sealift Command has recently inaugurated an Industry Policy Group in conjunction with the Sealift Readiness Program described in question 14. The purpose of this group is to improve dialogue with the shipping industry on an informal basis. I previously had a Special Assistant for Transportation on my personal staff who was my advisor on Merchant Marine matters. The incumbent, Mr. Bob Carl, has recently retired, but is on call for consulting work until such time as a new Assistant for Transportation can be hired.

13. What effect are the prolonged Navy contract difficulties having on the readiness of the shipbuilding mobilization base?

Although the dollar value of shipbuilder's claims against the Navy is high, the number of shipyards involved is relatively small. By far the majority of these claims have been received from three shipyards: Newport News, Ingalls and Electric Boat. The Navy is concerned about the claims situation and steps have been and are being taken to settle existing claims and preclude new claims. However, it is not considered that the claims situation has affected the shipbuilding mobilization base.

14. What recommendation have you made to the Secretary of Commerce to ensure that the United States has an adequate Merchant Marine and an adequate shipbuilding mobilization base?

There is in existence the Navy-Maritime Administration Policy Planning Group which was established to assist in fulfillment of responsibilities of the Navy and the Maritime Administration specified in the Merchant Marine Act of 1936, as amended. This group is jointly chaired by designated representatives of the Secretary of the Navy and the Assistant Secretary of Commerce for Maritime Affairs. These two representatives are the Deputy Chief of Naval Operations (Logistics) (OPNAV), and the Assistant Administrator for Policy and Administration (MARAD). Other members are selected by the Co-Chairmen on an Ad-Hoc basis governed by the subjects under consideration. Meetings are held periodically. The Charter of the Planning Group encompasses a broad spectrum of Joint Commerce and Defense responsibilities; a copy is attached. Policy areas addressed, implemented and monitored by the continuing meetings of the Navy-Maritime Administration Policy Planning Group include:

(a) *Sealift Enhancement Plan (SEP)*.—Designed to improve logistical and strategic sealift capabilities. Includes proposals for Build and Charter legislation and modernization of the Military Sealift Command (MSC) fleet.

(b) *Sealift Readiness Program (SRP)*.—Contractual commitment by commercial carriers to commit up to 50 percent of their ships for military use in a non-mobilization type emergency within 10, 30 and 60 day time-frames. Part of the SEP.

What about mobilization requirement?

(c) *National Defense Reserve Fleet (NDRF)*.—Composition and numbers are maintained as mutually agreed between the Maritime Administration and the Navy.

(d) *Ready Reserve Force (RRF)*.—Selected NDRF ships upgraded and placed on short notice readiness to respond to contingencies. Ultimate goal is to have the equivalent of 30 Victory Ships maintained in such a state of readiness that they could be put into operation within 10 days. The Fiscal Year 1977 program plan includes 7 ships.

(e) *Navy/Maritime Administration/OMB Five-Year Coordinated Shipbuilding Study*.—Completed August 1975, the study developed five-year projections of subsidized, private unsubsidized and Navy ship construction in U.S. shipyards and identified no seriously conflicting demands for resources among the programs.

(f) *National Defense Features (NDF)*.—Changes to make ships more suitable in time of war or national emergency are continuously under review.

(g) *Joint Navy/MARAD Design Team*.—Participates in development of criteria for National Defense Features in merchant ships and coordinates Navy technical actions related to the utilization of merchant ships in naval roles.

The foregoing are examples of programs developed as a result of recommendations by the Navy/MARAD Policy Planning Group. All are directed toward improving the ability of the U.S. Merchant Marine to serve as an augmenting force in an emergency. Additionally, as noted in questions 1 and 2, the Maritime Administration and the Navy jointly assessed the adequacy of the shipbuilding mobilization base to satisfy certain simulated workloads. This study sponsored by the Secretary of Commerce and Secretary of Defense contains conclusions and recommendations regarding the shipbuilding and mobilization base.

Finally, there is the Joint MARAD/Navy Shipbuilding and Repair Committee which is concerned with operational and contracting problems within the shipbuilding industry. This committee meets periodically for the purpose of providing coordination and cooperation between the Maritime Administration and the Navy Department, and to advise the Secretary of Commerce and the Secretary of the Navy as to mobilization, adequacy, and efficiency of the shipbuilding and repair industry and the impact of all Government and private shipbuilding programs upon the industry.

CHARTER FOR THE NAVY-MARITIME ADMINISTRATION POLICY PLANNING GROUP

Purpose

The Navy-Maritime Administration Policy Planning Group is established to assist in fulfillment of responsibilities of the Navy and the Maritime Administration specified in the Merchant Marine Act of 1936, as amended.

Background

The need to modernize and increase the effectiveness of United States seapower requires a maximum degree of understanding and coordination among the U.S. naval and maritime services. The Navy-Maritime Administration Policy Planning Group will facilitate attainment of the required understanding and coordination.

Membership meetings

1. The Navy-Maritime Administration Policy Planning Group will be jointly chaired by designated representatives of the Secretary of the Navy and the Assistant Secretary of Commerce for Maritime Affairs. These are the Deputy Chief of Naval Operations (Logistics) (OPNAV), and the Assistant Administrator for Policy and Administration (MARAD).

2. Other members will be selected by the Co-Chairmen on an Ad-Hoc basis governed by the subjects under consideration. Maximum coordination with other affected government agencies, and the military services will be maintained, and their active participation on appropriate issue will be encouraged.

3. Meetings will be held when deemed appropriate and as agreed to by the Co-Chairmen.

Functions

1. Provide support to the Secretary of Defense, through the Secretary of the Navy and to the Secretary of Commerce, as appropriate, on matters of Navy-MARAD concern.

2. Provide for exchange of information and concepts with regard to military and civilian sealift requirements.
3. Assist in the development of programs and procedures with respect to the availability of merchant shipping to meet military needs.
4. Provide general guidance, as appropriate, to staffs of both agencies in development and coordination of mutual interest programs and studies.
5. Review and evaluate standards for commercial ship designs and characteristics to meet military requirements.
6. Maintain coordination with the MARAD-Navy Shipbuilding and Ship Repair Committee and other appropriate inter-agency groups.
7. Review and make recommendations with respect to the size and composition of the National Defense Reserve Fleet.
8. Review and make recommendations concerning the responsiveness of sub-sidy programs to both civilian and military needs.
9. Foster increased cooperation among the maritime industry, the Navy and other organizations with maritime interests.
10. Assist in the development of policy and programs to aid in the protection of merchant shipping.
11. Coordinate the development and implementation of a compatible Navy-merchant ship communications system.

Scope

Matters to be addressed by the Navy-MARAD Policy Planning Group may include, but will not necessarily be limited to the following:

1. Attainment of economies within the framework of an optimum contingency sealift readiness posture and an adequate, modern Merchant Marine.
2. Merchant Marine Naval Reserve.
3. Development of immediate-response sealift capability.
4. Control and protection of shipping and operational training.
5. Development of new-construction defense features for commercial ships.
6. Identification and development of naval combat and logistic functions for commercial operating ships, and development and testing of rapid conversion packages.
7. Plans for accelerated production of most desirable merchant hulls under current construction to meet emergency defense needs.
8. Adequacy of Navy-MARAD shipbuilding programs.
9. Shipyard adequacy and readiness.
10. Coordination of Maritime Services in support of national security and foreign policies.

J. WILLIAM MIDDENDORF II,
Secretary of the Navy.
ELLIOT RICHARDSON,
Secretary of Commerce.

15. In view of the limited number of Navy auxiliary ships and tugs now available, what are the Navy's requirements for auxiliary services from the Merchant Marine in the event of another war?

Navy auxiliary ships and fleet tugs provide direct support to the fleets. Using present force levels of 16 AOs, as many as 40 merchant tankers will be required to shuttle fuel to Navy oilers. The exact Merchant Marine support requirement is a function of the closeness of fleet to the oil resources. The capability of commercial tankers to consolidate with Navy oilers is being continuously exercised between Navy oilers and MSC chartered tankers. At least 75 commercial tankers have National Defense features which will permit these ships to receive fuel hoses from Navy oilers. In the areas of fleet tugs, as many as 33 commercial tugs have been estimated as required to augment our current force level of Navy tugs and salvage ships. The Navy T-ATF, ARS and ATS will travel with the fleet providing towing and salvage services in high threat areas. Commercial tugs would be used outside high threat areas primarily for point-to-point towing.

16. What detailed plans do you have for rapid augmentation of the Navy with merchant vessels in the event of an emergency and what actions are you taking to prepare the Merchant Marine for service as a naval auxiliary in time of war or national emergency?

The Navy plans for the availability of shipping requisition by the U.S. Government under mobilization conditions. This shipping will be made available to the Navy by the National Shipping Authority to meet Department of Defense

shipping needs. Planning for this mobilization is continuously coordinated and reviewed by the Navy and the Maritime Administration.

A number of the ongoing programs of the Navy-Maritime Administration Policy Planning Group cited in question 14 are applicable here.

(a) The Sealift Readiness Program provides increased rapid augmentation for nonmobilization emergency.

(b) "Charger Log," a CNO directed program ongoing since 1971, evaluates the use of merchant ships of MSC civilian manning of selected Navy assets to meet certain fleet support requirements in peace, war, or contingency operations. Seven different programs of fueling and replenishment operations by merchant ships have been conducted with encouraging success. Continuing liaison is maintained with the maritime industry to explore options for support of Navy and Department of Defense requirements during time of emergency.

(c) Selected Container Offload and Transfer System (COTS) is being developed in support of the DOD Container Master Plan. COTS tests, part of the Navy's Logistics-Over-The-Shore program, are directed toward interfacing container-ships, LASH, and RO/RO ships with the shore in the absence of developed terminals.

Continuing liaison is maintained with the maritime industry to explore and develop options for support of Navy and Department of Defense requirements during time of emergency. In June 1976, the Military Sealift Command sponsored and government/maritime industry forum on Sealift Readiness. Representatives of Department of Defense, Navy, MARAD and top echelons of the maritime industry met to discuss and develop joint participation in Sealift readiness. The MSC Commander will continue to meet with representatives of the maritime industry to address mutual problems in face to face discussions. In May 1977, representatives from DOD/JCS/Navy/MARAD and the commercial shipping industry participated in the JCS sponsored Strategic Mobility Conference—shipping available to support Defense requirements was one of the major agenda items.

The upgrading of the NDRF and RRF are continuing programs to prepare the Merchant Marine for service as a naval auxiliary in time of war or national emergency.

17. How does the Department of Defense coordinate with the Department of Commerce in determining how the newer types of ships: Roll-On/Roll-Off, LASH, and container ships will be utilized in the event of an emergency and; what are the detailed plans for utilizing these types of merchant ships?

The Navy/MARAD Policy Planning Group is the vehicle for coordinating the acquisition and utilization of new ships. Detailed plans, policies and procedures for utilization are developed under the aforementioned Sealift Readiness Program and Logistics-Over-The-Shore program.

18. What is the status of the Navy's latest instructions relating to national defense features on commercial vessels?

OPNAVINST 4700.13B is the Navy's instruction outlining procedures and criteria for National Defense Features on commercial ships. The current instruction dated 24 August 1973 is currently being revised and updated.

19. At the Department of Defense briefing given the Committee on May 24, 1977 and at the hearing on July 13, 1977, it was stated that the United States relies on 330 foreign-flag tankers. The Title XII War Risk Insurance Program expired on September 7, 1975, at which time the questionable legal basis for "effective United States control" contractual commitments ceased to exist. Why does the Department of Defense and the Department of the Navy continue to rely on the "effective U.S. control fleet" in their Strategic Mobility planning?

The United States does not rely on foreign flag ships. It continues to rely on the U.S. Merchant Marine. The Military Sealift Command for instance continues to develop programs for the Merchant Marine; last year 97 percent of all dry cargo and 82 percent of all petroleum products carried by MSC were carried in commercial shipping. The aforementioned National Defense Reserve Fleet and Ready Reserve Force are programs to improve the capability of the Merchant Marine so that it will not be necessary to rely on foreign flag shipping.

Nevertheless the Navy recognizes that U.S. flag assets to fully support contingencies may not be available for all scenarios. Although war risk insurance regulations have been permitted to lapse for all but selected ships, American companies which control the EUSC ships continue to voluntarily maintain their commitment to support the U.S. during emergency or contingency situations. If additional sealift for contingency operations were to be required we would certainly take advantage of available EUSC shipping.

20. It was also stated at both hearings that the Department of Defense relies on the shipping capability of our NATO allies. In what other category of transportation or weaponry does the Department of Defense plan on foreign nations' assets being available to serve United States interests in an emergency?

Department of Defense planning encompasses all modes of transportation, both military and civilian. In the broadest sense it encompasses all component transportation systems including personnel and hardware that work together to enhance the movement of persons and materials to locations required within the desired time-frame. The lines of communication include rail and motor line haul systems, water carriers, freight forwarders, storage and warehouse activities and civil air transportation carriers.

In planning for an attack on Western Europe by the Warsaw Pact, we also assume that our NATO partners will meet their commitments and that as a minimum, the forces pledged to the alliance in the NATO Defense Planning Questionnaire will become available as scheduled. These assets include surface combatants, submarines and maritime patrol aircraft. This cooperation among allies allows the alliance to maintain a level of defense beyond that possible by a single nation.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C., July 29, 1977.

Hon. WILLIAM G. CLAYTOR,
Secretary of the Navy, The Pentagon, Washington, D.C.

DEAR MR. SECRETARY: I want to thank you again for appearing before the House Merchant Marine and Fisheries Committee on July 13, 1977. After reviewing the testimony, I would like to submit to you questions for inclusion in the record, and request that your responses be forwarded as soon as possible.

The May 24, 1977 Department of Defense briefing on Strategic Planning and the hearing of July 13, 1977 revealed serious deficiencies in Defense planning. It is also evident that in the past little attention has been given to the Secretary of the Navy's responsibilities under the Merchant Marine Act of 1936.

The Commander, Naval Sea Systems Command, answered questions in your behalf concerning the adequacy of the shipbuilding mobilization base. It would be appropriate for the Secretary of the Navy to have as a principal advisor on the shipbuilding industry an individual other than one concerned with procuring shipbuilding and repair business for the government-owned shipyards.

We are in agreement that current United States flag tonnage is inadequate to satisfy both defense and commercial requirements in the event of a national emergency. VADM Cooke stated that in a non-NATO situation the United States cannot count on NATO flag ships. I am in disagreement with the Department of Defense position that we rely on our NATO allies and others to provide reliable backup in merchant shipping. I do not believe this policy is consistent with our national security objectives.

It is my strong recommendation that a study be undertaken to determine what political, economic, and military actions the Soviet Union could take, without declaring war, to prevent foreign flag ships from carrying oil and critical raw materials to the United States, our NATO allies and Japan.

You and I, and other key officials must act together to correct serious weaknesses in our defense posture and to achieve security in the ocean transportation of military forces, raw materials and energy resources.

I ask your support and cooperation in fulfilling our respective legal responsibilities to ensure that the United States has an adequate Merchant Marine.

Sincerely,

JOHN M. MURPHY, *Chairman.*

Enclosure.

DEPARTMENT OF THE NAVY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., July 28, 1977.

Hon. JOHN M. MURPHY, JR.,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed, please find the corrected transcripts of the testimony of the Secretary of the Navy, Honorable W. Graham Claytor, Jr., Vice

Admiral C. R. Bryan, VADM J. H. Doyle, and Vice Admiral E. W. Cooke given before your committee on July 13, 1977, regarding Cargo Preference. Also included is an insert to page 32.

T. F. HAIRSTON,
Captain, JAGC, U.S. Navy,
Director, Legislation.

HOUSE COMMITTEE ON MERCHANT MARINE AND FISHERIES

Subject of hearing: Impact of Tanker Construction on Navy Shipbuilding Needs.

Volume No. I. Date of hearing July 13, 1977.

Page No. 32, Line No. 18.

Question. "At any one time, given an average, how many U.S. flag tankers are in U.S. waters and ports?"

Answer: Of the approximately 250 U.S. flag tankers, about 200 are engaged in domestic trade in U.S. waters and ports at any given time.

Source. Mr. Russell F. Stryker, U.S. Department of Commerce, Maritime Administration.

[Whereupon, at 11:25 a.m., the committee adjourned, subject to the call of the Chair.]

