

UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

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REMARKS BY ALAN S. BOYD, UNDER SECRETARY OF COMMERCE FOR TRANSPORTATION, PREPARED FOR DELIVERY AT THE ANNUAL BANQUET MEETING OF THE SOCIETY OF NAVAL ARCHITECTS AND MARINE ENGINEERS AT THE WALDORF-ASTORIA HOTEL, NEW YORK, N. Y., FRIDAY, NOVEMBER 12, 1965, AT 9:30 P.M.

It is a pleasure to talk with a group of men whose ideas and talents will help shape the future of our ocean-borne commerce.

We in Government are involved these days in deliberations designed to change the emphasis on the policies which govern our merchant marine.

The primary goal as laid down by President Johnson is a maritime policy which places more stress on the stimulus of free competition and less on Government subsidy and control.

There is wide agreement on the broad concept of free competition. But when you get down to specifics -- on such issues as cargo preference, operating and construction subsidies, manning, automation and all the rest -- agreement vanishes.

To those of us who are dedicated to the system of free enterprise and unfettered commerce, Government supports are an abhorrence, which while necessary at this time do not constitute a satisfactory ultimate solution. Our efforts should relate to developing the merchant marine which by its efficiency is less likely to require subsidy for survival.

The best hope for achieving long-range and lasting solution to many of these issues, I'm sure we can all agree, lies in the field of research and development.

If the U.S. merchant marine is to become more competitive and assume its proper role of leader in world trade, it must get out in front and stay out in front in the development and utilization of advanced technology.

In a general sense, this is the way that other cost-disadvantaged American industries have been able to compete successfully in the market places of the world. The Department of Commerce's Overseas Business Reports show that it is the high-priced items America has for sale which are registering the biggest export gains these days. For example, in 1959, we were selling about \$18 million worth of computers abroad each year. By 1964, this market had grown to \$218 million a year.

The long-term future of the maritime industry depends upon new concepts, new technologies and systems, which in turn demand the coordinated use of the fruits of expanded research and development.

You naval architects and marine engineers already have shown us that some of the required technology is available and feasible.

But we still need your ideas and your help. We still have much work to do in the field of nuclear propulsion, with surface effect ships, with bow thrusters which will make our ships more maneuverable and capable of quicker turn-arounds, and in the less spectacular but perhaps even more important field of port efficiency and cargo handling.

Once you have shown us the way, however, it is up to the politicians, the business entrepreneurs and the labor leaders to clear the way for putting the advanced technology to work.

Even though today we are operating under rules and regulations and policies which date as far back as World War I days, we are making some strides in wedding advanced technologies to through systems of transportation which we must have if our merchant fleet is to thrive and prosper.

This is especially true in the field of containerization.

The most successful form of containerization in use today is piggybacking of truck trailers on railroad cars.

It took 20 years for this technological advance to be accepted. But once it was, its progress has been remarkable.

Ten years ago, the railroads carried only 168,000 carloads of piggyback freight. This year the total will surpass one million carloads, and a recent breakthrough making this service available coast-to-coast for the first time promises an even brighter future.

The use of containers in ocean trade is in about the same position piggybacking was a decade ago. There are some 120,000 containers of varying sizes and shapes now in use by American shippers. About 21,000 of these are in sea-going trade, and some 7,000 of them are of a standard size as prescribed by the International Standards Organization.

Another breakthrough in containerization occurred only a month or so ago when the International Standards Organization reached agreement on hardware fittings for containers, ending long, long months of negotiation.

Next month, representatives of the United States will join in discussions in Geneva regarding such containerization problems as customs, health, specifications, safety, uniform markings, rates and regulatory procedures, and especially documentation.

The documentation dilemma, alone, presents a major problem. There are as many as 810 combinations of import documents which can become involved in shipments entering the United States. On outgoing trade, there may be as many as 86 documents.

But this paper barrier is under attack by both industry and Government. The West Coast maritime industry, cooperating with various governmental agencies and the American Merchant Marine Institute, has produced a standard export document, greatly reducing the paper work.

And early next year, we hope to launch a pilot project with Great Britain which will show the way for reducing this paper work and for ironing out other kinks in the containerization system.

Container shipments today are moving fairly well on a pier-to-pier basis. There is some plant-to-plant activity,

too, but little if anything is being done in moving containers from inland cities in the United States to inland cities abroad.

This is the nut we have to crack, the breakthrough that must be achieved if containerization in ocean trade is to approach the progress already made by rail piggybacking.

The pilot project with Great Britain will involve the inland city problem. Plans are being worked out for stuffing commercial cargoes in Chicago and St. Louis in standard 20-foot containers. Customs inspections will be made before export and following import. New York, Norfolk and New Orleans have been chosen as ports of entry and exit. Comparable sites in England have yet to be selected.

The alternative inland transportation modes linking the U.S. ports and the consolidation points also are being programmed with transit time and cost factors very much in mind. The containers will move by truck and rail and by piggyback where appropriate, representing an excellent through-system experience.

We are on the threshold of other technological advances which require acceleration and expansion.

The field of nuclear-propelled ships is one example. The N.S. SAVANNAH has pioneered the way, giving us a framework of regulations and procedures which has made it possible to operate in both foreign and domestic ports.

A fleet of such ships, capable of 30 knots and aimed at capturing the high-tariff cargo from the major ports around the globe, may offer our first best immediate hope for our merchant marine to re-establish itself as a privately-owned and privately-operated fleet, using technological superiority to offset the cost disparity we face in most fields of marine competition.

Surface effect ships offer an even more dramatic opportunity. The thought of travelling over the ocean on bubbles of air at 100 knots per hour is exciting enough. But when you consider the possibility of fusing this type of ship with the advantages of nuclear propulsion and a container shuttle system as well, you begin to have real faith in the future of our merchant marine -- if the genius that has made us the most mobile society in mankind's

history can be mobilized to do the job.

And I for one believe that it can.

There is general agreement that the present level of maritime research and development -- both private and public -- is much too low. The nation spends proportionally less on this kind of research than it does in other modes of transportation. But I am sure that if we present our case properly, the wherewithal for perfecting the advanced technology required to make our merchant fleet competitive in world trade and adequate to serve us in time of emergency will be forthcoming.

The future prospects for trade expansion indicate that this is an investment of blue ribbon quality. Our foreign commerce today is reckoned in the neighborhood of \$30 billion a year.

Our economists say if the present growth rate is maintained, this will climb to \$40 billion in 10 years and to nearly \$60 billion by 1985.

If we were spending as much today on research and development as we are on direct and indirect subsidies on our commercial shipping, the future of our merchant fleet would be taking care of itself.

In signing into law recently legislation authorizing research and development work in the field of high speed ground transportation, President Johnson noted:

"The same science and technology which gave us our airplanes and our space probes, I believe, could also give us better and faster and more economical transportation on the ground. And a lot of us need it more on the ground than we need it in orbiting the earth."

The same sentiment can be applied to our oceanshipping needs. The markets are there. We are still in the race for them. But other nations such as Japan, Great Britain and Soviet Russia also are in the race and are not standing still.

They are not oblivious to the benefits of technology, a lesson we learned after the first Sputnik pierced the

heavens eight years ago.

I would remind you that although it was an American, Robert Fulton, who was credited with producing the first workable steamboat, it was the British -- with their superior iron industry -- who produced the faster, safer iron hulled vessels and made this technological advancement really pay off.

I would remind you, too, that it only took 20 years for the steamship to evolve from an experimental craft to a fully competitive vessel -- and that was back in the comparatively slower and even-paced days of the early 19th century.

We don't have that kind of time today. Our merchant fleet is declining. Its share of cargoes is shrinking. We have the technological know-how to orbit the earth, to send rockets to the moon and to take pictures of Mars.

Surely we also possess the capability of producing the kind of modern ships and forging the through-system transportation networks necessary to give us a competitive merchant fleet second to none which can haul the marvels of this free society to the market places of the world.

In our complex society the Government can provide support. The labor force can supply the finest employees and management can operate the vessels. The essential ingredient, however, is talent for research and development, which this group must bring to bear to make the efforts of others contribute to a satisfactory advance on the shipping lanes of the World.