

The Jones Act, U.S. shipbuilding and competition

I read with interest the letter in your October issue from Mr. Duffelmeyer concerning Jones Act interpretations and saving U.S. jobs in shipbuilding in Philadelphia.

I started my career in 1959 with the world's largest shipbuilder, Bethlehem Steel. Shortly thereafter, I found out that we were the world's biggest shipbuilder only because of government protections. This has given me a different view on shipbuilding and government intervention. Let me explain.

The U.S. government and many in the U.S. shipping industry in the 20th century made the mistaken assumption that ship owners and shipbuilders share a common interest. That assumption caused us to "protect" U.S. interests with the Jones Act and Construction Differential Subsidies (CDS) support to build U.S., and Operational Differential Subsidies (ODS) support to operate U.S. flag. The direct result of this was that U.S. shipyards did not experience the incentive of competition that became a major factor in creating more efficient new shipyards in Europe and Asia after World War II.

Rather than having a common interest with shipyards, shipowners want to buy

ships wherever the price and quality are best.

It is a tragic irony that the true stimulus for the dramatic improvements in ship design for easier construction and more efficient shipbuilding came from the WW II "miracle" led by Vice Admiral "Jerry" Land. He led U.S. industry (not just traditional shipyards) in building nearly 6,000 merchant ships in less than six years.

After the war, the lessons of simpler design and efficient manufacturing were taken abroad by pioneers such as D. K. Ludwig, Elmer Hann and W. Edwards Deming. Deming advocated designing the whole process first, getting it right before building anything and eliminating costly "rework of mistakes." This philosophy reached its peak with Toyota which made money from its first car, a lesson Japanese shipbuilders mastered.

Meanwhile, large U.S. shipyards benefited in the 1950's-60's from U.S. government-mandated tanker orders. Once this "boom" had run its course, work for international trading newbuildings dwindled in the U.S. despite CDS support because neither U.S. designs nor shipbuilding practices could match those available in

Europe and Japan.

In addition, the Jones Act trading fleet, largely composed of U.S. Gulf to North-east tankers, generated few new orders in the 1960's.

During my career in research, design and operation of non-U.S. flag vessels, I have been saddened to see the decline in merchant ship design and construction in this country. It is an almost inevitable consequence of not getting enough orders to stay with the leaders in either design or manufacturing technology. This is ironic because during the same period Americans were behind many marine developments: Simple larger ships by Ludwig, LNG ships by Jim Henry, bulkers and self unloaders by Ole Skaarup, container ships by Malcom McLean and jack-ups, semi-submersibles, etc. in the U.S. oil patch. And, at the same time, the U.S. "shade tree" yards that stayed clear of government support succeeded in being competitive in world terms.

Large merchant shipyards in the U.S. have managed to be distinguished mainly by dissatisfied customers—LNG ships that failed their gas trials were delivered as total losses; new yards whose monster blocks failed to con-

nect by feet, not fractions of an inch; a U.S. built two-stroke main engine that blew up on its test bed; and other hard-to-swallow failures.

I hope that the few U.S. yards still building merchant ships can manage a better showing with the foreign help they have so wisely obtained. With real effort, these ships that cost nearly 3-4 times that of the foreign yards, should be brought much closer to world price levels. The ratio of U.S. to Asian wages can hardly explain these huge U.S. premiums if truly world class engineering and ship manufacturing is utilized. Lest shipbuilding labor here try to hide behind this time-worn argument, they should look at what Toyota has accomplished building in the U.S. as compared with Detroit's Big Three.

I realize that my views won't be welcomed by the bigger U.S. shipyards, allied industries, the government or most MARINE LOG readers. However, if this country is ever going to do a better job in this field, it must face the failures of the past. Learning from one's mistakes is painful but essential.

Sincerely,
William O. Gray