JOINT VISION 2010 FOCUSED LOGISTICS: CAN WE GET THERE FROM HERE?

by

Roy David Graves
Lieutenant Commander, United States Navy

A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the department of Joint Military Operations.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signature: Roy David Graves, LCDR, USN

13 February 1998

Robert K. Reilly, Professor

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19980709 031

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**Abstract:** As one of the principal means of delivering equipment and logistics in support of the current national military strategy of the United States, sealift impacts the ability to conduct sustained operations and may influence the outcome of the operation being conducted. To the extent that sealift limits deployment of forces or logistics support, geographic combatant (CINC) and subordinate joint force commanders (JFCs) are constrained in the strategic, operational and tactical options that they might choose and the forces they can employ. The flexible, assured sealift support initiatives proposed by Joint Vision 2010 (JV 2010) are intended to permit regional CINC's and JFCs to expand the strategic, operational, and tactical options available. Where will the sealift of the future come from? Can we look to JV 2010 for answers? The size of the U.S. Merchant Fleet—vessels and mariners—is at an all time low and getting smaller. Our reliance on the commercial shipping industry and foreign commercial shipping for our sealift needs is becoming more and more prevalent. We have learned many lessons from the Gulf War... or have we? The Maritime Security Program and the Voluntary Intermodal Sealift Agreement, which propose reliable and secure U.S.-flag commercial sealift, will support JV 2010. Despite their best efforts, the regional CINC has the potential to find himself at the mercy of the accepted commercial practices of the shipping industry, and subjected to the risks associated with the reliance upon foreign commercial shipping. If the operational commander is to successfully develop and execute contingency plans utilizing the best available options for the situation, he must fully understand the limitations and impact that reliance on these sealift assets may have on the mission and then act accordingly.
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Introduction.

"The United States is a nation with global interests and requires a military strategy that achieves national security objectives across a range of military operations. The strategy is based on three main components: peacetime engagement; deterrence and conflict prevention; fight and win our Nation’s wars. This strategy cannot be executed without forward presence, power projection, and the ability to sustain forces during an operation and redeploy forces when the operation is terminated. As one of the principal means of delivering equipment and logistics support, sealift impacts the ability to conduct sustained operations and may influence the outcome of the operation being conducted. To the extent that sealift limits deployment of forces or logistics support, geographic combatant (CINCs) and subordinate joint force commanders (JFCs) are constrained in the strategic, operational and tactical options that they might choose and the forces they can employ. Flexible, assured sealift support permits CINC’s and JFCs to expand the strategic, operational, and tactical options available. The current national military strategy of the United States is to deter aggression through overseas presence and effective power projection. In order to provide the pre-positioned, surge, and sustainment equipment and supplies necessary to support our forward-deployed forces, sealift may be the movement mode of necessity as well as choice."

In July 1996, the Chairman of the Joint Chiefs of Staff (CJCS) issued Joint Vision 2010 (JV 2010), which provides a conceptual framework for the United States’ armed forces to think about the future. JV 2010 is built on the premise that modern and emerging technologies —particularly information-specific advances—should make possible a new level of joint operations capability.² Where will the strategic sealift of the future come from? Can we look to JV 2010 for answers? JV 2010 looks great on paper, but can the regional CINC rely on initiatives supporting JV 2010 to provide adequate strategic sealift in future time of conflict? This analysis will argue that the currently proposed strategic sealift initiatives which will support the focused logistics operational concept of JV 2010 present inherent operational difficulties of potentially critical impact that must be considered in the regional CINC’s contingency planning efforts.
JV 2010's new operational concepts—dominant maneuver, precision engagement, and full-dimensional protection—are each enabled by information superiority and technological innovation. Each of the preceding concepts relies on our ability to project power with the most capable forces, at the decisive time and place. To optimize all three concepts, logistics must be responsive, flexible, and precise. Focused logistics—JV2010's fourth operational concept—will be the fusion of information, logistics, and transportation technologies to provide rapid crisis response, to track and shift assets even while enroute, and to deliver tailored logistics packages and sustainment directly at the strategic, operational, and tactical level of operations. The success of focused logistics is contingent on the modernization of the Defense Transportation System and its ability to take advantage of advances in transportation technologies—by capturing and implementing commercial sector successes in cargo containerization and handling equipment allowing more effective integration of intermodal transportation—coupled with the information management revolution. The focused logistics concept aims to put resources in the right place, at the right time, while reducing reliance on large inventories.

The Decline of the United States Merchant Fleet.

The proposed strategic sealift of JV 2010 is a far stretch from that of World War II where Liberty and Victory ships numbered in the thousands, merchant mariners were plentiful, American shipbuilders were flourishing and the United States had more flagged tonnage that any other nation in the world. Those days are gone. The U.S. government just
cannot afford the luxury of building and operating such an expansive and costly merchant fleet in the reality of today’s inflated economy.

The same expenses are encountered by U.S. commercial shipowners. The primary objective is to maximize profit. The impact of the regulations usually hinders the ability to do so. The particular flag a ship flies is usually of interest only for its ability to maximize profit and minimize regulatory restrictions. As a result, the size of the U.S.-flag merchant fleet is steadily declining. Statistics show that from 1990 to 1995 the cargo carrying U.S. registered fleet fell from 622 ships, totaling 21.5 million dwt and averaging an age of 27 years, to 489 ships, totaling 16.5 million dwt and averaging an age of 28 years. Reflecting this trend moreover, U.S.-based shipowners currently control far more tonnage under open registry than under the national flag. With the demise of federal operating differential subsidies (ODS) and construction differential subsidies (CDS) to entice U.S.-based shipowners to register their vessels in the U.S., the migration of vessels from the U.S.-flag to open registries will continue unabated.

Gulf War Sealift: Modern Day Lessons Learned.

Overall, the U.S. chartered commercial fleet carried approximately 13 percent of the Desert Shield/Desert Storm unit equipment.

The U.S. Merchant Marine’s severe decline had serious ramifications for national security. Availability and timeliness of unit equipment capable ships from both U.S. and worldwide commercial fleets during Desert Shield/Desert Storm were not adequate to meet the supported CINC’s surge requirements. Competition among the allies exacerbated the
problem. It was during this period that the danger in the situation became most apparent. From late December, 1990 to the end of the war, foreign flags carried nearly 40 percent of U.S. unit cargo. It all worked out fine for Desert Shield/Desert Storm, but what if foreign governments don’t support future U.S. operations?\(^8\)

The situation would only get worse. The Maritime Administration (MARAD) predicted that the U.S. Merchant Marine fleet would continue to decline from 168 military useful dry cargo ships in 1990 to 35 by the year 2005. Additionally, commercial trends away from Roll On/Roll Off (RO/RO) and breakbulk vessels in favor of containerships—approximately 70 percent of the commercial fleet available for use during Desert Shield/Desert Storm was containerized—would reduce further military utility of the commercial fleet worldwide. For reasons of national security, the Commander in Chief, U.S. Transportation Command (USCINCTRANS) and the regional CINCs believed they should not let the nation continue to increase its reliance on foreign countries for strategic deployment.\(^9\)

There was a related issue of great concern to the U.S. Transportation Command (USTRANSCOM). Fewer ships meant fewer jobs for merchant mariners and, as a consequence, manpower had dwindled almost 60 percent since 1970 to a current level of about 10,000. MARAD projected that it would be less than half that amount by the turn of the century.\(^10\)

Although no Ready Reserve Force (RRF) ship activated for Desert Shield/Desert Storm failed to sail because of crew shortage, demographics portend big problems for the next war. MARAD predicted that by the year 2000 the nation would be short 1,600 seamen.
to man the RRF, Fast Sealift Ships, and commercial vessels during the initial surge deployment. The shortage would increase, MARAD estimated, to more than 7,200 during sustainment operations.  

Although crews on foreign flag ships supporting the U.S. deployment to the Persian Gulf on the whole proved dependable, USTRANSCOM's Desert Shield/Desert Storm sealift experiences clearly illustrate the risks associated with them. For a variety of reasons—political, religious, union squabbles, pay disputes and, most commonly, fear of entering a combat zone—crews on at least 13 foreign flag ships carrying U.S. cargo hesitated or refused to enter the area of operations.

Foreign flag ships' crews were, overall, reliable during Desert Shield/Desert Storm. Balkers this time had no impact on the war's outcome and slowed U.S. forces only minimally, if at all. Still, the hesitation and refusal of some foreign flag crews to complete their voyages to the Persian Gulf raises the question of foreign flag shipping dependability in future conflicts, especially when the United States acts unilaterally or without the broad-based, worldwide support it experienced during Desert Shield/Desert Storm. Furthermore, in the next conflict—unlike Desert Shield/Desert Storm where Iraq's navy was neutralized, the mine threat was minimized, and no commercial ships were lost due to enemy action—there might be a credible maritime threat, which could possibly cause foreign crews to balk in large numbers. Only the United States is not a signatory to the International Transport Workers Federation Seafarers Section Resolution on War Zones. Adopted in Venice, Italy, in 1986 and reaffirmed and endorsed by the Joint Maritime Commission of the International Labour
Organization in Geneva, Switzerland, that same year, the resolution gave foreign seamen the right to decline to enter a war zone.\textsuperscript{13}


With the size of the U.S.-flag merchant fleet steadily on the decline, the United States government had to do something to stop the exodus of U.S.-owned merchant vessels from flocking to open registry. The government’s latest attempt to do so occurred on October 8, 1996 when President Clinton signed Public Law 104-239, the Maritime Security Act of 1996 and introduced plans for the Maritime Security Program (MSP). MSP will support an active, privately owned, U.S.-flag and U.S.-crewed merchant shipping fleet to provide sustainment sealift in a contingency. The 10-year program will provide funding of up to $100 million annually for up to 47 vessels and will replace the previous ODS program with a flat fee of $2.1 million per vessel per year in return for a guarantee of the vessel’s availability to the United States when needed. MSP will expand the sphere of participation to a wide spectrum of companies that operate in worldwide trade routes. The program is intended to provide a reliable and secure source of both sealift and U.S.-citizen crews as a resource for the military to draw upon during contingencies. The diverse mix of ships and services represented by the Maritime Security Fleet is expected to give the military the immediate capability not only to satisfy sustainment requirements but also to fill the gaps in surge capability.\textsuperscript{14}

Moreover, the Department of Defense (DOD) will have access to shipping companies’ worldwide intermodal networks: the vessels, trains, trucks, cargo handling equipment, tracking and control systems, and even the traffic and logistics management.
services. By packaging all these elements, MSP capitalizes on the assets of a multibillion dollar capital base while maximizing the industry’s modern door-to-door transportation capabilities. All the while, the carriers maintain their flexibility by pooling their resources and rationalizing their services.15

All MSP operators are required to participate in an Emergency Preparedness Program. DOD, MARAD, and the commercial shipping industry have worked in partnership to create one such program, the Voluntary Intermodal Sealift Agreement (VISA).

Similar to the Civil Reserve Air Fleet (CRAF), USTRANSCOM relies on partners in the commercial maritime industry to transport most of its peacetime and nearly all of its wartime sustainment. VISA is an initiative to provide assured access to commercial shipping and intermodal facilities during contingencies, and it will benefit both the commercial industry and DOD. It is designed as a sealift program that contractually provides phased access to vessel capacity—through a combination of charter and liner services of U.S.-flag ocean shipping companies—and intermodal capability to support sustainment cargo or current requirements. It also allows shippers to carry military cargo alongside commercial cargo. DOD’s peacetime business with a carrier will be tied to the level of that carrier’s commitment of assets and services.16 VISA is the mechanism by which carriers will provide origin-to-destination transportation during military contingencies. The companies’ sophisticated systems for in-transit visibility give DOD a more effective, efficient method of tracking and directing the movements of munitions and material from factory to front-line or foxhole.17
All major U.S. carriers have approved and joined VISA and its Joint Planning Advisory Group (JPAG). An interagency, government/industry forum for joint planning, JPAG develops concepts of operations for sealift support of major defense contingency plans.¹⁸ A majority of U.S. ocean carriers have received security clearances to actively participate in the Government and industry contingency joint planning process. VISA represents a fundamental change in sealift programs. It is streamlined and efficient, adopts the best commercial practices, is highly responsive to operational needs, utilizes the full range of commercial intermodal systems and services, and balances civilian and defense requirements through pre-planning. The joint planning allows industry to participate in planning their contribution thereby reducing the effects of market disruption. When any of VISA’s three stages is activated, or when DOD has requested volunteer capacity, participants may implement approved Carrier Coordination Agreements (CCAs)—agreements between two or more carriers to coordinate their services in a contingency—to meet the needs of DOD and to minimize the disruption of their services to the civil economy. VISA allows participants the use of a Vessel Sharing Agreement (VSAs)—an agreement to share vessel capacity or space—to utilize non-participant U.S.-flag or foreign-owned and operated foreign flag vessel capacity as a substitute for VISA contingency capability.¹⁹

**Commercial Carrier Industry: Accepted Commercial Practice.**

It is not difficult to deduce that the respective successes of MSP and VISA are contingent upon the participation of the commercial carrier industry. It should also be obvious that there are distinct differences between the respective goals of the regional CINC.
and those of the Chief Executive Officer of a large commercial carrier corporation. The
commercial shipping industry is very dynamic, and therefore individual carriers must be
dynamic in order to remain competitive. Consequently, as DOD embarks upon JV 2010
through the use of MSP and VISA, it must understand that the shipping industry is in a
constant state of flux, which has the potential to create undesirable relationships between
DOD and its commercial partners. Historically, profit and in some instances solvency, are
major driving forces behind industry change.

Let us first look at two accepted commercial practices that commonly occur in the
shipping industry: the merger; and the acquisition. A merger occurs when two or more
carrier corporations legally combine to become one corporation. An acquisition occurs when
one carrier corporation moves to buy out another carrier. Sometimes an acquisition is an
amicable attempt to save a failing company and other times they are hostile takeovers
designed to leverage a smaller corporation’s valuable assets. Either way, just as in the case
of the merger, corporate identities change. Usually when the players of a merger or an
acquisition are two U.S. corporations this does not present a problem; however, when a
merger or an acquisition occurs between a U.S. carrier and a foreign-owned carrier reliability
and security complications may arise for MSP.

The following is an example of just how complicated it can get. The bankruptcy of
Lykes Bros. Steamship Co. (Lykes) and the planned sale of American President Lines (APL)
Ltd. to Neptune Orient Lines (NOL) put MARAD squarely on the spot. Lykes and APL
wanted to keep their ships under MSP subsidy, even though their services would be run by
non-U.S. entities—Lykes by Canada-based Canadian-Pacific Ships (CP) and APL by
Singapore-based NOL. To do so, they needed MARAD’s approval for complicated arrangements under which the ships would be operated by U.S.-citizen entities (which would receive the subsidies), and then chartered to CP or NOL. APL has nine of the program’s 47 ships. Lykes has three, and operates two others chartered from the First American Bulk Carriers and owned by the pension trust of the Marine Beneficial Association. Together, the APL and Lykes ships represent 14 of the 47 ships in the program. This turn of events created a myriad of potential problems: 1) the possible loss of up to 14 U.S.-flag vessels from MSP; 2) the possibility of non-U.S. companies benefiting from subsidies meant to stimulate the U.S. carrier industry and potentially placing the existence of the entire MSP in jeopardy; and 3) the possibility of foreign interests indirectly controlling a very large share of MSP assets. The consequences of which will have a grave impact on MSP. MARAD subsequently refused to allow Lykes to transfer its four MSP Operating Agreements to its new U.S. entity, sighting the proposed transfer would have resulted in “excessive foreign control” over U.S.-flag ships. Despite the loss of MSP subsidies, Lykes desires the four U.S.-flag vessels to continue to be VISA participants. The APL request to transfer its nine MSP Operating Agreements to its new U.S. entity was approved by MARAD.

Another interesting dynamic of the commercial carrier industry is the introduction of carrier alliances. Two types of carrier alliance are developing: core alliances with a set of global partners, and multi-consortia “webs” of slot exchanges covering individual trades.

Global alliances—multi-trade lane consortia—offer distinct benefits to the participating carriers including: 1) access to more loops and services with fewer attendant costs, which allows alliance carriers to share terminals; 2) cooperation in many areas at sea...
and ashore allowing alliance carriers to reduce costs significantly; and 3) scale effect benefits of more frequent services, shorter transit times, wider port coverage, lower slot costs, and a strong position in negotiating to buy services from terminal operators, container depots and inland transportation carriers—when contracted jointly.22

“webs” appear to be more ad hoc agreements in different trades, less integrated or binding (restrictive) than those of a global alliance. “Web” carriers generally operate without any cooperative carrier agreement. In most cases, they operate as mere slot charters or slot-exchange agreements. In this, it appears that such single-trade agreements allow “web” carriers to pull out of a given agreement much more easily than if they were bound to a long-term multi-trade global alliance pact where ships and assets are pooled.23

The services of the three major core alliances—Global Alliance, Grand Alliance, and SeaLand/Maersk—provide a vast port coverage with high service frequency.24

How complicated can it get? Two years ago, nine carriers of various national registries and ownership aligned themselves into two alliances, the Grand Alliance and the Global Alliance. Then, P&O Containers (Grand) and Nedlloyd (Global) announced a merger. Lining up P&O Nedlloyd disrupted both alliances and the partner lines waited several months for the merged carrier to decide which alliance to stay with. Next, NOL (Grand) took over APL (Global). Same problem. Of the nine original lines, only five remain in the same alliance. NOL is switching from the Grand to the Global to join APL. Three Global members have since moved the other way, from the Global to the Grand. When the changes become effective, the Grand will have five members and the Global will have three. Both Grand and Global may be renamed.25
As illustrated, the accepted commercial practice of forming and participating in carrier alliances further complicates the relationships between U.S.-owned and foreign-owned carriers. Although most alliance relationships are benign, some could present reliability and security problems that would impact the success of VISA.

Another innovation in the commercial shipping industry is the increasing use of larger containerships—4000 to 6000 Twenty Foot Equivalent Unit (TEU) (20’x8’x8’ container) vessels—on established trade routes between major container shipping ports or nodes. Upon arrival at a shipping node, cargoes are then routinely transferred to smaller—usually foreign flag—vessels, called feeder vessels, for delivery to minor ports. The concept of carrier alliances has simplified this process to the point it is becoming an industry standard.

During Desert Shield/Desert Storm, U.S. shipping companies, contracted under the Special Middle East Sealift Agreement (SMESA), transported DOD cargo aboard regularly scheduled United States-Middle East liner services. U.S.-flag carriers sailed almost daily on their established routes to transshipment points where they transferred their cargo to smaller, foreign flag feeder vessels, under charter to them. The foreign flag ships then shuttled the cargo to the United States Central Command (USCENTCOM) area of responsibility. SMESA, like VISA, is a logistical effort that started reliably and securely with the contracting of U.S.-flag assets to deliver military cargo, and through the use of commercially accepted practice became dependent upon the use of foreign flag assets to ultimately complete delivery.
Conclusions.

MSP and VISA are fine first generation attempts to support the focused logistics of JV 2010. The key to their respective successes, as well as that of JV 2010, is in the active participation of U.S.-citizen owned and U.S.-flag commercial shipping assets. The only truly reliable and secure commercial sealift assets that the operational commander can count on are those flying the U.S.-flag—owned and crewed by loyal U.S. citizens.

It is unfortunate that in their attempts to provide reliable and secure U.S.-citizen owned and U.S.-flag sealift MSP and VISA are able to avoid the infiltration of foreign flag and/or foreign owned vessels. The Maritime Security Act of 1996, which established the legislative framework for MSP, allows foreign companies to set up U.S.-flag subsidies and compete for slots in the subsidized Maritime Security Fleet. In fact, even before the legislation had been passed and the funds appropriated, Congress had set aside five slots for a U.S. subsidiary of a large Danish shipping corporation called Maersk. This has opened up MSP to problems similar to those encountered in the merger of APL and Singapore-based NOL, and the acquisition of Lykes by Canada-based CP. Should Lykes ultimately conform to the guidelines of MSP in the same fashion Maersk and APL has, their MSP assets would still be under the indirect control of their respective foreign parent companies and potentially subject to withdrawal from MSP at anytime. Similarly, from its inception VISA has allowed participants, through the use of a vessel sharing agreement, to utilize non-participant U.S.-flag or foreign-owned and operated foreign flag vessel capacity as a substitute for VISA contingency capability. The trend of the commercial carrier industry towards carrier
alliances and the use of feeder vessels to transfer cargo from major ports to minor ports further promotes the unavoidable use of foreign-owned and operated foreign flag vessels and capacity. MSP and VISA clearly have the potential to fail in their attempts to gain independence from foreign flag and/or foreign owned vessels by virtue of their own design.

Dependence on foreign shipping for surge and sustainment sealift can be risky, as the Gulf War experiences clearly illustrated. What will happen next time if the U.S. finds itself acting unilaterally or without broad-based, worldwide support? What if the next conflict involves a more credible maritime threat thereby increasing the risk of commercial shipping losses at sea or the chance of exposure to nuclear, chemical, and biological weapons? We cannot ignore the International Transport Workers Federation Seafarers Section Resolution on War Zones, giving foreign seamen the right to decline to enter a war zone.

Lastly, both MSP and VISA are rely heavily on the participation of the commercial shipping industry. As a result they both, by their very nature, will always be affected by the industry trends and accepted commercial practice. If a MSP carrier participates in a merger with, or is acquired by, a foreign owned carrier, MSP must respond to the change. When mergers and acquisitions cause carrier alliance reconfigurations, VISA must respond to the change.

Though MSP and VISA will provide a limited amount of U.S.-flag vessels and vessel capacity, these initiatives are dependent upon the commercial carrier industry and foreign flag shipping and as a result present inherent operational difficulties of potentially critical impact that must be considered in the regional CINC’s contingency planning efforts.
Recommendations.

Flexible and assured sealift—U.S.-flag shipping—will allow the regional CINC versatility to expand all available operational options during a contingency. Both DOD and MARAD fully acknowledge the steady decline of the U.S. Merchant Fleet. Neither one wants to pay for its strategically, operationally and tactically necessary revival out of their declining budget.

Assuming the decline in U.S.-flag commercial shipping and the complimentary decline in U.S. merchant mariners will not slow, stop, or reverse in the near future, a major part of the regional CINC's surge and sustainment sealift will be supplied by foreign flag commercial shipping. Knowing that the reliability and security of foreign flag commercial shipping can range from excellent to poor, depending on the carrier, officers, crew, vessel, flag nation, threat and mission; the regional CINC may feel constrained in the options he may choose and the forces he may employ. If foreign flag commercial shipping is going to be a part of the sealift solution, the regional CINC must know more about its use—its affiliations and allegiances, its limitations and the strings attached—so that he can eliminate variables to the point where he feels comfortable with including it in contingency planning.

Ultimately, it would be beneficial to the regional CINC if a data base were maintained, listing pertinent carrier information, and assigning each a separate confidence factor based on reliability, security, and availability compared to that of the average U.S.-flag carrier's vessel with a U.S. crew. With this information, USCINCTRANS, acting as a supporting commander, could advise the supported commander with greater confidence in the
availability of expected foreign carrier assets, thereby allowing him more flexibility in
contingency planning.

Clearly, any sealift initiative in support of JV 2010 will rely heavily on the
participation of the commercial shipping industry. MSP and VISA are two prime examples
of such initiatives that are not only reliant on, but also whose very foundations are built on
the industry. Capitalizing on the commercial shipping industry, its vessels, vessel capacity,
crews, and intermodal infrastructure will prove to be a great benefit to the regional CINC.

The downside of this relationship is that the best laid plans of the operational commander
may find themselves at the mercy of industry trends and accepted commercial practice. The
sealift needs of the military will never drive the commercial shipping industry. With this in
mind, military planners must analyze and closely monitor industry trends and changes. Some
trends and changes are benign, but others—if not monitored and accounted for—may have a
devastating impact on the planning efforts of the regional CINC. It would be beneficial to
the regional CINC if he had to his avail a second data base accurately listing all changes in
carrier status—ownership, flag, political allegiances, foreign business partnerships—that
result from mergers, acquisitions, alliances, “webs”, carrier coordination agreements, vessel
sharing agreements, and container slot exchange agreements. The data base could be used by
MARAD to proactively stabilize MSP and VISA in the advent of such occurrences, and by
USTRANSCOM to better discern the reliability, security and availability foreign carriers in
the likelihood of a particular regional contingency. This, in turn, ensures MSP and VISA
continue to support JV 2010, the USTRANSCOM, and most importantly the regional
CINC’s planning and subsequent execution of contingency operations.
Notes


3 Ibid., ii.


8 Ibid., 128-129.

9 Ibid., 129.

10 Ibid., 132.

11 Ibid.

12 Ibid., 136.

13 Ibid., 137.


15 Ibid., ix-x.


23 Ibid., 40.

24 Ibid., 37.


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