

gency. This makes the subsidized liner fleet a very costly form of sealift for the Defense Department to hire, just when it needs it most.

Furthermore, U.S. flag ships are twice as expensive to operate, even in normal times, as most foreign flag ships. And, as I mentioned earlier, ship construction in U.S. yards costs about twice as much as that abroad. To offset these cost differentials, the U.S. Merchant Marine is subsidized by the taxpayer, directly and indirectly, to the tune of nearly three quarters of a billion dollars a year—on the premise that this shipping is required for potential national security needs. Yet, despite this large annual subsidy, virtually all our sealift needs since World War II have been met without requisitioning merchant ships. Moreover, it seems clear that the most likely requirements for sealift augmentation in the future will be associated with limited war situations like Vietnam, in which recourse to requisitioning will be as undesirable as it seems today.

In summary, from the viewpoint of the Defense Department, there is a firm requirement for reliable, responsive sealift augmentation for a wide range of limited war situations, a requirement which the present subsidized U.S. liner fleet, for various reasons, has not met. Various solutions have been suggested, ranging from a major increase in the subsidized U.S. flag merchant fleet to a full scale program of reserve fleet modernization. I do not propose to offer a solution at this time; other agencies of the Government are also involved. I believe a way can be found to revitalize both the American shipbuilding industry and the U.S. Merchant Marine and make them both more truly competitive in the world markets—and I believe that these objectives, along with our military requirements, can be met at costs lower than those our nation is incurring today.

AIRLIFT

The airlift forces currently planned through fiscal year 1972 are shown on the classified table provided to the committee. In the active forces, the C-5A deployment schedule is the same as that envisioned a year ago with the first two squadrons scheduled to become operational in fiscal year 1970. The first operational aircraft were included in the current year's procurement program and \$423 million is included in the fiscal year 1968 request for the next increment. The total C-5A program cost (including research and development and facilities construction) is estimated at \$3.4 billion.

Last year we had tentatively scheduled the phaseout of the C-133 fleet from the active forces in fiscal year 1971. However, in order to maintain the squadron integrity of the Military Airlift Command's force structure, we now plan to phase out the last two squadrons of C-133's as the last two C-5A squadrons become operational.

We also plan to retain one additional C-124 squadron (16 UE aircraft), previously scheduled to be phased out this year, through fiscal year 1968.

The C-141 force will reach its planned strength of 14 squadrons in fiscal year 1968 and is scheduled to hold at that level throughout the program period.

Before the end of fiscal year 1967, we plan to reorganize the existing C-130 fleet within a force structure of 28 squadrons rather than the 31 previously planned.