Shipping

U.S. Lines parent company files Ch. 11

In late November, the giant American shipping company, McLean Industries, Inc., filed for Chapter 11 protection under the federal bankruptcy code in Manhattan, New York. Cash flow problems, particularly with the operations of the U.S. Lines division, one of the world's largest and best container shipping companies, forced the action.

McLean announced the suspension of U.S. Lines' round-the-world and trans-Atlantic services. A spokesman said that 1,200 employees were laid off—about half the workforce. The company will lay up all the ships and lay off all personnel. According to a *Wall Street Journal* report, the spokesman said that the 12 U.S. Lines superfreighters would deliver their cargo and sail to U.S. ports; then "the banks will come after them, and they'll do what they want with them."

McLean's trans-Pacific and South American services will go on as scheduled. U.S. Lines will continue to operate its inland U.S. operations, including double-stack train service from coast to coast.

In 1983, major banks financed the completion of the U.S. Lines fleet of 12 jumbo container vessels. The company maintained weekly sailings around the world. However, the profitability was undermined by depressed world shipping conditions, and the aversive cut-throat freight rates, aided and abetted by policies of the State Department and collaborating foreign cartel carriers, run principally from London, Moscow, and Switzerland.

Company founder, Malcolm P. McLean, has named Charles I. Hiltzheimer as president and chief executive officer, to succeed McLean in these positions, to work on putting the operations back in place.

Malcolm P. McLean is the pioneer of containerization, the greatest revolution in transportation since the invention of the steam engine. At 73, McLean is a living symbol of the pioneers of American industry such as Andrew Carnegie and Thomas Edison. He was born in North Carolina, where he left school after third grade, pumped gas, and then went on to create his own, giant international trucking and shipping fleet. He founded McLean Trucking and Sea-Land Service, a division of CSX—the former Chesapeake and Ohio (C&O) and Baltimore and Ohio (B&O) railways.

In the last 250 years, the U.S. flag shipping industry has historically ascended following a major war, but, very quickly, has been overtaken by foreign interests, working through policy channels in Washington. However, Malcolm McLean went against the tide, and in the 1960s, created an entirely new transport system, which, for example, improved the U.S. flag carrying position from 21% of tonnage carried to 55% by the early 1970s, for example, on the strategic North Atlantic routes.

This did not last long. In 1973, Kissinger's grain deal with Moscow included a sweetheart arrangement which proceeded to destroy rates on world routes. Soviet vessels could enter any U.S. port and charge any rate.

The American industry, led by McLean, fought back with improved technology and cost structures, and by the early 1980s, had developed the lowest-cost container ships in the world. U.S. Lines, with its development of mammoth container ships, and routes circling the globe, was capable of providing, on a unit cost basis, transportation at lower cost than foreign flag lines, and with American seamen.

However, outside the control and commitment of McLean and other patriotic shipping industrialists, are the actions of the cartel commodity companies, who use and run their own foreign fleets. In addition, the anti-growth policies of the International Monetary Fund/World Bank have drastically depressed all Western trade flows. All the "free market" jargon in Washington is just a smokescreen for the way in which cartel monopoly shippers avoid Mclean and the few other U.S.-based, efficient services. Instead, they use flag preferences of national flag lines, and cargo routings controlled by the commodity cartels on a worldwide basis.

The physical volume of world shipping tonnage has collapsed by an estimated 26% since about 1979. World shipping volume now is running at an annual level of 14 billion ton-miles.

Under Chapter 11, McLean Industries, Inc. has 120 days to make a reorganization plan, during which time, creditors cannot foreclose on its assets. McLean had losses of $92 million in the third quarter of 1986, on revenue of $258 million; losses of $77 million in the second quarter on revenue of $306 million; and losses of $71 million in the first quarter on revenue of $291 million.

The 12-ship building program was done by Daewoo Shipbuilding and Heavy Machinery, Ltd. of South Korea. The latest ship expansion cost $570 million.

Each ship is 4,200 TEUs (Trailer Equivalent Unit). Each carries 4,200 trailers. Multiplying 4,200 by 20 feet, the average trailer length, gives 84,000 feet—more than 16 miles. Imagine a continuous 16-mile line of trailer trucks. If you've ever sat at a railroad crossing, the average train in the old days was about 80 cars—only one-half mile long. So, one ship's worth would be 35 times bigger than one railroad train in the old days. That is the efficiency.

For Sea-Land, McLean built the famous 33 knot container ships—the SL 7 fleet, put in service in 1970, which set trans-Atlantic speed records. At the time, they were the only Free World cargo ships that could outrun Soviet nuclear submarines.