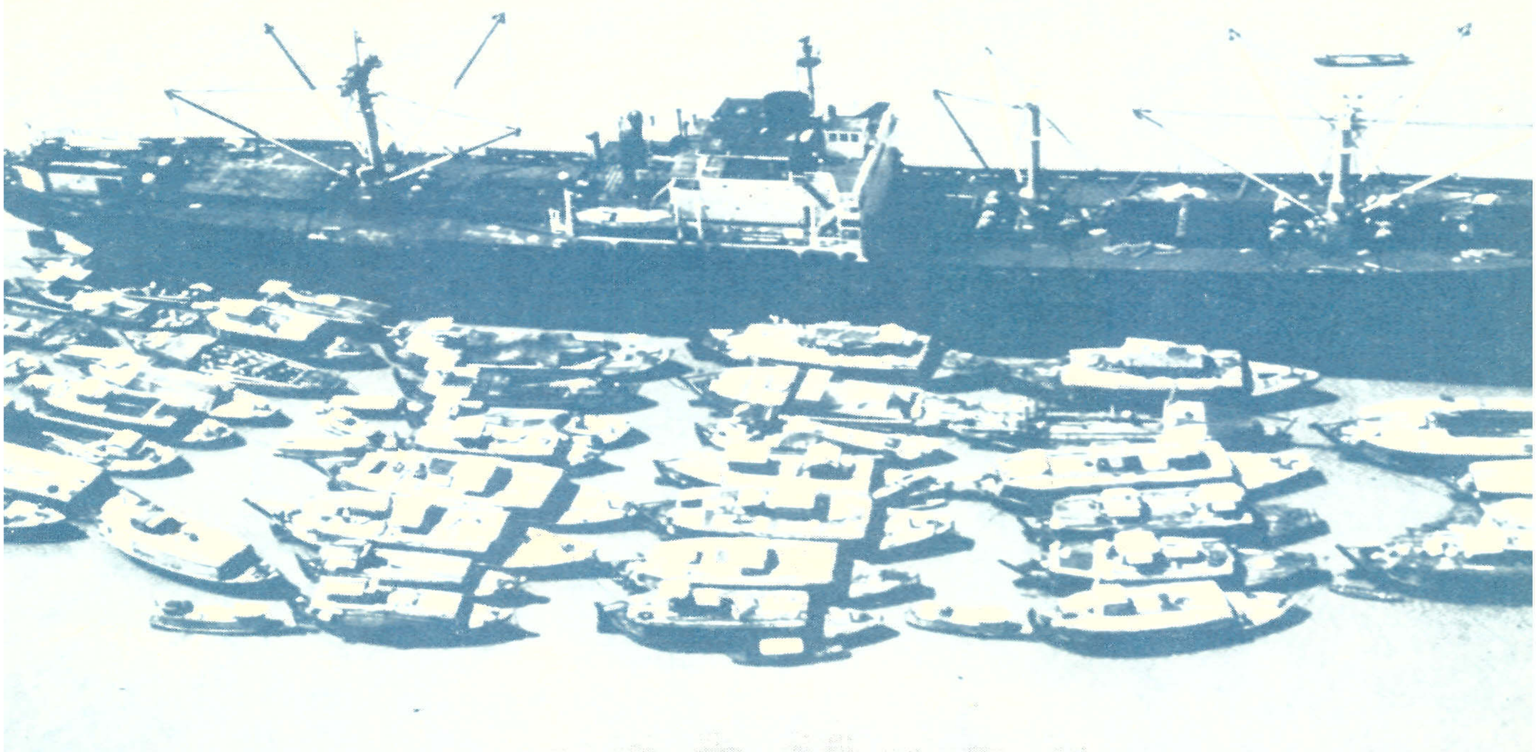
1966 ANNUAL REPORT

of the Maritime Administration



U.S. DEPARTMENT OF COMMERCE/Maritime Administration

1966 ANNUAL REPORT

of the Maritime Administration

U.S. DEPARTMENT OF COMMERCE

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(Cover) A U.S. merchant ship unloads cargo to small native craft in Vietnam. A large part of the cargo carried to Vietnam in support of the military effort has been transported in merchant ships.

LETTERS OF TRANSMITTAL

UNITED STATES DEPARTMENT OF COMMERCE,
MARITIME ADMINISTRATION,
Washington, D.C.
November 1, 1966

TO: Under Secretary for Transportation.
FROM: Acting Maritime Administrator.
SUBJECT: Annual Report of the Maritime Administration for fiscal year 1966.

I am submitting herewith the report of the Maritime Administration covering activities of the fiscal year ended June 30, 1966.

J. W. GULICK.

UNITED STATES DEPARTMENT OF COMMERCE,
Washington, D.C.
November 11, 1966

TO: Secretary of Commerce.
FROM: Under Secretary for Transportation.
SUBJECT: Annual Report of the Maritime Administration for fiscal year 1966.

Transmitted herewith for your approval is the fiscal year 1966 report of the Maritime Administration.

ALAN S. BOYD.

SECRETARY OF COMMERCE,
Washington, D.C.
December 13, 1966

TO THE CONGRESS:

I have the honor to present the annual report of the Maritime Administration of the Department of Commerce for fiscal year 1966.

SECRETARY OF COMMERCE.

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"The complex task of creating and maintaining a merchant marine adequate to our needs for peacetime commerce, and sufficient for defense purposes, requires the efforts of government, management and labor and the support of all Americans."

President LYNDON B. JOHNSON

INTRODUCTION AND SUMMARY

Shipping for Vietnam

Once again, as so often throughout the history of our Nation, the U.S. Merchant Marine has been called upon to fulfill its role in support of the national security. During fiscal year 1966, 101 ships were withdrawn from the National Defense Reserve Fleets at the request of the Military Sea Transportation Service to carry supplies to our fighting men in Vietnam. Fourteen ships were requested in July 1965, 33 in August, 2 each in September and October, 25 in December, and 25 in February. Just before the end of the fiscal year, an additional 20 ships were requested.

Most of the ships withdrawn were the Victory type, and all were brought from the priority section of the reserve fleet—ships which had been carefully preserved since they were placed in the fleet, most of them 20 years ago, for use in just such emergencies as this.

Shipyards on every coast pitched in to help reactivate the ships (Chart I), for after long years of layup, in spite of the most careful preservation, much work had to be done to put them in operating condition. Private shipping companies took over the job of obtaining supplies and crews, and of operating the ships, acting as general agents for the Government. By the end of the year 33 companies were engaged in carrying out this emergency shipping operation.

Many privately owned merchant ships were also called into service for Vietnam. Subsidized and nonsubsidized, berth liners, tankers, and tramps—about 136 of them were time-chartered by MSTS at the year's end, and a large proportion of cargo space on regularly scheduled services was also occupied by military shipments (Chart II).

Chart I

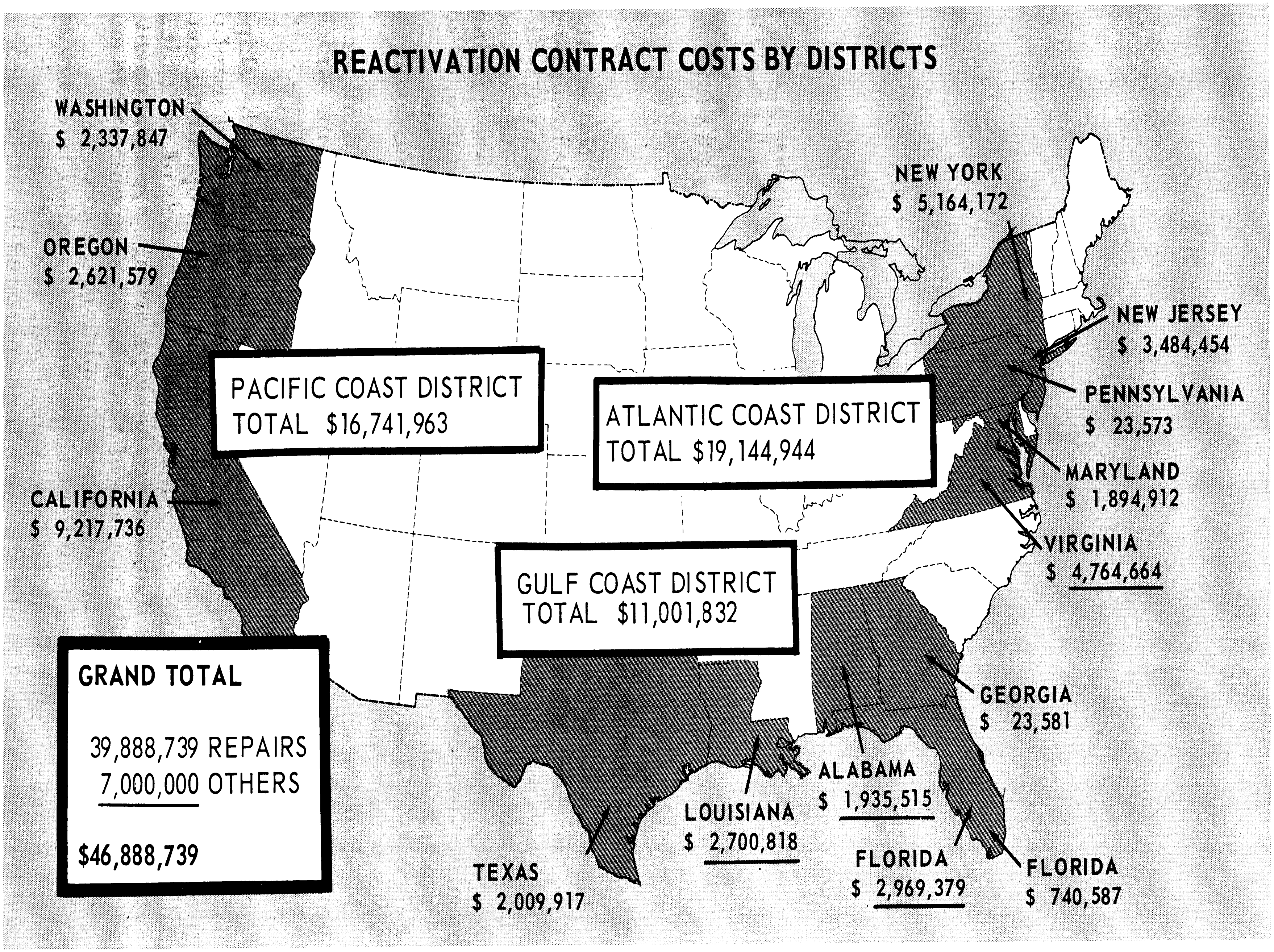
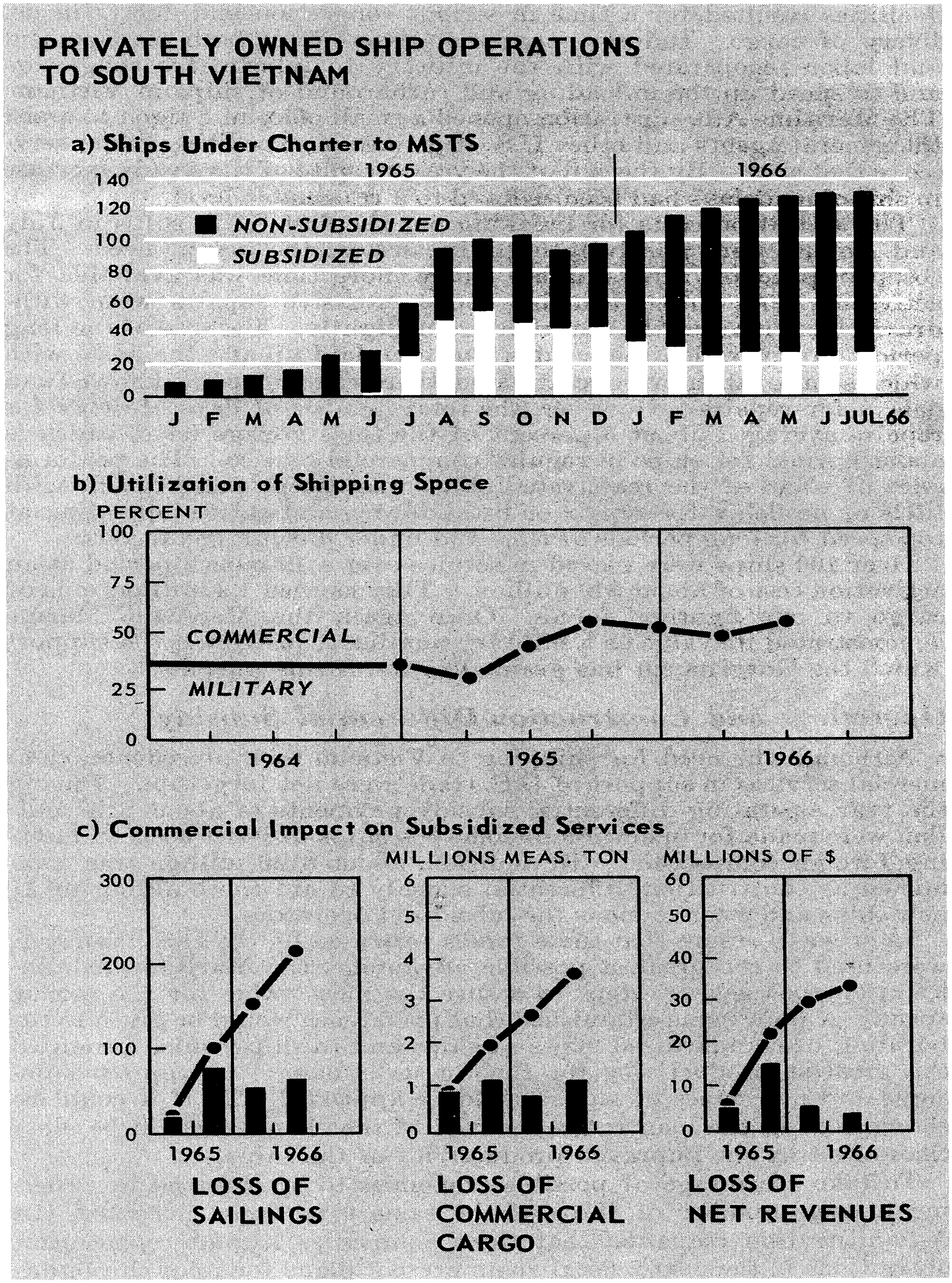

REACTIVATION CONTRACT COSTS BY DISTRICTS
WASHINGTON
$ 2,337,847
OREGON
$ 2,621,579
CALIFORNIA
$ 9,217,736
PACIFIC COAST DISTRICT
TOTAL $16,741,963
ATLANTIC COAST DISTRICT
TOTAL $19,144,944
GULF COAST DISTRICT
TOTAL $11,001,832
NEW YORK
$ 5,164,172
NEW JERSEY
$ 3,484,454
PENNSYLVANIA
$ 23,573
MARYLAND
$ 1,894,912
VIRGINIA
$ 4,764,664
GEORGIA
$ 23,581
ALABAMA
$ 1,935,515
LOUISIANA
$ 2,700,818
FLORIDA
$ 2,969,379
FLORIDA
$ 740,587
TEXAS
$ 2,009,917
GRAND TOTAL
39,888,739 REPAIRS
7,000,000 OTHERS
$46,888,739

Chart II


PRIVATELY OWNED SHIP OPERATIONS
TO SOUTH VIETNAM
a) Ships Under Charter to MSTS
1965
1966
140
120
100
80
60
40
20
0
NON-SUBSIDIZED
SUBSIDIZED
J F M A M J J A S O N D J F M A M J JUL66
b) Utilization of Shipping Space
PERCENT
100
75
50
25
0
COMMERCIAL
MILITARY
1964
1965
1966
c) Commercial Impact on Subsidized Services
MILLIONS MEAS. TON
MILLIONS OF $
300
200
100
0
6
5
4
3
2
1
0
60
50
40
30
20
10
0
1965 1966
LOSS OF SAILINGS
1965 1966
LOSS OF COMMERCIAL CARGO
1965 1966
LOSS OF NET REVENUES

The sudden increase in shipping to a country with limited port facilities resulted for a time in serious congestion and delays in delivery of cargo. Industry representatives—from both management and labor—cooperated with the military to relieve this congestion and to speed up the unloading and turnaround of ships in Vietnam. The Maritime Administration opened a small office in Saigon to assist the general agents and other U.S.-flag lines in expediting cargo service to that area. By the end of the year, in spite of the steady increase in shipping, delays had been reduced to a reasonable level.

The activation costs for breaking out the first GAA ships in July and August were relatively high, because of the urgent need. The costs dropped off after August where more time was available for activation. As ships requiring more extensive repairs were withdrawn from reserve, the cost rose again slightly. Because of the long period during which these ships had been laid up and the haste with which some of them were reactivated, there were some breakdowns and delays for repairs. However, the total number of days of delay for repairs averaged about 3 percent of the total voyage days, which is about normal for ships in regular commercial service. The performance of some of the reactivated ships was exceptionally good, with little or no delay for repair or breakdowns, and steady operation at top speed for long periods of time and under difficult conditions.

Over 100 ships were placed in service over a 12-month period at an activation cost of about $49 million. They carried 1.2 million tons of cargo to our fighting forces. Once again the Merchant Marine demonstrated its value as a military auxiliary, justifying the support which the Government has granted to it for this purpose.

Operating- and Construction-Differential Subsidy

Although the need for shipping to Vietnam took precedence, commercial services in support of U.S. trade were not forgotten. During the year, operating-differential subsidy payments of about $187 million were made for operation of some 300 ships to assist them in meeting foreign competition. In addition, about $126 million was committed as construction-differential subsidy to aid the building of 17 new ships and 2 conversions for subsidized operators.

In order to assure that these funds, provided by the U.S. taxpayer, were used to the greatest possible advantage, the Maritime Administration took several steps to assure the most value for the money spent. A policy was established that preference would be given to the building of standardized types of ships and to ships which promised the greatest productivity for their cost. Changes in approved designs and new types of ships would be approved only if it could be shown that in the long range the cost of the changes would be more than offset by the improved productivity of the ships.

To take advantage of possible economies to be obtained by ordering a large number of ships of the same type from one yard, the Administration requested that those companies having replacement obligations in the next 2 fiscal years present plans for joint shipbuilding programs providing for the same type of ships to be built in one yard. Eleven companies submitted proposals which were under consideration at the end of the fiscal year.

In order to obtain a long-range view of proposed plans for shipbuilding, Maritime asked all companies to submit plans for the next 5 years for all the ships they expected to build.

Studies were also being undertaken to develop a simplified system of calculating operating-differential subsidy rates, using an indexing method in order to establish a dollar amount per day for operating subsidy payments. In order to carry out its responsibility to insure that the overall cost of wage increases paid for with Government operating-differential subsidy was fair and reasonable, the Maritime Administration set general standards for such determinations. These standards required that the overall cost of wage increases be fair, economical, reasonable, and noninflationary, that employer contributions to pensions and welfare benefits be reasonable, predictable, and not inimical to long-range manpower needs of the industry, and that employer contributions to funds must qualify as wage costs in order to be subsidizable.

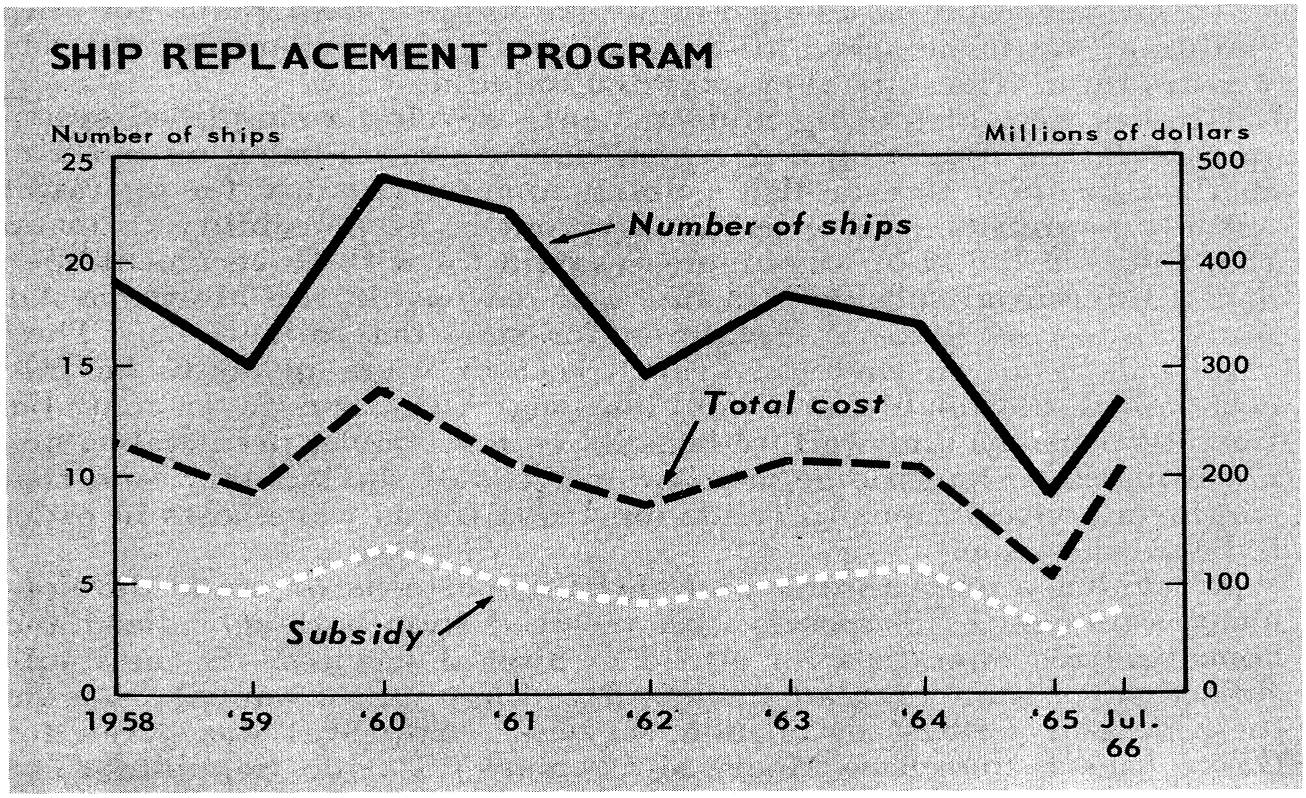
As evidence of changing and shifting patterns of trade development, a number of proposals were received from both subsidized and nonsubsidized operators for added or altered services. Several subsidized lines were granted increased sailings on an annual basis on their present services or on new services. Approval was given for Grace Line to purchase Moore-McCormack's Pacific Republics Line for a total of $5,700,000. Grace Line thus acquired 6 ships for the service from U.S. Pacific coast ports to the east coast of South America, Caribbean, and east coast of Mexico to consolidate with its west coast of South America services.

States Steamship Co. was granted an increase from 13 to 26 sailings per year in its California to Hawaii and Far East Service. The Oceanic Steamship Co. received approval for its holding company, Matson Navigation Co., to institute a nonsubsidized service between U.S. Pacific ports of Hawaii and the Far East. American President Lines also requested approval of a domestic/Hawaiian cargo service by a nonsubsidized or an affiliated company. This application was under consideration. There were 3 applications from subsidized operators pending for total increases of 62 sailings per year on their services.

Six nonsubsidized lines had requested operating-differential subsidy on an estimated total of 582 sailings annually. None of these applications had received final approval. Several applications were received for operating-differential subsidy for bulk carriers in nonscheduled service, although no authority exists under the Merchant Marine Act of 1936 for such subsidy.

Efforts were also made to strengthen the financial base of a number of services. Grace Line and United States Lines were given approval to diversify their operations. The Maritime Subsidy Board urged consolidation of U.S. passenger services in order to reduce the high cost of operating and subsidizing such services. Some progress was being made by the passenger operators in consolidating facilities and in reducing paperwork.

Chart III



The building of new ships for U.S.-flag subsidized services proceeded at a deliberate pace. With the award of contracts for 17 new ships, the subsidized operators had built or ordered 154 ships, or about one-half the total number scheduled to be built in their long-range replacement program (Chart III). Applications were pending from 6 subsidized operators for 41 new ships and 2 conversions and from 7 nonsubsidized lines for construction-differential subsidy on 16 bulk carriers. No decision had been made on the policy regarding payment of construction-differential subsidy for bulk ships which operate in nonscheduled services.

Many of the new ships proposed are of the barge-carrying or containership types. A total of 5 lines had submitted applications for 24 new or converted containerships. Approval was given for conversion of nine, of which three were already under construction, cost of the conversion to be borne by the operator without subsidy participation by the Government.

Federal Ship Mortgage Insurance and Reserve Funds

The Federal Ship Mortgage Insurance Fund and various reserve funds continued to be an aid to financing the construction of both subsidized and nonsubsidized ships. A total of 26 ships were insured for $119.4 million under the Federal Ship Mortgage Insurance program during the year, making a total of 83 ships insured for $485 million at the end of the year. Thirteen applications were pending to insure mortgages totaling $215 million on 41 ships. There was one default during the year on an insured mortgage. Maritime paid off the mortgage indebtedness of $7.4 million on the SS *Atlas*, bid the ship in for $3,265,000 when the mortgage was foreclosed, and sold the ship for $7,701,000. Net worth of the Federal Ship Mortgage Insurance Fund at the end of the fiscal year was $12.9 million. Regulations were issued for granting approval to trustees for ship financing, to insure the validity of bond issue financing in both existing and future transactions.

There was a balance in nine construction reserve funds totaling $5.8 million, or $7 million less than last year, and in the statutory reserve funds of the subsidized operators a total of $193 million, or a decrease of $12 million from last year.

Shipbuilding

Of the 67 ships on order in U.S. shipyards on June 30, 1966, with a contract value of $700 million, 44 were part of the subsidized operators' replacement programs. In addition to the 17 new cargo ships and 2 conversions ordered with the aid of construction-differential subsidy, 1 roll-on/roll-off ship was ordered by American Export Isbrandtsen Lines for charter to the Military Sea Transportation Service on completion. One ocean survey ship for Coast and Geodetic Survey was ordered to be built under the supervision of the Maritime Administration. There were 12 new ship deliveries during the year, 11 for subsidized operators and 1 ship for Coast and Geodetic Survey. In addition, 12 conversions were completed, of which 8 were ordered in connection with the ship exchange program.

To aid in the mechanization of new ships, the Martime Administration issued a detailed set of specifications for centralized engineroom and bridge control as a guide to uniformity and standardization for subsidized construction. Eleven new mechanized ships were delivered, and 44 were under construction. Plans for retrofitting of ships already delivered were suspended, however, because of the need to keep ships in service for Vietnam, and because of the failure of management and labor to reach agreement on manning scales for such converted ships.

Ship Exchange

Under the ship exchange program 13 Government-owned ships were exchanged for 13 privately owned ships, making a total in the 6 years of the program's existence of 70 private ships exchanged for 66 Government ships, and a return to the Government of over $7 million, representing the excess of the value of ships traded out over those traded in.

Under an amendment to the ship exchange law enacted last year, T2 tankers in the reserve fleets were made available for trade-out and conversion to dry cargo carriers. Twenty T2 tankers were made available, of which 13 of the more desirable Mission type were allocated to 4 companies for conversion for cargo service. The Department of Defense also agreed to release the last 25 C4-type ships in the reserve fleet on condition that when converted these ships would be made available to the MSTS.

237-032 O—67——2

Cargo Promotion

In spite of plans for increased services and new ships, ordered or placed in service, the share of U.S. cargo carried by U.S. ships continued to be distressingly low. Even the liners, which had increased their participation somewhat in 1964 to 30.4 percent of liner cargoes, declined to approximately 23 percent in 1965 (Chart IV). The decline of some 3 million tons carried by U.S. liners during the year was in large measure due to the demand for ships to serve in Vietnam and the lengthy strike by seamen in the early part of the fiscal year.

Nevertheless the Maritime Administration and the lines continued their efforts to improve service and to encourage the use of U.S.-flag ships. Cooperation was sought by all Government agencies controlling the shipment of Government-financed cargoes, to insure that at least 50 percent of such cargoes would be shipped in U.S.-flag vessels (Chart V). Slightly less than 50 percent of agricultural products shipped under Public Law 480 went in U.S.-flag ships in calendar year 1965, mainly because of the shortage of ships caused by demands of Vietnam. In the case of cargoes shipped by AID, 64.6 percent went in U.S.-flag ships, while of Export-Import Bank-financed cargoes, 84.4 percent went in U.S.-flag ships. Only 34 percent of cargoes financed under the Inter-American Development Bank were carried in U.S. ships, because sufficient U.S.-flag service was not available to Central America where most of the cargoes were destined. There were 31 general waivers of Public Resolution 17 granted to 11 nations to permit foreign flag ships to participate up to 50 percent in cargoes financed under the Export-Import Bank.

Throughout the year the Maritime Administration sought to promote the concept of an integrated transportation system, incorporating inland transportation, ports, and shipping services into one smoothly operating transportation system. Increased use of containers and containerships is an important part of the development of such a system. The Maritime Administration undertook an experimental through-container project in cooperation with several other Government agencies, forwarding companies, railroads, and shipping lines, both United States and foreign. Seven containers were shipped to the United Kingdom and 10 were returned to the United States, to pinpoint the problems that would be met in undertaking a through-container service.

Maritime also cooperated in the setting of international standards for containers, and for the simplification of shipping documents. Several meetings were held between both domestic and international port authorities to work out problems of expediting shipments through the world's ports, and to develop better facilities throughout the world for handling cargoes.

Through exhibits, brochures, and special public events such as the Maritime Day Poster Contest for high school students, and the celebration of Merchant Marine Week, the Maritime Administration sought further to promote use of U.S.-flag ships and public understanding of the value of the U.S. Merchant Marine.

Chart IV

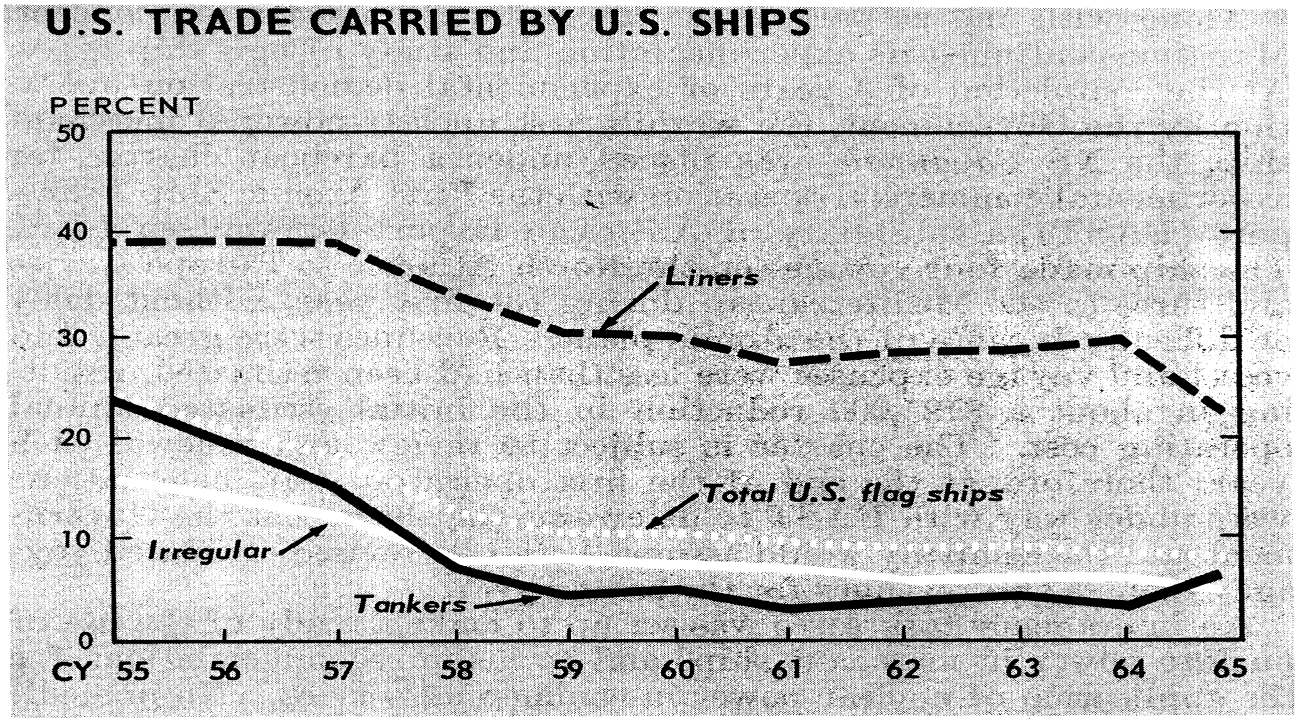
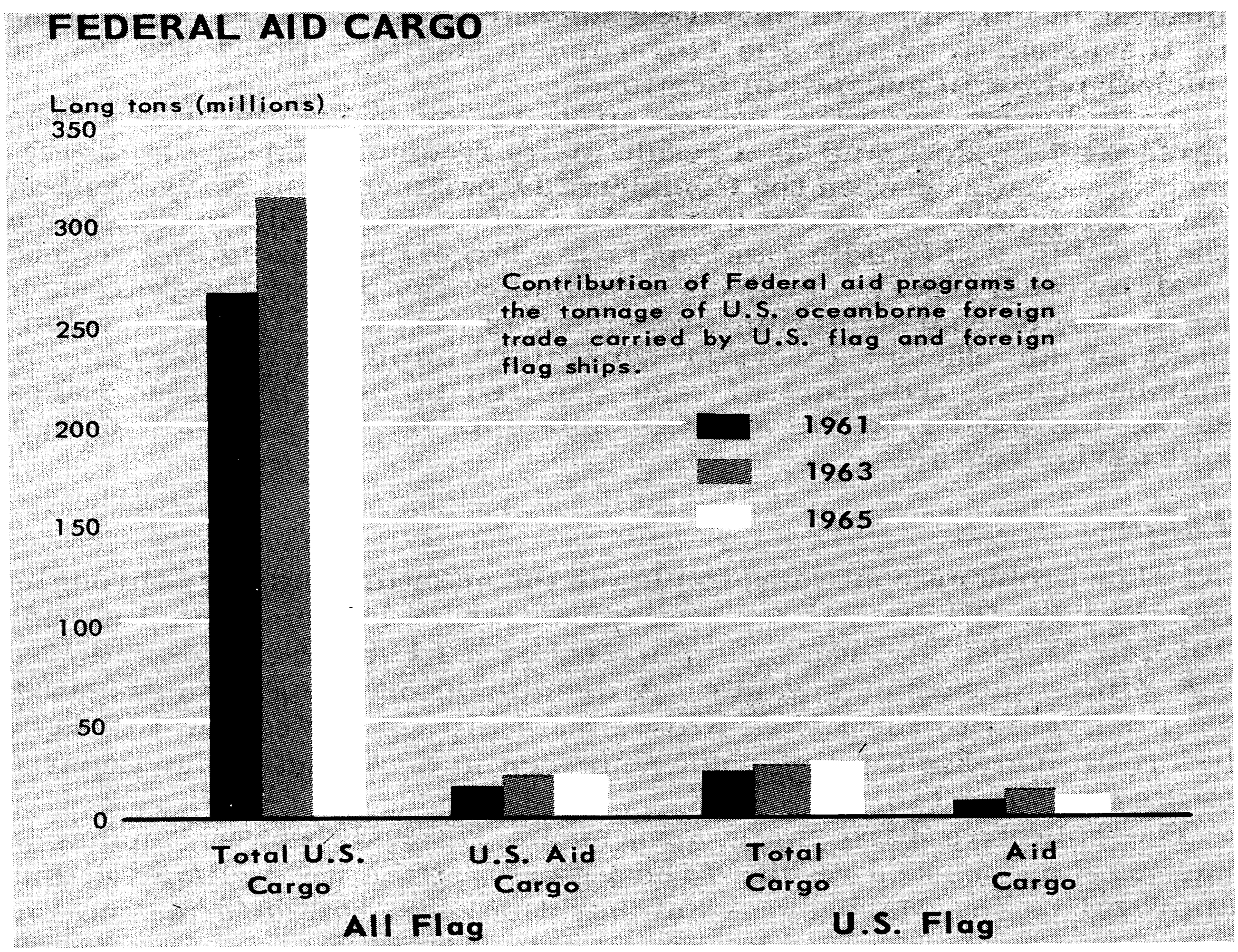


Chart V



Research and Development

Along with and as part of the integrated transportation concept, Maritime continued its experimentation and study of new ship types. At the completion of 3 years of experimental demonstration operation by the Government, the world's first nuclear-powered merchant ship, the NS *Savannah*, was placed under a bareboat charter for experimental commercial operation with the First Atomic Ship Transport (FAST), a subsidiary of American Export Isbrandtsen Lines. The ship made four voyages on the North Atlantic to Europe service and three to the Mediterranean during the first year, without delay or difficulty because of the atomic plant. Revenues were greater and vessel and voyage expenses were less than had been estimated, resulting in about a $125,000 reduction in the initial estimated annual operating cost. The charter is subject to review and renewal each year; therefore, at the end of the first operation year, negotiations were under way with FAST to determine the share that the Government and the company would assume, based on revised estimated voyage expenses and revenues for the second year.

An interagency task force was set up to make a study of the use of nuclear power in merchant ships and to make recommendations for the application of nuclear power in commercial service. No immediate plans were made for building nuclear-powered ships, but expressions were requested from commercial operators to determine their interest in building and operating nuclear ships and their opinion as to the extent to which the Government should support the use of nuclear power in marine applications.

An industry committee was set up to review the possibilities of the surface-effect ship, and as a result of its recommendations an agreement was made between the Commerce Department and Navy Department for joint basic research into the surface-effect ship to determine the feasibility of building and operating large, fast oceangoing vessels.

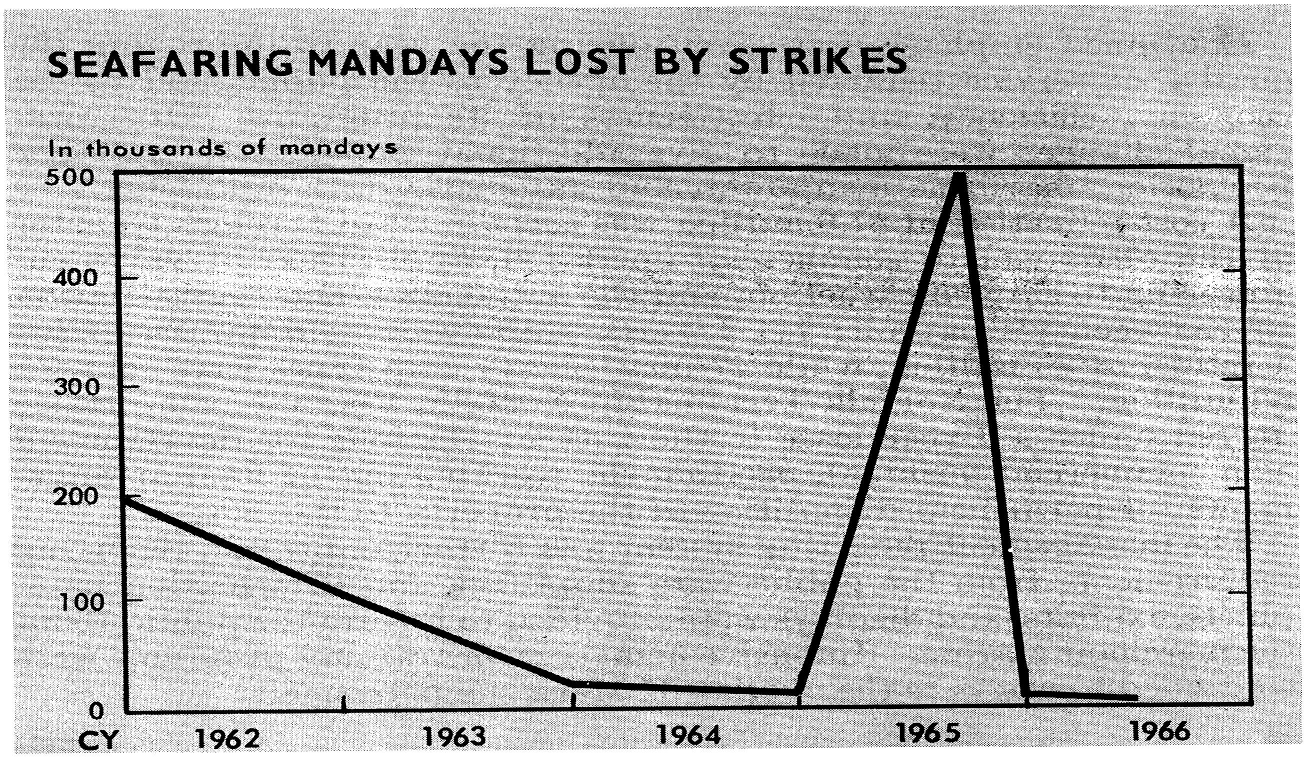
Many other research projects were under way during the year, such as the use of contrarotating propellers, powerplant studies, development of an efficient oil-water separator, improved combustion in marine boilers, reduction of steel required in hulls of Great Lakes ships, improved mooring systems, and improvements in ship design and navigation aids.

Labor

Labor problems continued to plague the maritime industry throughout the year (Chart VI). The seamen's strike, lasting from June 16, 1965, to August 30, 1965, tied up a total of 227 U.S.-flag ships and cost $12 million in seamen's wages. A dispute on manning an automated ship delivered to the Lykes Bros. Steamship Co. lasted for 101 days before an increase totaling some four men in deck and engine departments was agreed to.

The collective bargaining agreements reached between management and unions as a result of the seamen's strike were submitted for approval to the Maritime Administration, but full information on

Chart VI



results of the agreements had not been received to permit a final determination on fairness and reasonableness of the agreements for subsidy purposes.

Because of the reactivation of some 100 ships from the reserve fleets during the year, the number of shipboard jobs increased by more than 4,900, causing increasing shortages of skilled seamen to man merchant ships. Several measures were undertaken to relieve the shortages. The Maritime Administration approved early graduation of 196 cadets of the 1966 class at the U.S. Merchant Marine Academy, and 321 third mates and third engineers were graduated from the State Maritime Academies to help man the ships. Maritime also approved the suspension of a prohibition against payment of cash in lieu of vacations for active seamen, to encourage them to remain at their posts. Many of the unions, with help from management and the Department of Labor, undertook to increase upgrading training programs in order to provide more skilled seamen. Nevertheless, a total of 42 general agency ships assigned to MSTS were delayed for 2,957 hours in the period from January 1, 1966, to June 30, 1966, and the problem of seamen shortages was under intensive study.

War Risk Insurance

Approximately 4,000 war risk insurance binders on operating vessels and one policy on a vessel under construction were outstanding as of June 30, 1966, on almost 1,500 vessels with a maximum insurance exposure of roughly $13 billion. In addition, at the request of the Military Sea Transportation Service, Second Seamen's war risk insurance was provided on 30 vessels under military control, with payment of losses subject to reimbursement by MSTS.

Management Improvement

Continued emphasis was given during the year to improving the quality of service rendered by the agency to the public, and to the economy, efficiency, and effectiveness of its programs. Organizational changes were made to give additional emphasis to maritime promotion, maritime manpower, and automatic data processing.

A cost reduction of $7.6 million was accomplished through transfer of the *Savannah* to commercial operation, application of value engineering to ship construction, and the automation and centralization of the agency's payroll; 111 Liberty ships were sold for scrap for a return of $5 million, while 27 non-Liberty ship types were sold for $2 million. The Norfolk Terminal in Norfolk, Va., was being transferred under a 3-year lease to the City of Norfolk for development as a commercial terminal, pending the working out of final arrangements for permanent disposition of the property to the city.

The management reporting system was further improved, reporting requirements from the public were simplified, and information pamphlets, exhibits, and displays were provided to inform the public about the merchant marine. Intensive management training programs were continued to upgrade the quality of Maritime personnel.

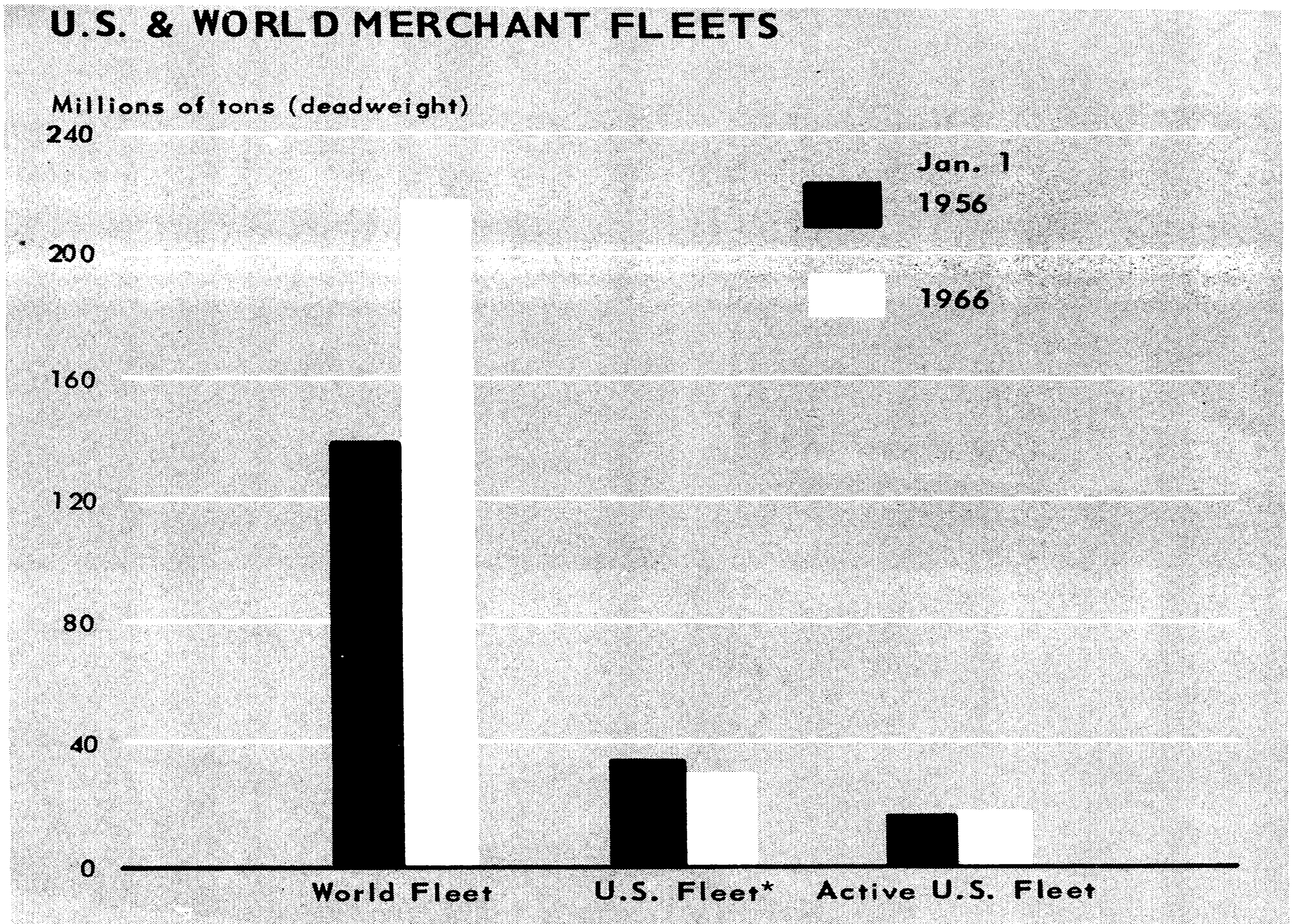
International

Maritime participated in conferences, meetings, and working groups of international shipping organizations concerned with solutions for international shipping problems. The Maritime Administrator was host to the 18th annual meeting of the Planning Board for Ocean Shipping. Maritime officials gave advice and assistance in solving the Indian grain crisis, and assistance to the Government of South Vietnam to ease serious congestion in Vietnamese ports.

Free world and Polish flag ships trading with North Vietnam were placed on a list of vessels prohibited from carrying Government-financed cargoes from the United States. There were a total of 26 ships on the list at the end of the fiscal year, and 253 on the similar list of ships trading with Cuba.

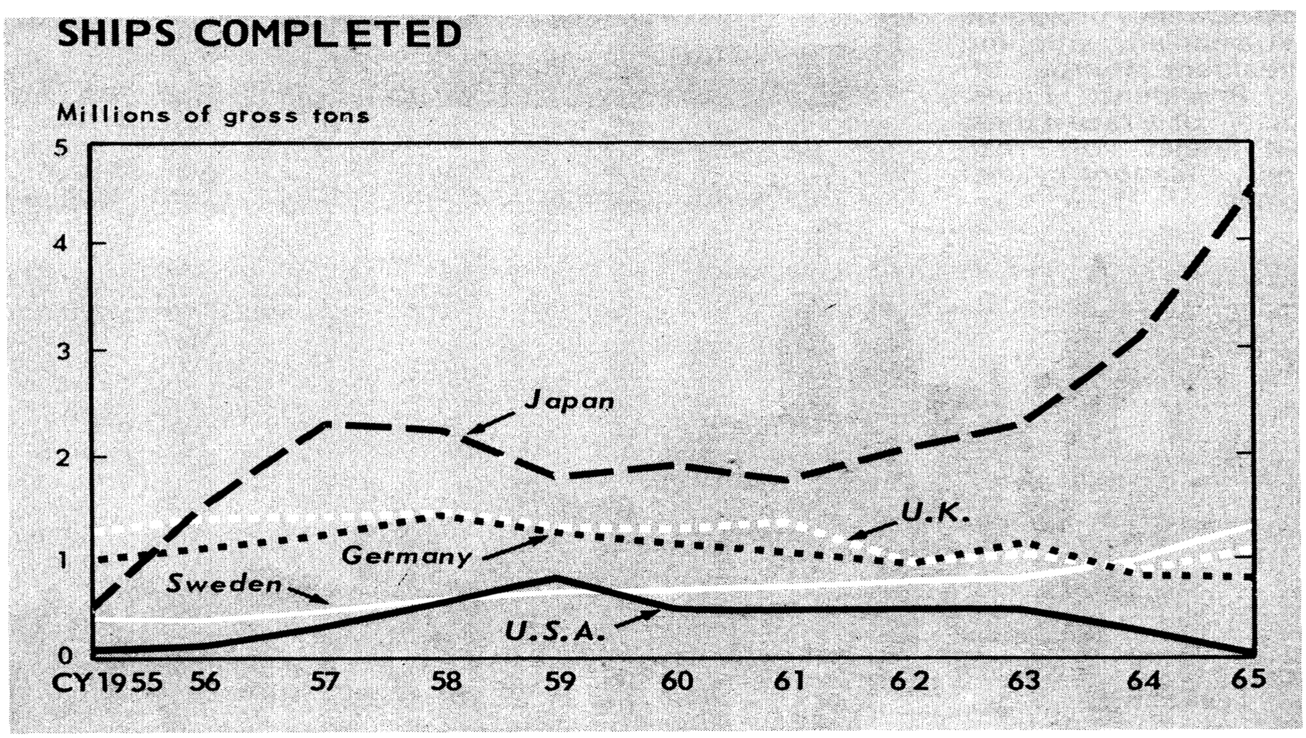
The U.S. Merchant Marine declined further in world standing, both in the number of ships in service and the number of new ships built. At the end of the fiscal year the United States stood second among world merchant fleets (Chart VII and Appendix I) and in ship construction ranked 15th among the shipbuilders (Chart VIII and Appendix II). Of a total U.S. merchant fleet of 2,268 ships of 27,185,000 deadweight tons, 1,019 of 15,181,000 deadweight were in active service on June 30, 1966 (Appendix III). Of the 1,249 inactive ships, 1,189 were in the reserve fleet (excluding 138 nonmerchant ship types), of which 796 were under priority preservation. Most of the rest were Liberty ships available for scrapping. The emergency reserve Libertys had been reduced to 333. Forty-five large U.S.-flag ships were approved for sale abroad and three were denied. The ships sold averaged 28 years of age, and most of them were disposed of for scrap.

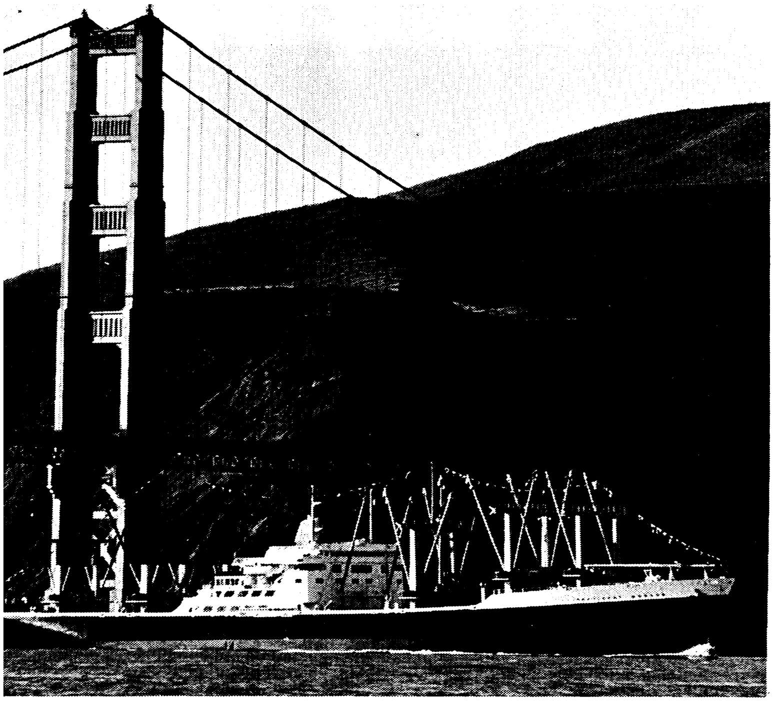
Chart VII

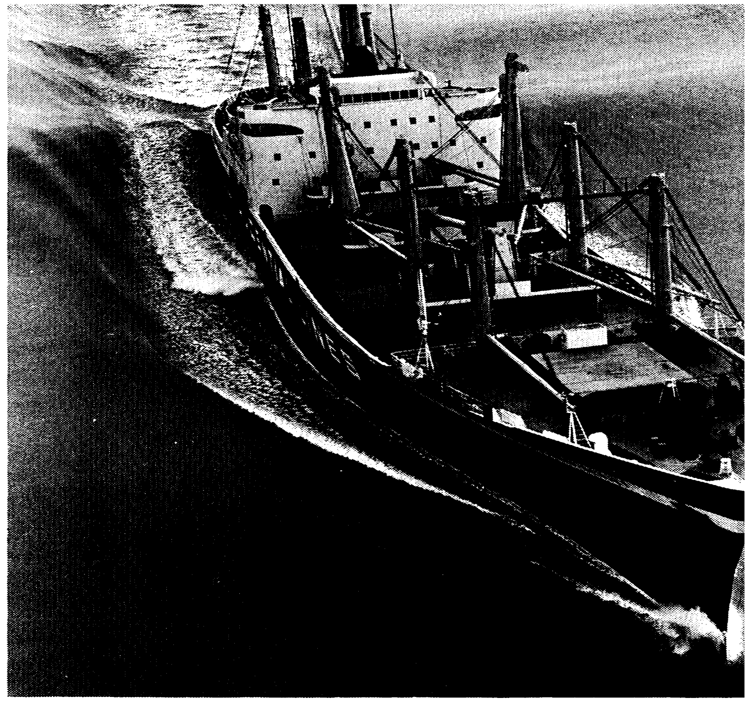


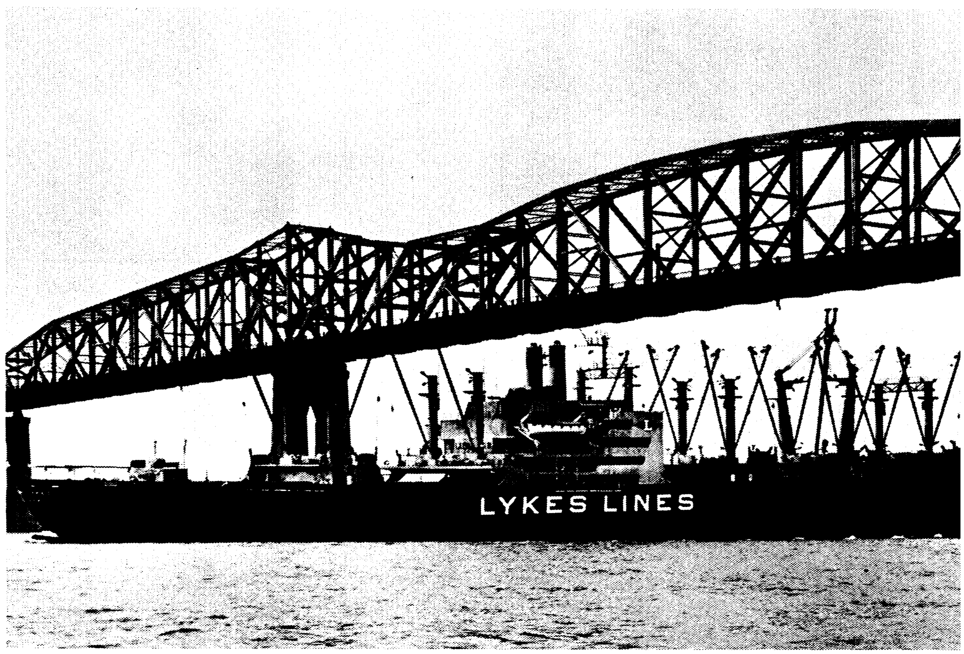
**Figures for total U.S. Fleet include ships held in reserve.*

Chart VIII









A few of the ships delivered during the year in the long-range replacement programs of the subsidized shipping lines—"President Monroe" of American President Lines, "Santa Lucia" of Grace Lines, "Prudential Seajet" of Presidential Lines, "Mallory Lykes" of Lykes Lines.

GOVERNMENT ASSISTANCE

Government aid programs for the U.S. Merchant Marine are designed to assist and encourage U.S.-flag operators in the operation and maintenance of an efficient and modern American merchant marine.

Maritime administers the operating-differential and construction-differential subsidy programs and other Government aids to merchant shipping. Under the operating subsidy program, the Government may pay the difference between certain foreign and domestic costs of ship operation on foreign services which have been found to be essential. Under the construction subsidy program the Government also may pay the difference between American and foreign shipbuilding costs for ships to be operated in foreign trade. Current law provides that the maximum construction subsidy allowed is 55 percent of domestic cost for new construction and 60 percent for reconstruction of passenger ships.

Construction reserve funds may be set up by a U.S. ship operator for the purpose of building new vessels for U.S. foreign and domestic commerce. Such funds are granted certain tax deferment benefits.

The Government pays the cost of national defense features certified by the Navy as necessary for national defense, but which are found by Maritime to be in excess of commercial requirements. In addition, Maritime insures mortgages and/or loans made by private lending institutions to finance the construction, reconstruction, and reconditioning of ships. It also acquires old ships in exchange for better types, or for allowances of credit on the construction of new ships.

Maritime investigates and determines which ocean services, routes, and lines are essential for the development and maintenance of the foreign commerce and defense of the United States; and the type, size, speed, and other requirements of ships to provide adequate service on such routes. Only operators who agree to provide regular services on these routes are eligible for award of operating-differential subsidy contracts.

Operating-Differential Subsidy

Payments during the year on operating subsidy due for fiscal 1966 and for prior years totaled $186,628,358.

At the year's end a study was being undertaken by Maritime in cooperation with the subsidized lines to ascertain whether a simplified system of calculating operating-differential subsidy rates by using indexing methods to determine variances in foreign and U.S. costs could be used to establish a dollar-amount-per-day subsidy.

Total operating-differential subsidies accrued from January 1, 1937, to June 30, 1966, were $2,476 million; recapture amounted to $231 million; subsidies paid amounted to $2,141 million; and net subsidy payable as of June 30, 1966, amounted to $104.5 million (Appendix IV).[1]

A summary of the 14 operating-differential subsidy contracts in effect at year's end is shown in Appendix V.

Operating subsidy was being paid on 128 overage ships pending their replacement. Sixteen of these were added to the overage group during the year.

On December 1, the Maritime Subsidy Board authorized a 1-year extension, to December 31, 1966, of the existing operating-differential subsidy agreement with Bloomfield Steamship Co. The company had previously been given two 1-year extensions, ending December 31, 1965. On December 6, Bloomfield rejected the 1-year extension, which was then rescinded by the Board. The subsidy agreement ended December 31, 1965, reducing to 14 the number of subsidized steamship companies.

Pending Applications

Applications were pending from three subsidized operators seeking increased sailings on their existing services, or additional sailings on other routes (Table I).

Table I

ODS APPLICATIONS FROM SUBSIDIZED OPERATORS

Company	Trade route	Number sailings requested
American Export Isbrandtsen Lines, Inc	18	30
Lykes Bros. Steamship Co., Inc	13	12
Prudential Lines, Inc	10	20

On February 11, American President Lines, Ltd., requested permission to engage in a cargo service to Hawaii directly or through a new subsidiary or affiliated corporation in which APL would be a

[1] See also Appendix VI, Subsidized and Selected Unsubsidized Operators, Combined Condensed Income and Surplus Accounts, and Balance Sheets.

substantial shareholder. This request was published in the Federal Register on March 3, 1966. The company also proposed (1) To provide weekly sailings with some container service between Hawaii and the Atlantic coast, and (2) to include Hawaii in the itinerary of its trans-Pacific freight service vessels. Matson requested a stay of the proceeding and consolidation with the States application. On May 20, 1966, APL withdrew the latter two applications, but the original request was being considered at the end of the fiscal year under Docket No. S–191.

On September 16, Atlantic Express Lines of America, Inc., amended its application (filed Nov. 30, 1960) for operating subsidy on Trade Route 5–7–8–9 (United States North Atlantic ports to Europe and United Kingdom), indicating that an agreement had been reached with Sapphire Steamship Lines under which Sapphire had been granted an option to buy 90 percent of Atlantic's common stock for whatever amount would be necessary to provide Atlantic with the minimum required equity capital to qualify for operating subsidy. It was contemplated that if a subsidy were granted the firms would merge. The applicant proposed to provide 26 subsidized sailings a year with 3 ships owned by Sapphire, which would be replaced with 5 new ships capable of making 52 sailings a year.

On September 21, the Waterman Steamship Corp., amended its application for operating-differential subsidy on TR 5–7–8–9 (North Atlantic/Continental Europe), TR 21 (Gulf/UK and Continent), TR's 22 and 12 (Atlantic, Gulf, and California/Far East), TR 29 (Pacific/Far East) and TR 32 (Great Lakes/Western Europe).

On August 31, 1964, the applicant had refused to conclude negotiations for an operating-subsidy contract on terms proposed by the Maritime Subsidy Board.

Waterman was then purchased by Mr. Cornelius Walsh, who indicated on June 23, 1965, that an amended application would be filed. The application, which was filed subsequently, asks for 18–30 sailings on TR 5–7–8–9; 30–42 on TR 21; 18–30 on TR's 22 and 12; 20–24 on TR 29; 7–12 on TR 32. The only major change from the original application was in the increase from 20–24 to 30–42 on TR 29. No final action had been taken on the application at year's end.

Operating-differential subsidy applications pending from nonsubsidized operators are shown in Table II.

Table II

ODS APPLICATIONS PENDING FROM NONSUBSIDIZED OPERATORS

Company	Trade routes	Sailings requested	Date filed
Atlantic Express Lines of America, Inc	5–7–8–9	50–60	Nov. 30, 1960
Central Gulf Steamship Corp	18	36–40	June 16, 1964
Central Gulf Steamship Corp	10–13	44–48	Oct. 4, 1963
Isthmian Lines, Inc. (amended) [1]	R/W (westbound) and 18	62–76	Aug. 7, 1963
Sea Coach Transatlantic Lines, Inc	5–7–8–9	Weekly	Mar. 15, 1966
States Marine Lines, Inc. (amended)	Tri-Continent, TR 13–29	108–168	Aug. 7, 1963
Waterman Steamship Corp. (amended)	5–7–8–9, 21, 22/12, 29 and 32	93–138	Sept. 21, 1965

[1] Incomplete application. Additional information requested not supplied.

Applications Granted or Denied

On July 7, 1965, the Secretary of Commerce approved the application of States Steamship Co. to increase its calls at Hawaii in its California/Far East service from 13 to 26 a year. The Secretary specified, however, that at the expiration of a 3-year period the Maritime Administration would schedule an appropriate proceeding to determine, on the basis of accrued experience, whether the authorization should continue in effect.

On September 27, Oceanic Steamship Co. applied for Maritime Administration's approval of a weekly nonsubsidized service between U.S. Pacific ports or Hawaii and Far East ports, to be instituted by its holding company, the domestic operator, Matson Navigation Co. This application was approved on February 2, but was made subject to cancellation or modification, in whole or in part, by the Administration on 90 days' notice to Oceanic, after affording the company an opportunity to discuss the matter. The domestic operations between Hawaii and mainland ports in the service were found to fall within the existing section 805(a) permission covering the present domestic service of Matson.

The applications by American Export Isbrandtsen Lines and by American President Lines for operating subsidy for bulk carriers in nonscheduled service were rejected on the basis that no authority was granted by the Merchant Marine Act of 1936 for subsidizing this type of operation. American President Lines had asked that if a finding were made that such service was not subsidizable, the Board join the company in seeking legislation to permit subsidization of such service.

American Export was permitted to establish a direct freight service between U.S. Atlantic and Far East ports on TR 12 with a minimum of 11 and maximum of 15 sailings per year, which may be increased to 24 and 30 after new replacement ships have been introduced. AEIL was also granted subsidy for operation of the *Remsen Heights* on TR 32 and 5–7–8–9.

The application of American President Lines to add three more vessels to its subsidized fleet was denied. APL was permitted to increase its TR 29 transpacific freight service sailings from a maximum of 37 to 48 per year, increase round-the-world westbound service from a maximum of 28 to 32, and reduce TR 17 Atlantic/Straits service from a minimum of 24 to 18.

APL was ordered by the Maritime Subsidy Board to withdraw, and did withdraw from the Japan/Saigon Freight Conference, on the basis that other U.S. lines had been refused membership.

Farrell Lines was permitted to extend its TR 15–A (United States Atlantic/South and East Africa) and TR 14 (United States Atlantic, Gulf/West Africa) service into the Great Lakes and St. Lawrence River ports west of Montreal during the 1966 navigating season.

A joint application filed April 22 by Grace Line Inc., and Moore-McCormack Lines, Inc., to sell Mormac's Pacific Republics Line service to Grace was approved by the Board on June 29. This involved purchase of 6 C3 type ships, all over 20 years old, for a total of $5,640,000, plus $60,000 for Mormac's interest in the route. The ships had been operating on TR 24 (United States Pacific/East coast of South America) and on a privilege and permissive basis to ports on TR 23 (United States Pacific/Caribbean and East coast of Mexico) on a minimum of 22 and maximum of 26 sailings per year. Grace, which operates a subsidized line on TR 25 (United States Pacific/West Coast Mexico, Central and South America) with 4 C2 and 2 C1 freighters for a minimum of 26 and maximum of 34 sailings per year, planned to consolidate the two services into a new service comprising Line B–1, United States Pacific/East and West Coasts of South America, and Line B–2, United States Pacific/Caribbean and Pacific Coast, Central America and Mexico Service. This was expected to result in better vessel utilization, improved operating revenues, and substantial economies in overhead and other expenses. The Line B–2 service is to be continued at least until October 1, 1969, at which time Grace may indicate whether it is able to continue the service and to provide for replacement vessels.

The Maritime Subsidy Board on August 12, 1965, approved the application of United States Lines for an increase in its subsidized sailing requirements on TR 12 (United States Atlantic/Far East) from a minimum of 27 and maximum of 36 to 45–55 per year, but denied the request of the company to be permitted to build 3 additional ships for the service and instead reduced the company's replacement program by 5 ships in consequence of sale of the Australian service to Farrell. The Board also required the withdrawal from subsidy of four old C2's on delivery of the five replacement ships.

United States Lines appealed the decision on the withdrawal of the four C2s, and after further consideration the Board modified its action to limit continued subsidized operation of the ships to the termination of any voyage in progress as of September 24, 1966, or upon redelivery to the company by MSTS of any ship under charter. The Board pointed out that since military requirements had caused the withdrawal of U.S.-flag ships from essential services, it would be better to continue to subsidize old U.S.-flag ships than to permit the charter of foreign-flag ships to provide service on the essential routes.

This decision of the Board was remanded by the Under Secretary of Commerce for Transportation on the basis that the four ships had been subsequently chartered to MSTS by United States Lines. The Board reaffirmed its decision on the basis that the subsidized ships were taken off subsidy when chartered to MSTS and that in the meantime subsidization of the ships would continue their commercial services on an inadequately served trade route, and that support should not be denied for ships to provide essential commercial services because of the possibility or probability that such ships might shortly be engaged in meeting requests of the military for movement of cargoes.

On August 12, 1965, the Board approved an application from American Export Isbrandtsen Lines, Inc., for operating-differential subsidy on two containerships in the North Atlantic service. The company was also permitted to reduce its fourth replacement group from four to three ships.

Sea-Land Service, Inc., which announced plans to start a nonsubsidized transatlantic containership service, asked a U.S. District Court to enjoin the Subsidy Board from consummating this operating-differential subsidy contract with AEIL without the matter being specifically considered in a public hearing under Section 605(c) of the Merchant Marine Act, 1936. This case was pending at the end of fiscal year 1966.

Services

Because of the emergency requirements of the Military Sea Transportation Service for extra shipping capacity to Southeast Asia [2] requiring the charter of many of the subsidized lines' ships, it became difficult for some of the companies to meet the requirements of their commercial service. In reply to inquiries as to the possibility of their chartering foreign-flag ships to fulfill their service obligations, the Maritime Administrator outlined the conditions under which consideration might be given to waivers permitting the use of foreign-flag ships by subsidized operators.

The requirements were:

(1) That the sailing would be in the applicant's regular commercial service;
(2) That no U.S.-flag ships were available for charter;
(3) That other U.S. lines providing service in the trade did not object;
(4) That labor unions manning the line's ships did not object;
(5) That any profits from the chartered ships would be included for subsidy accounting and any losses would be for sole account of the applicant.

The unions in general objected strongly to any proposals to use foreign-flag ships in the subsidized services. Only four applications for use of foreign-flag ships were made. Two were granted.

Approval was granted by the Maritime Administration to 9 subsidized lines for a reduction of 272 in the minimum number of sailings required under their contracts because of the impact of the seamen's strike in midsummer and the charter of many of their ships by the Military Sea Transportation Service.

In June 1965, the Maritime Administration had noted the concern of government, management, and labor with rising operating costs, high overhead expense, and substantial subsidy payments to U.S. passenger vessels. The Maritime Subsidy Board, after a study of the administration of passenger ship operations, had concluded that important savings would be realized through "mutually acceptable consolidation of some operations." The Board urged that the four principal passenger line operators voluntarily undertake to consolidate some of their operations and asked that regular reports be submitted to the Board on the progress made.

In their first such report, in November, American Export Isbrandtsen Lines and United States Lines reported near completion of a program of consolidation of domestic passenger offices, with anticipated savings of $100,000 a year. They also revised and stream-

[2] See Operations, p. 49.

lined all record-keeping and reporting procedures of their branch offices, reducing paper work by 40 percent.

The feasibility of handling passenger bookings and reservations and space control by means of electronic data machines was under study by these two lines and by Moore-McCormack Lines. Grace Line indicated that it was continuing to explore possibilities of achieving savings through cooperative efforts, but felt that as they were receiving a satisfactory return from their passenger operations, there was no necessity for extensive consolidations with the other lines.

Diversification

Grace Line on September 15 applied for permission to reorganize its corporate structure by transferring its shipping operations to a new wholly owned subsidiary, with no substantive change in its subsidized operations. The application was approved on December 9, 1965.

United States Lines on November 10 also asked for permission to reorganize its corporate structure to enable it to diversify its activities, by transferring its subsidized shipping operations to a wholly owned subsidiary "United States Lines, Inc.," retaining in the parent company $2 million cash from free earnings and the stock in Number One Broadway Corp.

The application was approved on April 14, subject to approval of stockholders, interested U.S. agencies and, to the extent necessary, of the trustees and bondholders under Title XI mortgages, all without prejudice to the rights of the Internal Revenue Service.

Construction-Differential Subsidy

Policy and Plans

In August 1965, the Maritime Subsidy Board requested all companies interested in building ships with construction-differential subsidy during the 5-year period beginning July 1, 1966, to submit plans and proposals for review and evaluation by the Board. In order to plan ship construction programs and budgets from as informed a base as possible, the Board wished to know what the maximum ship expansion programs of the country could be if operators were not restrained by Maritime's budgetary limitations. Knowing this, the Board would be in a better position to plan, budget, and select for subsidy the proposals that would give the Government, the operators, and the unions as many ships and as much shipping capability as possible.

The Board established policies requiring the greatest possible adherence to standardized ship types and to considerations of productivity in approving applications for construction subsidy.[3]

In April a letter was sent to 10 of the subsidized lines which had ship replacement commitments during the next 2 fiscal years to urge their cooperation in proposals covering the construction of 13 ships under a single design, with construction to be performed by a single shipyard, and indicating that the Board would take into consideration

[3] See Maritime Subsidy Board, pp. 81–82.

No contracts were allocated under Section 502 of the Merchant Marine Act, 1936.

This made a total of 150 cargo ships contracted for in the subsidized operators' replacement program since 1958 (excluding 4 passenger ships ordered in 1955).

States Steamship Co. traded in four obsolete ships for a gross allowance of $3,380,000 against five new cargo ships being built under a construction contract signed in May 1966.

Applications Pending

At the end of the year applications were pending from 6 subsidized operators and from 7 nonsubsidized operators for construction-differential subsidy on 59 new and converted ships. (See Table V.)

Table V

PENDING APPLICATIONS FOR CONSTRUCTION SUBSIDY

	Number ships	Type
Company subsidized:		
American Export Isbrandtsen Lines, Inc	3	Containerships
"	10	Bulk carriers
American President Lines, Ltd	4	"
"	4	General cargo
Farrell Lines, Incorporated	6	"
The Oceanic Steamship Company	[1] 2	Containerships
Prudential Lines, Inc	3	General cargo
"	5	Lighter-Aboard-Ship
United States Lines Company	6	Containerships
	43	
Nonsubsidized:		
Hudson Waterways Corp	2	Bulk carriers
Jackson Agents, Inc	2	"
Marine Carriers Corp	4	"
Overseas Transportation, Inc	2	"
Penn Steamship Company	3	"
T. J. Stevenson & Co	1	"
T. C. C. Shipping Co., Inc	2	"
	16	

[1] Conversion.

At the close of the fiscal year there were no applications pending for trade-in allowances to be applied against new construction.

One of the pending applications was that of Prudential Lines, which on July 7 submitted a request for aid in a quarter-billion dollar shipbuilding program to provide for a transatlantic express service using 16 LASH (Lighter-Aboard-Ship) types. The ships, 696 feet overall, of 22,100 dwt. tons and 25-knot speed, would lift fifty 60-foot lighters of 250 dwt. ton capacity, fully loaded, into the ships by means of a 350-ton shipboard crane. The use of lighters, the line said, would enable cargoes to be loaded and unloaded in shallow draft ports and at industrial installations located on rivers or other areas at present inaccessible to oceangoing vessels. The ships were estimated by the applicant to cost $14.7 million each, including 100 lighters per ship, and to provide a 60 percent greater productivity than a conventional ship.

In May Prudential reduced its application for a first flight of nine such ships to five, of somewhat increased size and greater lighter capacity, and with an increase in crane capacity to 440 tons. As previously noted, American President Lines and Pacific Far East Line indicated an interest in joining Prudential in building a total of 13 such ships in fiscal year 1967.

On May 10, 1965, Lykes Bros. Steamship Co. applied to the Maritime Subsidy Board to extend from August 1, 1965, to July 1, 1966, the date by which the line was required to notify the Board of its ability to proceed with replacement of 17 ships for three of its trade routes. The line also asked for an extension from July 1, 1965, to July 1, 1966, of the date by which it must agree to construct two more ships for Trade Route 22 (U.S. Gulf/Far East) or lose the additional sailings granted on that service contingent on the additional construction. The Board denied the application on June 17, and reaffirmed the denial on June 29 after a hearing. On review the Secretary of Commerce directed that the dates be extended to February 1, 1966. Lykes on December 21 asked for deferment of the February 1 date to January 1, 1967, which was denied by the Board but granted on appeal by the Under Secretary of Commerce for Transportation.

States Steamship Co. was permitted to request bids for its third replacement group on two bases—a standard C4 of the type previously built for American President Lines, or a modified C4 especially designed for States. The Board indicated that subsidy would be paid on the lower of the two bids. On this basis the difference in estimated foreign cost between the two types was $88,000 lower for the standard type, on which a subsidy rate of 54.1 percent was established.

In the joint bid for American Mail Line Ltd., and Pacific Far East Line, the subsidy for Pacific Far East Line's modified design was based on the lower cost of the American Mail design. Both, however, would have exceeded the 55 percent limit and were therefore set at that rate.

In several instances the Maritime Subsidy Board limited change order approvals, as for installation of constant tension mooring winches, additional container capacity, etc., to the amounts that such installations would have cost had they been included in the original designs. The Board also refused to grant subsidy participation for increased crew quarters beyond those considered required for the most efficient and economical operation of the ship. Since in several instances the lines had been unable to reach agreement with their unions on manning scales for automated ships, they were permitted to provide additional crew quarters but without any commitment by the Board as to whether construction or operating subsidy would be allowed on the higher basis.

Containerships and Bulk Carriers

In February American Export Isbrandtsen Lines filed an application for subsidy aid in the building of three high-speed supervessels for operation in foreign trade. The line proposed conventional or nuclear power as alternate methods of propulsion.

A large number of applications for construction subsidy to aid in building of bulk carriers were still pending at the end of the fiscal year. No action had been taken on any of them, pending a policy determination on subsidy aid to other than replacement ships for subsidized operators and a program for bulk carriers.

A number of applications were also received for construction of new containerships or conversion of partially containerized vessels to containerships, and one of these, filed by United States Lines, was approved in June. This case involved a nonsubsidized change in ships already under construction with subsidy so as to authorize the conversion of these ships, at Company expense, to full containerships. Table VI shows the status of these applications.

Table VI

STATUS OF APPLICATIONS FOR CONSTRUCTION OF OR CONVERSION TO FULL CONTAINERSHIPS

Company	Number of ships	Status
American Export Isbrandtsen Lines, Inc	[1] 2	Approved.
"	3	Pending.
American President Lines	[1] 4	Disapproved.
Moore-McCormack Lines, Inc	4	Approved.
The Oceanic Steamship Company	[1] 2	Deferred but appealed.
United States Lines Company	6	Pending.
"	[1 2] 3	Approved.
	24	

[1] Conversions.
[2] This was a nonsubsidized change under an existing contract.

Federal Ship Mortgage Insurance

Federal Ship Mortgage or Loan Insurance aggregating $96,800,000 was placed on 21 ships, the SS's *Presidents Van Buren*, *Grant*, *Taft*, and *Johnson* owned by American President Lines, Ltd., *Santas Lucia*, *Cruz*, *Clara*, *Elena*, *Barbara*, and *Isabel*, owned by Grace Lines, Inc.; *Americans Courier*, *Commander*, *Corsair*, *Contractor*, *Contender*, and *Crusader*, owned by United States Lines Co.; and the *Colorado*, *Montana*, *Idaho*, *Wyoming*, and *Michigan*, owned by States Steamship Co. Mortgage Insurance aggregating $22,600,000 was placed on five additional ships on which commitments had previously been made.

At the end of the year 13 applications for loan and/or mortgage insurance were pending. They covered the construction of 41 ships, at a total estimated cost to the applicants of $277,296,000. Insurance applied for would cover estimated construction loans of $211,612,000 and estimated mortgage loans of $215,386,500.

Sea Bees B–10, Inc., paid off the mortgage on its barge *Constantino*, on November 3.

Deferral was granted to Manhattan Tankers Co., Inc., on a maximum of five quarterly principal payments of $293,764 each on the SS *Manhattan*, provided that for each payment so deferred the previous payment shall have been made with funds brought in from outside the company.

Although an advance of $276,000 representing one semiannual payment on the SS *Atlas* was made during the year, all but $23,000 of this amount has been repaid.

There was one default on a Title XI mortgaged ship. In January 1966, Maritime took over the 35,000-dwt.-ton tanker *Atlas*, owned by Tankers & Tramps Corp. of New York, as a result of defaults on the government-insured mortgage. The company's failure to pay the principal and interest installment due on January 1, 1966, constituted a default on both the first preferred mortgage and on a second mortgage held by Maritime as security for principal payments advanced to the company.

The *Atlas* had been under charter to the MSTS since January 1962. At the time of default, it was under a 5-year charter scheduled to expire in April 1969, with an option for an additional 5-year period. Tankers & Tramps Corp. had suffered heavy operating losses, partly caused by a number of adversities resulting in long periods of layup.

The *Atlas* was built by New York Shipbuilding Corp. at a cost of $10,964,558, and was delivered on August 27, 1958. A Federal Ship Mortgage Insurance contract of $9,593,900 was granted to help in the construction. The company had paid a total of $1,839,900 on the principal installments due. The Maritime Administration had consented to various deferments of principal payments amounting to $1,225,390, and had advanced principal payments amounting to $542,000 (of which about $260,000 had been repaid).

Maritime paid off the mortgage of $7,212,000 plus interest, and instituted foreclosure proceedings. At the marshal's sale on March 10, Maritime bid in the ship for $3,265,000. This amount is a credit against the paid-off mortgage indebtedness. The mortgagor is subject to a deficiency judgment claim for the balance of this paid-off mortgage indebtedness, together with incidental costs incurred by the Government. The ship was later offered for sale and sold to the high bidder, Sacramento Transport, Inc., for $7,701,000, on long-term credit.

A conditional finding of economic soundness was made on May 6 on the application by Sapphire Steamship Lines and Atlantic Express Lines of America, Inc., for Ship Mortgage and Loan Insurance to aid in building three all-container ships for operation on TR 5–7–8–9 (United States North Atlantic to United Kingdom and Europe). The construction loan requested was for $40.5 million and mortgage loan for $47.3 million. Final approval of the application was contingent on approval of the applicant's net worth and working capital, satisfactory design of the ship, adequate operating ability, solicitation organization and terminal facilities in the United States, United Kingdom, and Europe, and immediate commencement by Sapphire Steamship Co. of commercial container operation, particularly in the Hampton Roads area. The finding of economic soundness was effective for 6 months, during which time the appropriate commitments were to be executed.

In March the Maritime Administration issued regulations for approval of qualified banks and trust companies to serve as trustees for the financing of ships. As now amended, it is unlawful, without the approval of the Secretary of Commerce, to issue, transfer, or assign to noncitizens, bonds secured by mortgages of vessels to trustees, unless the trustee is approved under Public Law 89–346. To qualify as an approved trustee, a bank or trust company must among other things be a U.S. citizen and have combined capital and surplus of at least $3 million. Eight applications were approved as of the end of the fiscal year.

In June a policy was established approving the granting of Federal Ship Mortgage Insurance for the chemical sheathing of tanks on modern U.S. flag tankers as constituting "reconditioning," which is economically justified by the reduced operating costs and higher charter rates that would result.

At year's end the outstanding balance of principal and interest of insured mortgages and loans and commitments to insure was $485,184,000 on 83 ships.

The Title XI Federal Ship Mortgage Insurance Revolving Fund received over $3,076,000 in net income during the year, making the net worth of the Fund $12,916,000, approximately (Chart IX).

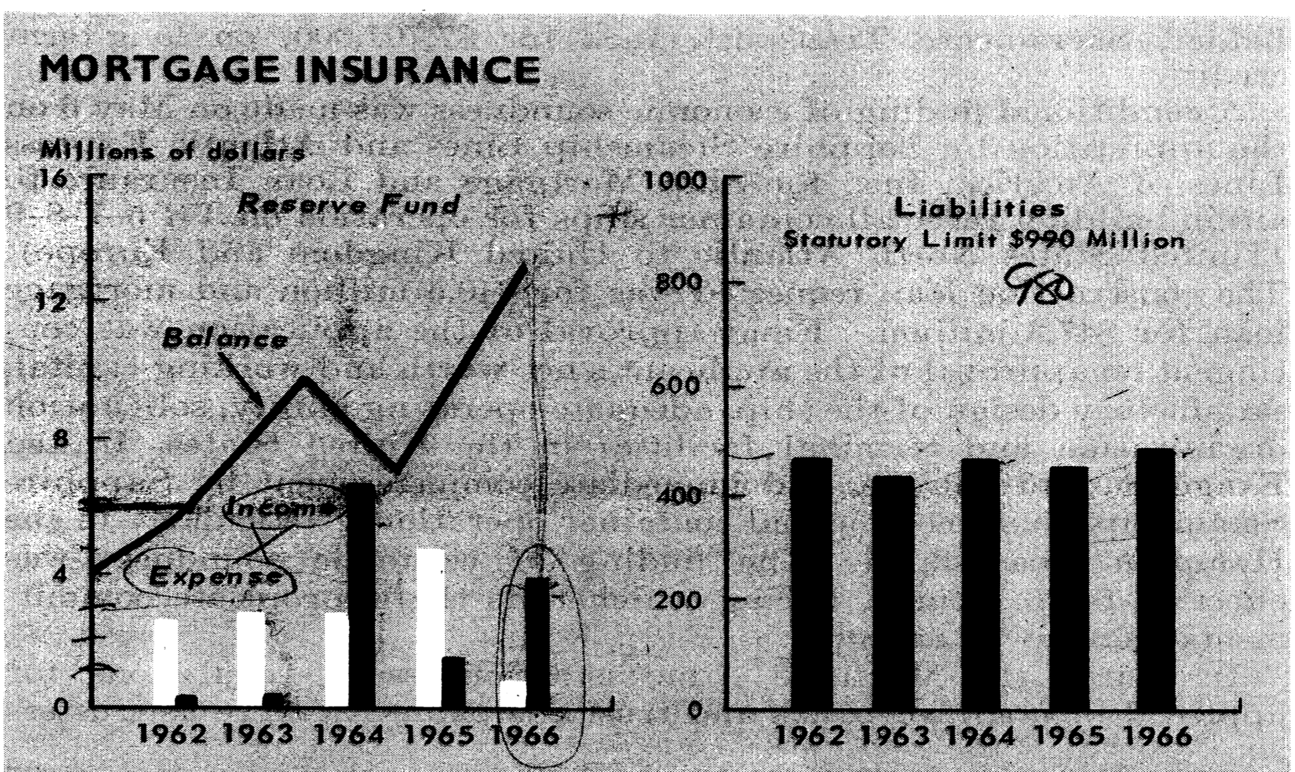
15,258,574
6/30/67

Reserve Funds

On June 30, 1966, balances in nine construction reserve funds totaled $5,790,506, compared with $12,852,878 at the beginning of the year. (See Appendix VII.)

Three funds were established during fiscal year 1966 and one was closed. Deposits in the construction reserve funds were $5,112,237 and withdrawals $12,174,609. Securities were decreased by $7,033,189 from sales of $23,176,615 and purchases of $16,143,426. Cash was decreased by $29,183.

Chart IX



Statutory reserve funds of subsidized operators totaled $192,892,010 as of June 30, 1966, consisting of $64,296,827 capital and $128,595,183 special reserve funds as shown in Appendix VIII. This represented a decrease of $12,176,837 from the total at the beginning of the year, when the funds totaled $205,068,847, of which $72,379,572 was in the capital and $132,689,275 was in the special reserve funds. Bloomfield Steamship Co. reserve funds of $1,675,670 are being withdrawn. In addition to the mandatory deposits in special and capital reserve funds three subsidized operators were authorized to make voluntary deposits of $9,388,301.

Five operators were permitted to use money in their capital reserve funds for purchase of containers and conversion of containerships.

Trade Routes

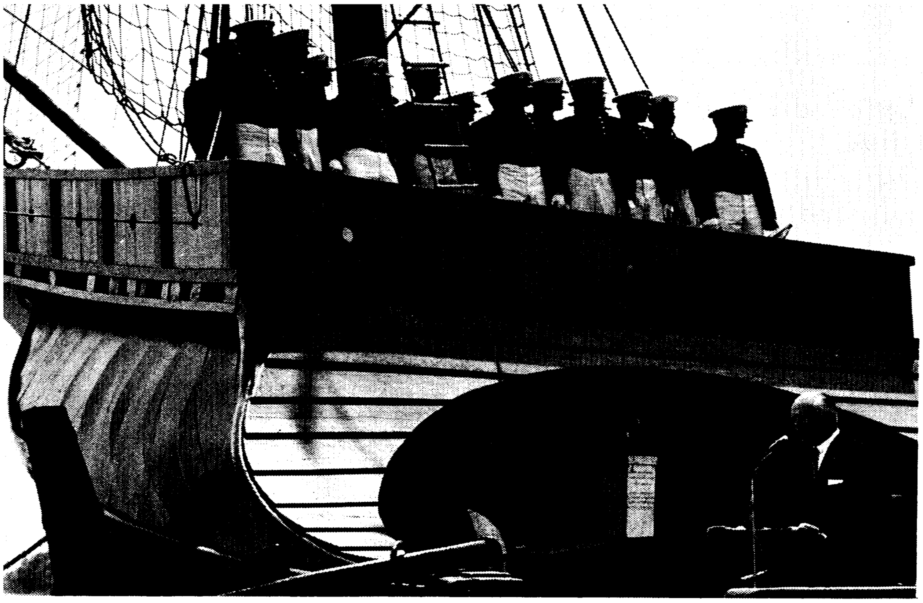
Reports on the essentiality and U.S. flag service requirements of the following U.S. foreign trade routes were completed. See Table VII.

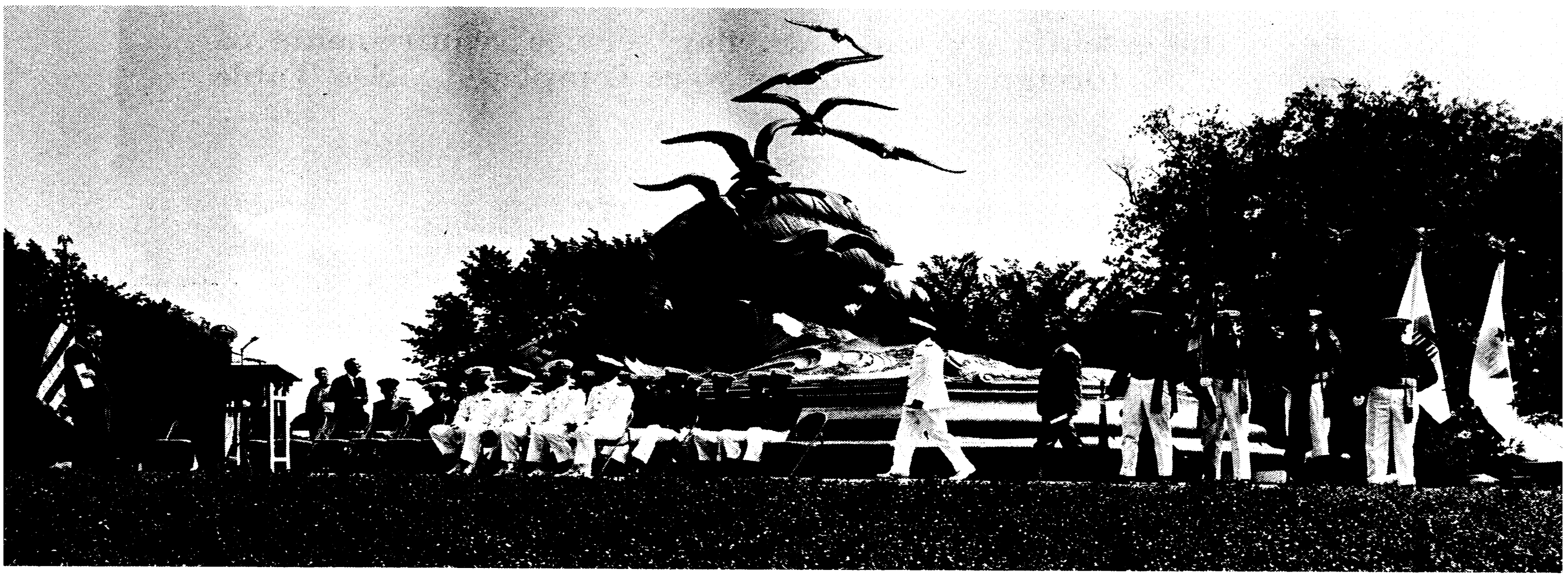
Table VII

TRADE ROUTES REQUIREMENTS

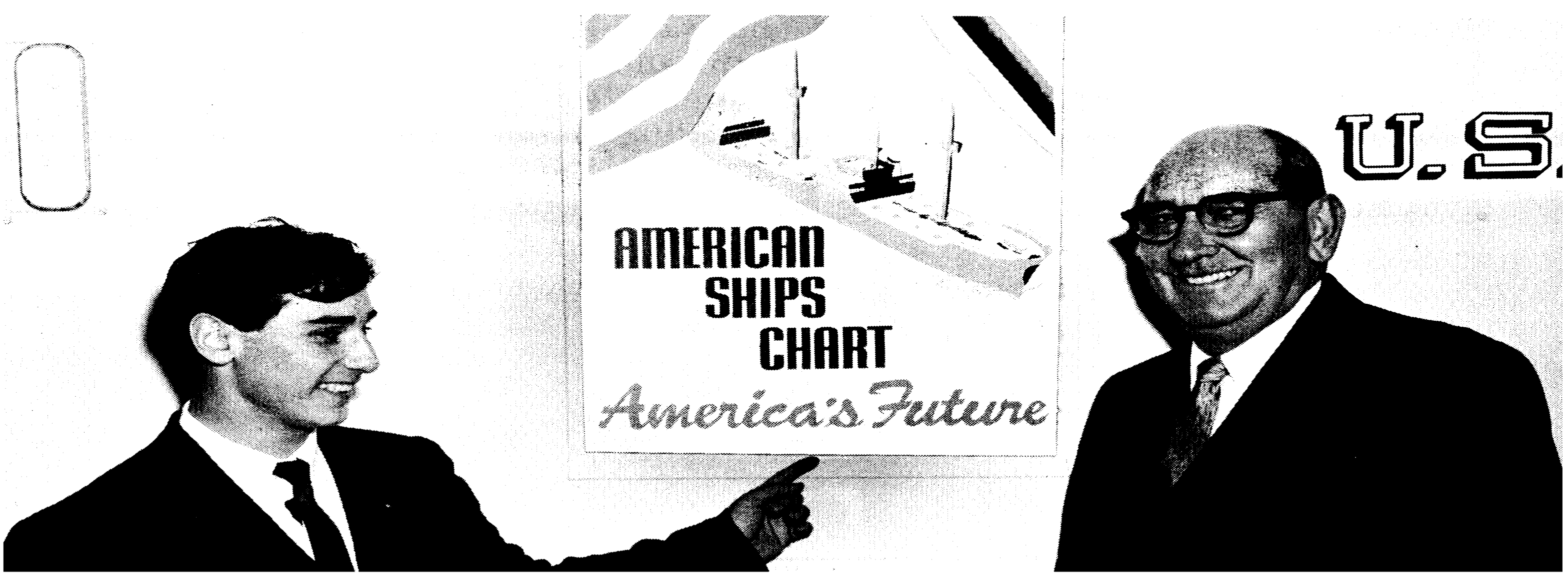
Trade route No.	Number sailings required	U.S. Coastal Area/Foreign Area
14–1	4 per month	Atlantic/West Africa
14–2	3 per month	Gulf/West Africa
16	2 per month	Atlantic and Gulf/Australia-New Zealand
21	15 per month	Gulf/United Kingdom and Continent
24	2 per month	Pacific/East Coast South America
25	3 per month	Pacific/West Coast Mexico, Central and South America
28	1 per month	Pacific/Southwest Asia

After extensive hearings on the essentiality of and requirements for Great Lakes Foreign Trade Routes (Docket S–173) and after staff review, it was recommended that operational flexibility would be enhanced by consolidating the existing experimental routes into five separate essential trade areas. The Maritime Administrator subsequently determined on May 18 that trade between the Great Lakes and the following areas is essential to the promotion, development and maintenance of the foreign commerce of the United States. Trade Area No. 1: Great Lakes/Western Europe, United Kingdom, Republic of Ireland, Atlantic Europe, and Baltic-Scandinavian ports; Trade Area 2: Great Lakes/West, South, and East Africa; Trade Area 3: Great Lakes/Caribbean, East and West Coasts of South America; Trade Area 4: Great Lakes/Mediterranean, Red Sea, India, Pakistan; Trade Area 5: Great Lakes/Far East, Indonesia, Malaya, Australia and New Zealand.





The celebration of Merchant Marine Week included opening ceremonies aboard the replica of the "Santa Maria" on the Washington waterfront, in which the U.S. Merchant Marine Academy Glee Club participated; a helicopter rescue-at-sea demonstration by the U.S. Coast Guard; ceremonies in honor of deceased American seamen at the Navy-Merchant Marine memorial on Columbia Island in the Potomac; display on Post Office trucks of the winning Maritime Day poster, shown below with designer Nick Verni and Congressman Garmatz.



PROMOTION

Cargo Promotion

Through a cargo promotion program, Maritime has endeavored to increase the amount of import and export cargo carried by the American Merchant Marine in both our domestic and foreign commerce.

Several factors contributed to a decline in the percentage of U.S. cargo carried by U.S. ships during 1965, including the effects of strikes, the diversion of vessels to MSTS operation in connection with the Vietnam situation, and the greater demand for space on the remaining vessels by the Department of Defense.

The percentage of liner tonnage carried by U.S. flag ships on U.S. essential trade routes increased from 29 percent in 1962 to 30.4 percent in 1964. However, because of the adverse factors noted, this percentage fell to approximately 23 percent in 1965. Preliminary data for 1965 indicate that U.S. flag liner ships carried approximately 11 million tons of commercial cargo in that year, down from approximately 14 million tons in 1964. U.S. commercial cargo carried in foreign flag liner ships rose from approximately 33 million tons in 1964 to approximately 36 million tons in 1965.

Efforts were continued throughout the year to solicit the support of importers and exporters to maximize carriage in U.S. flag bottoms. In view of the shipping situation, primary emphasis was placed on contacts with importers and in further emphasizing, for future planning purposes, the benefits that accrue to importers and exporters by supporting shipment on American lines. Despite the adverse factors previously mentioned, the steamship lines continued their efforts to improve service wherever possible consistent with available shipping space.

Seven thousand copies of a brochure "Your Interest in U.S. Flag Merchant Ships" were distributed to shippers to encourage their use of U.S. flag ships.

A portable exhibit with a similar theme was prepared and displayed in several cities and will be used at trade conferences and trade fairs to promote U.S. flag ships.

A significant step taken during the year was the formalizing of procedures and reporting practices to assure maximum effective liaison with all government agencies involved in the movement of goods by ocean carriers in order to achieve the fullest possible utilization of U.S. flag vessels.

In the domestic shipping area, through the cooperation of shipping interests and preseason work by the Maritime Administration, no shortage of space for the movement of lumber in the intercoastal trade developed. In addition, new vessels have been introduced into the lumber trade which provide a reasonable assurance that previous difficulties will not reoccur.

Some difficulties were encountered in moving bulk salt from the Gulf to New England. As a result of Maritime's efforts, a suitable bulk carrier was found to alleviate this problem, and as a result a new and more efficient system of delivery was developed.

Cargo Preference

The Maritime Administration exercises general surveillance over the operation and administration of the Cargo Preference Act, which reserves half of all government-sponsored cargoes to U.S. flag ships.

A particular effort was made during the year to obtain the cooperation of all wholly owned government corporations which are subject to requirements of the Act in reporting on their compliance with its provisions.

The following table shows the percentage of U.S. flag carryings under the different government-sponsored programs:

Table VIII

U.S. FLAG CARRIERS UNDER GOVERNMENT-SPONSORED PROGRAMS

Program	Period	Total tonnage or value	U.S. flag	Percent United States
Public Law 480	CY 1965	12,887,000 tons	6,271,000 tons	[1] 48.7
AID	FY 1965	4,357,000 tons	2,817,000 tons	64.6
Export-Import Bank	CY 1965	$42,890,041	$36,200,820	84.4
Inter-American Development Bank	CY 1965	39,151 tons	13,315 tons	[2] 34.0

[1] U.S. flag deficiency caused by nearly one-half of U.S. tramp fleet being diverted to meet Vietnam military requirements, resulting in a shortage of vessels to meet the 50 percent requirement.

[2] U.S. flag deficiency caused by heavy movement to Central American areas where U.S. flag service was not available.

Waivers

Under Public Resolution 17, passed in 1934, all cargoes financed through the Export-Import Bank are to be carried by U.S. flag ships unless these ships are not available at reasonable rates and conditions. It has been government policy to grant waivers permitting 50 percent of such cargoes to be carried on ships of recipient nations, so long as there is no discrimination by that country against U.S. flag ships.

Maritime approved 31 general waivers of Public Resolution 17 to 11 nations, authorizing foreign ships to carry up to 50 percent of their U.S. purchases financed by the Export-Import Bank.

A special problem arose with requests for waiver for Venezuelan flag ships. In 1965 the Alcoa Steamship Co. objected to the granting of Public Resolution 17 waivers to Venezuelan flag ships, so long as the Venezuelan Government continued to discriminate against U.S.-flag ships. The Venezuelan Government, by its Decree 331, reserved Venezuelan cargo for ships under Venezuelan registry, with the exception of foreign-flag lines having a reciprocal agreement with Compania Anonima Venezolana de Navegacion (CAVN), the Venezuelan shipping line. Grace Line was the only company having such an agreement. Alcoa held that the pooling agreement between CAVN and Grace Line in effect was discriminatory to other U.S. flag lines.

Discussions were held with Venezuelan shipping officials, in an effort to open up Venezuelan cargo movements to U.S.-flag ships without special agreements. Venezuela, however, moved to terminate the CAVN-Grace pooling agreement on May 31, 1966.

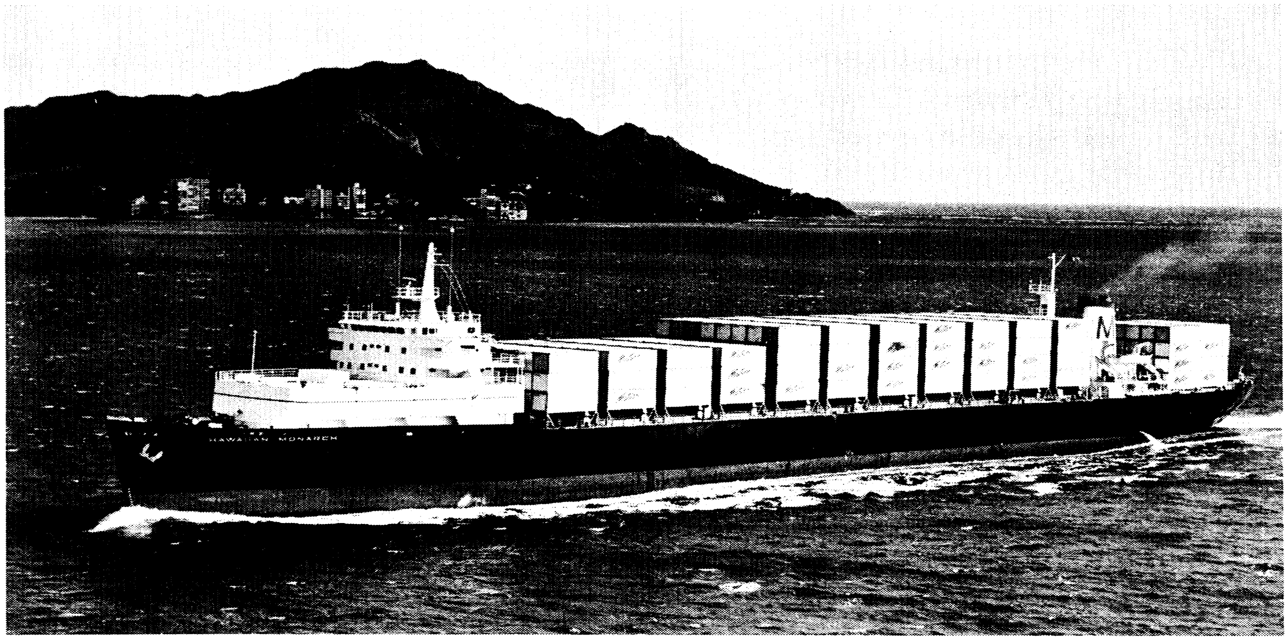
After further discussions, in June 1966, an understanding was reached whereby for an interim 60-day period the Venezuelan Government agreed to grant waivers of Decree 331 for shipments on U.S.-flag vessels out of Gulf ports upon request, and the United States consented to grant five pending Venezuelan applications for waivers of Public Resolution 17 for the same period. The waivers were subject to revocation in the event that no permanent agreement was reached. In addition, the Grace-CAVN pooling agreement was to continue in effect for the same 60-day period, pending a permanent agreement for reciprocal trade in United States-Venezuelan oceanborne commerce.

A request for a 100 percent waiver for Costa Rica, on the basis that no U.S.-flag ships have a direct service to that country, was denied, since shipments could be made by U.S.-flag to Panama and transshipped on a through bill of lading, to Punta Arenas or Puerto Limon.

In the case of India, requests for waivers were granted on the basis of 20 percent only, pending receipt of evidence that an agreement between India and the United Arab Republic reserving trade between these countries to their own ships was not resulting in discrimination against U.S.-flag ships.

Integrated Transportation System

Maritime has been extensively involved in the integrated transportation system concept and has been studying means to encourage the development of multimodal services that will contribute to further



Matson Navigation Co.'s container service to Hawaii was one of the first applications of full containerships in transoceanic service. The "Hawaiian Monarch" was converted from a C4 troopship under the Ship Exchange Program.

significant economies in the transportation field. Positive action included the subsequently discussed "Through Container Pilot Project" to the United Kingdom, a forthcoming similar project to West Germany, frequent discussions with representatives of the several modes of transportation, including other government agencies, participation in discussions and the development of plans and ideas with transportation officials from other nations, and active participation in numerous committees concerned with integrated transportation systems problems and developments. Efforts were primarily focused on containers and the future economies resulting from improved port terminal facilities and activities. To this end, a comprehensive program was being developed in order to achieve further progress in the development of through intermodal systems.

The ultimate goal of the new ports and systems program is to achieve a fully coordinated transportation system through the maximum efficient and economic utilization of management/labor resources, improved techniques of management, development of modern transportation equipment and facilities, and the full integration of all components of the transportation system.

Containers

A Through Container Project was instituted on March 21 after several months of planning. This was an important research project designed to pinpoint specific problems such as documentation, customs inspections, and government regulations of various kinds which handicap the full development and use of through shipments by containers from an inland point in one country to an inland point in another.

The project was jointly sponsored by the Maritime Administration, the Bureau of International Commerce of the Department of Commerce, and the Bureau of Customs of the Treasury Department. Documentation for the project was coordinated by the National Facilitation Committee, an interagency governmental body established by the Secretary of Commerce. Shippers, transportation companies, and freight forwarders cooperated in the experiment.

Seven loaded containers were sent from Chicago and St. Louis to Birmingham, England, or surrounding areas via the U.S. ports of New York, Norfolk, and New Orleans, and the United Kingdom ports of London, Liverpool, and Southampton. United States Lines and the Cunard Line provided ocean transport.

Ten containers were shipped to the United States. The program was completed by June 1966. Data obtained from the experiment was being analyzed to permit evaluation of the problems affecting total container movements, which promise to become characteristic of international trade in the next decade.

Maritime continued to actively participate in the development and promotion of national and international standards for freight containers. Members of the staff represented the agency on a number of American Standards Association and International Standards Organization committees and were instrumental in achieving substantial progress in connection with handling and securing methods, testing, identification and marking and other areas of importance in facilitating the international interchange of containers between all modes of transportation.

Port Development

Several studies and reviews of proposed port development projects in economically depressed regions of the country were made at the request of the Economic Development Administration. These included Tacoma, Wash.; Rockland, Maine; Morehead City, N.C.; Oakland, Calif.; Port Huron, Mich.; and the economic impact of the proposed Canadian port of Riviere de Loup in the Northern Maine area.

On September 9, 1965, Hurricane Betsy devastated the port of New Orleans. Two ships owned by the Maritime Administration, which were being reactivated for use in Vietnam, the *Winged Arrow* and the *Wake Forest Victory*, were so badly damaged that they had to be replaced by two Victory ships.

Five ships under construction at Avondale Shipyards for Lykes Bros. Steamship Co. were badly damaged. Two—the *Genevieve Lykes* and *Letitia Lykes*—were constructive total losses and had to be replaced by new construction. A marine insurance settlement of $18,037,042 was made for the loss of the two ships. The underwriter offered the ships for sale, and they were sold to Hudson Waterways Corp. in January 1966 for $150,000.

The *Elizabeth Lykes*, the *Ruth Lykes*, and the *Mason Lykes* were salvaged and repaired.

Maritime employees from the Gulf district and from the Washington office aided in assessing the damage, in providing emergency assistance, and in planning for restoration of the port facilities. The rapid and efficient manner in which the port was returned to operation was highly commended by the Maritime Administration.

Discussions were held with the American Association of Port Authorities on areas needing further study, including 5-year port forecasts of local programs and port delays caused by Federal regulations.

A permanent MarAd/AAPA working liaison committee was developed to consider significant port problems and develop specific recommendations to resolve or alleviate such problems. Ten projects were initially selected, and individuals from both organizations were designated to work as teams to develop recommendations pertaining to the problems identified in the specific projects.

Questionnaires were sent to some 150 ports in the United States, Puerto Rico, Virgin Islands, and Canada requesting information on port construction costs in the past 3 years and approved port construction programs from 1966 to 1970.

A report on the "Economic Impact of United States Ocean Ports" was prepared for publication in fiscal year 1967. The report deals with the effect of port activity on the economy of the port area and other parts of the United States—labor, trade, production, etc.—and discusses types of port development needed in the future to meet the demands of trade.

A comprehensive study entitled "Public Works—Marine Port Facilities," was completed in June 1966, for the Joint Economic Committee of the Congress. This report on the nation's ports and facilities includes description and quantity of facilities, geographic distribution, age, ownership, value, costs and user charges, revenue, financing, trends, needs, and prospective capital outlays for port development.

Paperwork Simplification

In cooperation with other governmental agencies and representatives of industry, Maritime helped promote the widespread acceptance of the "Standard Export Format" that was developed to be used as a model for designing basic export documents. By using this format, a master duplicator can be filled out in a single typing operation and compatible forms can be quickly reproduced.

In order to stimulate further progress in document simplification, Maritime also participated in meetings designed to accomplish the international standardization of both ship and cargo documents.

Merchant Marine Week

Merchant Marine Week was celebrated from May 22 through 27. The 10th nationwide contest for high school students, sponsored by the maritime industry and the Maritime Administration, culminated in the winning National Maritime Day poster, designed by Nicholas Verni of New York, being unveiled on the steps of the Capitol by Under Secretary of Commerce for Transportation Alan S. Boyd and Assistant Postmaster General William J. Hartigan.

Subsequently, postal delivery trucks throughout the country carried the red, white, and blue design with the legend "American Ships Chart America's Future" during the entire month of May. Mayors and postmasters in towns and cities throughout the country joined in placing the posters on post office trucks in their areas, and in other ways participated in emphasizing the importance of the merchant marine to the entire nation. Many of the mayors issued proclamations following President Johnson's Proclamation of Maritime Day, which commemorates the sailing on May 22, 1819, of the SS *Savannah*, first steamer to make a transatlantic crossing. These ceremonies inspired a large number of newspaper stories, editorials, and radio and television programs on the national significance of the Merchant Marine.

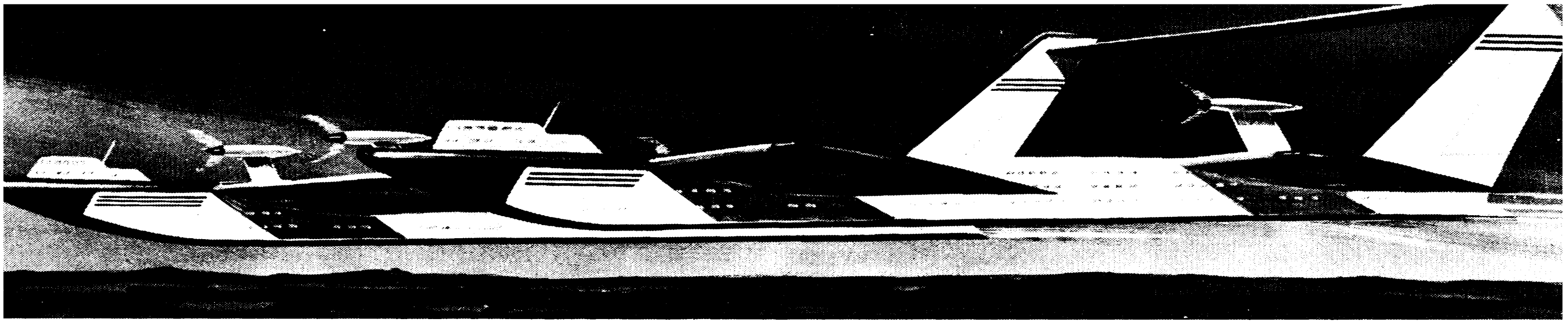
A second section of the exhibit, "This Is Your Merchant Marine," was opened at the Maritime Administration's Washington headquarters. The new section, entitled "Life Cycle of a Ship," depicts the story of a vessel from its theoretical beginning in naval architect's plans, through actual building, to its eventual disposal.

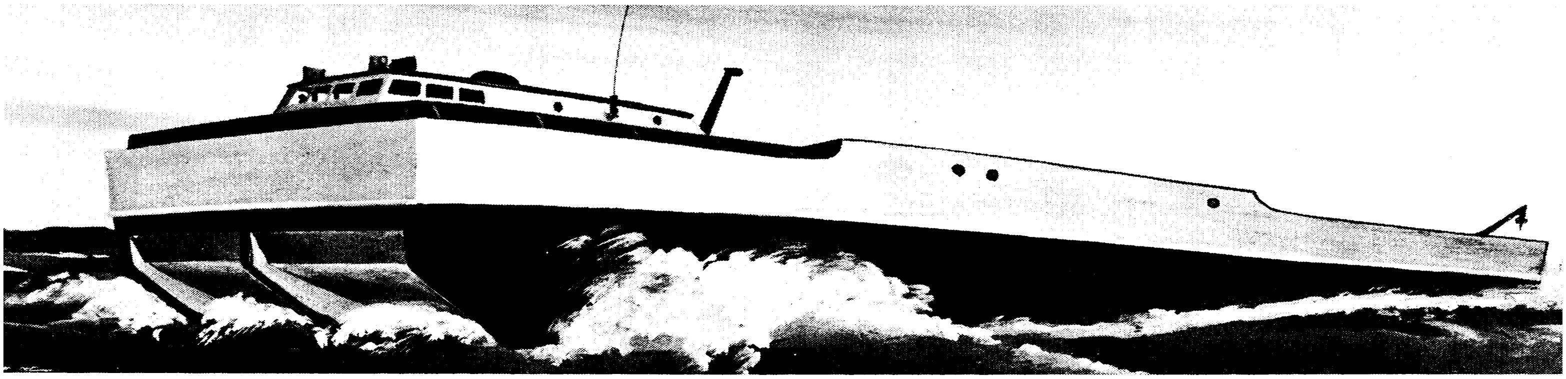
The Maine Maritime Academy Band and the U.S. Merchant Marine Academy Glee Club were on hand to participate in the opening Maritime Day ceremonies aboard the *Santa Maria*, replica of Columbus' flagship. A Maritime Pavilion was set up nearby on the Washington waterfront. This was followed by a Safety of Life at Sea rescue demonstration by the U.S. Coast Guard and by a memorial ceremony honoring merchant seamen at the Navy Merchant Marine Memorial on Columbia Island in the Potomac.

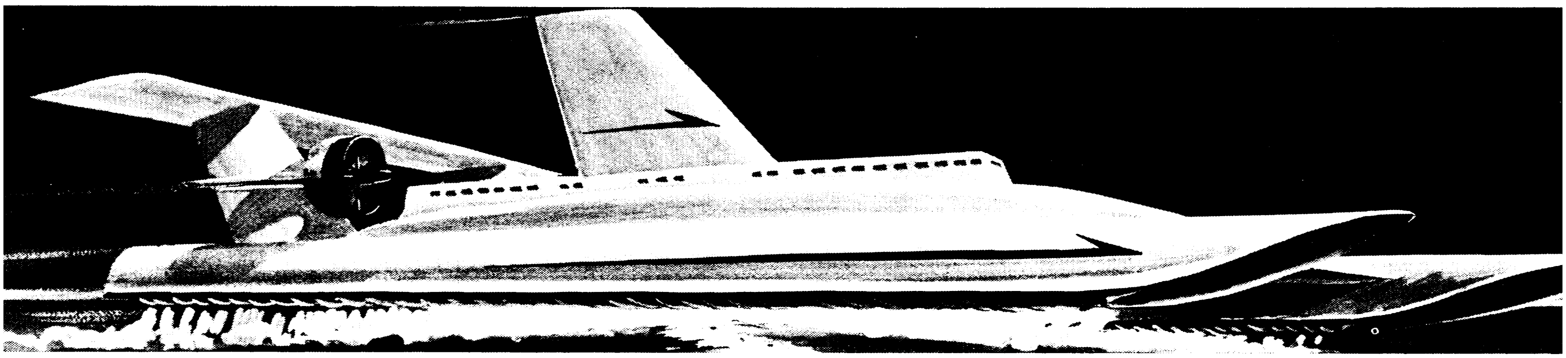
On May 25, awards were presented to Maritime employees for especially meritorious service.

A symposium with the theme "The Merchant Marine in 1986" was attended by representatives of all segments of the maritime industry. A special citation was presented to the Chairman of the House Merchant Marine and Fisheries Committee, Edward A. Garmatz, for his contributions on behalf of the American Merchant Marine.

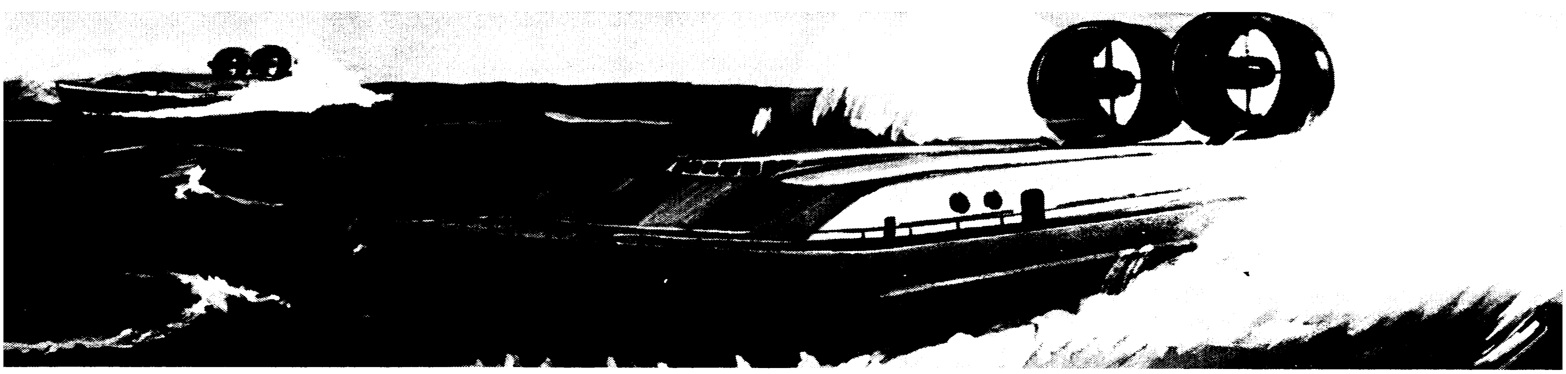
A "Gallant Ship Award" was presented during the week to the SS *Japan Bear* for its rescue of survivors from the ship *Grand* sinking in the Pacific. Senator Warren Magnuson made the award.







Artists' drawings of various types of surface-effect ships: (from top) model similar to low-flying seaplane receives lift from tandem wings; air-lubricated hull traps air by skegs on side, flap in front, bottom of hull at stern; aerodynamic shape of hull and fans provide lift; the annular jet machine or "Hovercraft"; the "captured air bubble" traps air with its side walls.



RESEARCH

Maritime's research and development effort is directed to increasing the competitiveness of the U.S. Merchant Marine by reducing the cost of ship construction, operation, and maintenance.

NS *Savannah*

Following 2 years of experimental demonstration runs by the Government, the NS *Savannah*, the world's first nuclear-powered merchant ship, began experimental commercial operation on August 20, 1965, under a 3-year bareboat charter to the First Atomic Ship Transport, Inc. (FAST), a wholly owned subsidiary of American Export Isbrandtsen Lines, formed to operate the vessel. This charter is subject to review and renewal each year.

The NS *Savannah* made three voyages during the year on Trade Route 5–7–8–9 (U.S. North Atlantic to Europe) and three on the United States to Mediterranean run, Trade Route 10, visiting Spain, Portgual, Italy, France, Belgium, the Netherlands, and Germany.

Under the agreement worked out between the company and the Government, the ship was operated under a dollar-a-year bareboat charter as permitted by Section 715 of the Merchant Marine Act, 1936. Provision was made for the Maritime Administration to assume estimated vessel and voyage expenses over and above estimated voyage revenues, under an arrangement that provided an incentive to the operator to keep this loss to a minimum and to assume a substantial degree of risk.

Revenues were greater and vessel and voyages expenses were less than estimated, which reduced the annual operating cost by about

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$125,000. There were no delays in the vessel's schedule due to plant malfunction. Plant and vessel operation throughout the first year of commercial operation were considered normal and a satisfactory demonstration of a nuclear-powered merchant vessel operating in a regular commercial trade.

Nuclear Ships

At request of Senator Magnuson, Chairman of the Senate Commerce Committee, a task force of Commerce, Maritime, Atomic Energy and Defense Department representatives was formed to develop a nuclear merchant fleet report. The Task Force Report was completed subject to policy review.

Further studies on the economic application of nuclear power in various commercial services were continued during the year. Studies completed on maritime reactor capital and fuel costs indicated downward trends and appear promising for the next generation of nuclear ships. No funds were included in the 1967 budget requests for actual construction of nuclear-powered merchant ships. A joint Atomic Energy Commission-Maritime Administration Liaison Committee was formed in November for continued cooperation between the two agencies in the development of commercially competitive nuclear merchant ships.

Hydrofoils

The oceangoing hydrofoil ship *Denison*, having successfully completed her commercial experimental program, was transferred to the Department of the Navy on August 27, 1965, for further experimental operation by the military services. The ship had been operated since January 1965 under bareboat charter by Grumman Aircraft Engineering Corp., her builder, following several years of experimental testing for the Maritime Administration.

Two large hydrofoil craft, the H.S. *Victoria*, owned by Northwest Hydrofoil, Inc., and the H.S. *Flying Cloud*, owned by Atlantic Hydrofoils, Inc., were privately developed and were undergoing tests.

Surface-Effect Ships

During the year a review of the Surface-Effect Ship program was completed for the Secretary of Commerce by a specially selected industry committee which recommended a research and development program to demonstrate technical feasibility of large surface-effect ships. Subsequently the Department of Commerce entered into a joint agreement with the Navy Department to carry out basic research for the Government for a joint SES program designed to produce a 5,000-ton, 100-knot ship in approximately 10 years.

Other Research Projects

With the constant increases in the speeds attained by new ships, it is becoming more and more necessary to find ways of increasing the efficiency of the ship's propellers, since propeller efficiency tends to decline as speeds increase.

The use of contrarotating propellers—two propellers of approximately equal size rotating in opposite directions—offers a means for substantial fuel cost savings. The propellers are attached by two concentric shafts, one inside the other, turned by the ship's engine. Tests conducted during the year indicated that high speeds could be maintained with decreased shaft horsepower. The fuel savings will be weighed against increased machinery costs.

The Maritime Administration in October 1965 awarded a cost-plus-fixed-fee contract to IIT Research Institute, formerly Armour Research Foundation of Illinois Institute of Technology, Chicago, for a "Collation of Integrated Marine Power Plant Studies". The study will present a critical evaluation and collation of results of the five integrated marine power plant studies completed previously. The previous work includes two steam turbine studies by Newport News Shipbuilding & Drydock Co. and Allis-Chalmers Manufacturing Co., two gas turbine studies by General Electric and Pratt and Whitney Aircraft, and a diesel study by Fairbanks-Morse, Inc. The contract was to be completed by February 1967.

Maritime Administration's contract with the Permutit Co., to develop an effective marine oil-water separator, which was to have expired in October 1965, was extended to April 30, 1967, to permit extensive field testing of equipment developed under the research contract. An increase in funds of $56,654 was also authorized.

In December 1965 a parallel research effort was undertaken to develop effective and practical oil-water separators by contract with IITRI. This work is in fulfillment of this country's commitment to IMCO on the prevention of the pollution of the seas by oil.

The Maritime Administration, in October of 1965, extended its contract with Babcock & Wilcox Co. to June 30, 1966, at an increase in total cost to $51,866, covering a study to determine effects of low excess combustion air on marine boiler corrosion and ash deposition.

Maritime contributed $47,500 to a joint project with industry to support structural tests of hull steel requirements on a Great Lakes vessel to determine the possibility of reducing the requirements for hull steel and thereby the construction costs of such ships.

In resistance and propulsion, a new approach in bulbous bow design is showing promise. By shifting the bulb form closer to the waterline, better than 10 percent reduction in resistance previously found only in ballast condition can now be realized at full load.

Massachusetts Institute of Technology, Stevens Institute of Technology, and the University of Michigan were retained to conduct seakeeping, maneuverability, and model resistance studies in order to improve the performance and speed of ships. A computer program was developed to predict the performance of ships at sea.

The University of California conducted studies to improve ship structure capabilities, especially to resist damage due to slamming.

The evaluation of the Maritime lookout assist devices for detection of other ships indicates detection probability of 97 percent within range of 5 miles. Work is continuing on supplementary detection of marine sounds for a device of multiple detection capability to assist ship officers.

Maritime is participating with NASA in experiments in the Pacific with Satellite Communication, designed to improve ship-to-shore, ship-to-ship, and ship-to-plane communications. The proposed NASA program is to place an experimental satellite in a hovering orbit over the Pacific Ocean for testing in 1967.

The residual fuel combustion contract with IITRI was extended for the construction of a new test rig in order to fully evaluate the effects of massive recirculation on fuel oil combustion, corrosion and ash deposition. Funds of $137,592 were provided for this work.

In April 1966 the contract with F. R. Harris was extended to December 1966, and an additional $125,000 was also approved for the design and construction of an improved mooring system which will be tested on land and eventually evaluated aboard a merchant ship.

In March 1966, an increase of $132,133 was approved for the completion of hardware fabrication for the Self-Regulating Steam Generator being constructed by Combustion Engineering, Inc.

Signing of the contract for four ships for Moore-McCormack Lines, to be built by Ingalls SB Corp., completed the award of a total of 17 new cargo ships to be built with construction-differential subsidy aid.

SHIP CONSTRUCTION

The number of large merchant ships under construction or on order in private U.S. shipyards increased from 62 on July 1, 1965, to 67 on June 30, 1966, as shown in Table IX. These included new ships and conversions built with construction subsidy, privately financed ships, and government-owned ships built under Maritime supervision.

Table IX

SHIPS UNDER CONSTRUCTION

	Number of ships		
	Total	New	Conversions
Under contract July 1, 1965	62	49	13
Contracts awarded during fiscal year 1966	30	19	11
Subtotal	92	68	24
Completed during fiscal year 1966	24	12	12
Cancelled during fiscal year 1966	1	----------	1
Under contract June 30, 1966	67	56	11

NOTE: During the year 2 Lykes ships under construction at Avondale Shipyard were sunk during Hurricane "Betsy." Replacement ships were awarded; therefore, the number of ships under contract is not affected.

The 67 ships under contract at the end of the year had a contract value of about $699.8 million. Of these, 44 with a contract value of approximately $570.8 million, were being built under the subsidized operators' replacement program.

Contract Awards

In addition to awards for 17 new cargo ships and conversions of 2 bulk carriers to be built with the aid of construction-differential subsidy (see Table IV), an order was placed by American Export Isbrandtsen Lines, Inc., with Sun Shipbuilding & Drydock Co. for a roll-on/roll-off ship to be built for charter to the Military Sea Transportation Service. A contract was also awarded for construction of an ocean survey ship for Coast and Geodetic Survey to the American Ship Building Co., Lorain, Ohio, bringing to nine the total of special vessels designed and being built for Coast and Geodetic under Maritime Administration supervision.

Ship Deliveries

On July 1, 1965, there were 44 new ships being constructed under Maritime Subsidy Board and Maritime Administration contracts. Of these, 12 were completed during the fiscal year, as shown in Table X.

Table X

SHIP DELIVERIES

Owner	Builder	Design	Delivered
Lykes Bros. Steamship Co.	Avondale Shipyard	C4-S-66a	4
American President Lines	National Steel & Shipbuilding Co.	C4-S-1qa	3
Prudential Lines	Bethlehem Sparrows Point SY	C4-S-64b	2
Grace Line	Sun Shipbuilding & Drydock Co.	C4-S-65a	1
United States Lines	"	C4-S-64a	1
Coast and Geodetic Survey	Aerojet-General Shipyards	S2-MET-MA62a	1
			12

Twelve conversions were completed, of which four were Great Lakes bulk carriers and the others were carried out as part of the Ship Exchange program.

On June 30, 1966, the 56 new ships under construction or on order included 44 being built with subsidy under the replacement program, 1 private tanker, 2 roll-on/roll-off for military use (1 under private ownership), and 9 for Coast and Geodetic Survey. (See Appendix IX.) Eleven ships were being converted.

On September 28 the Maritime Administrator issued his final decision on the contract appeal of Marietta Manufacturing Co. of Point Pleasant, W. Va., which had been found in default of a contract to build two ships for Coast and Geodetic Survey. The decision reaffirmed the decision of the Chief of the Office of Ship Construction which had granted certain extensions of time for completion of the contract and had found Marietta in default. The ships were re-

A mechanized bridge, including main engine controls (top), and a mechanized engineroom (bottom) designed for a one-man watch, place control of the ship at the fingertips of the officers in charge.

awarded to Aerojet-General Shipyards in May 1965 and are scheduled for delivery in the first half of 1967.

Mechanization

Shipboard mechanization included further developments in engine room controls resulting from service experience with earlier ships and recently published regulatory requirements of the American Bureau of Shipping and the U.S. Coast Guard. Additionally, Maritime issued a detailed set of technical specifications for Centralized Engine Room and Bridge Control for industry use and guidance to effect uniformity and standardization in mechanization for subsidized construction. The technical objective of these standards is to install such improvements in the machinery spaces as to economically justify a one-man engine room watch system. Attainment of this objective will be subject to satisfactory service experience and the final assessment on manning by the U.S. Coast Guard and agreements with the operating unions.

Eleven new mechanized cargo ships were delivered, and 44 were under construction.

Plans for economically retrofitting older replacement cargo ships with a limited amount of mechanization were suspended because of (1) the need to retain all ships in service for Vietnam military requirements, (2) failure to reach a final resolution by labor-management on manning of the fully mechanized ships in operation, and (3) lack of success in initiating preliminary negotiations between operators and unions. No firm applications were received for subsidy approval, and no steps could be taken by Maritime without prior cooperation of negotiating principals.

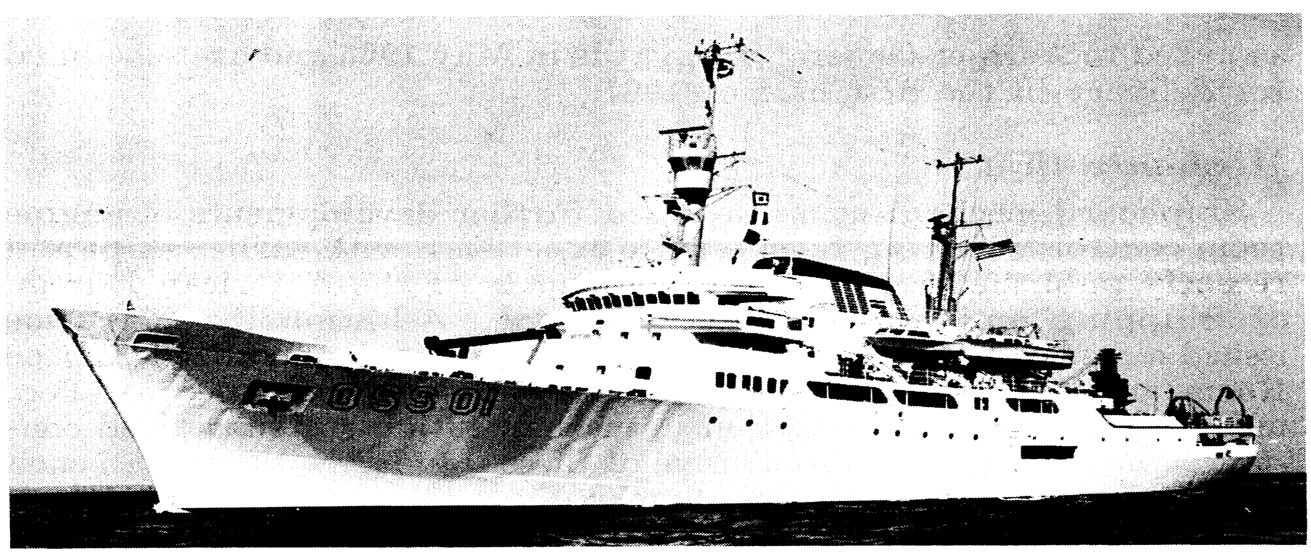
Small Vessels

The United States Fishing Fleet Improvement Act authorizes the Secretary of the Interior to pay up to half of the construction cost of a new fishing vessel. The vessel is to be of the most modern design to compete with foreign vessels. Maritime administers the technical aspects and oversees the construction of the ships for Interior.

By June 30 applications for 15 boats under this program had been processed. Four of these vessels were under construction, two contracts were in process of award, and invitations to bid were issued for four others. The other five were withdrawn by the owners after receipt of bids. Two other vessels were under construction under contracts signed in fiscal year 1965.

Fifteen applications were approved by the Department of the Interior for submission to Maritime as soon as bidding plans and specifications were prepared. Twelve additional applications were awaiting public hearing. The vessels included many types—scallop-

The "Oceanographer," a survey ship for the U.S. Coast and Geodetic Survey, was built under direction of the Maritime Administration by Aerojet-General Corp.



ers, shrimpers, menhaden, purse seiner, factory canning, etc., and were received from New England, Gulf and Pacific coast areas.

Exception was taken by one boat owner to Maritime's determination of foreign cost of building a similar vessel, on which the subsidy percentage is based. After receiving additional information on foreign costs of building such vessels, Maritime increased the recommended subsidy percentage from 37.9 to 40.2 percent.

Maritime was also requested to help design, obtain bids, and supervise construction of a 125-foot wooden hull research vessel for Antarctic use on behalf of the National Science Foundation. No competitive bids were received for the vessel, but one yard offered to negotiate a price, and this was under consideration at the year's end.

Trials and Guarantee Surveys

Sea trials and acceptance surveys were conducted on 11 subsidized ships and final guarantee surveys on 12. A sea trial and acceptance survey was conducted on one Coast and Geodetic Survey Ship.

Ship Design

To serve as a basis for evaluation of future designs of high-speed container ships, a 30-knot prototype preliminary design was prepared which incorporates several innovations such as contra-rotating propulsion system, torque tube propeller shafting, and an unusual form of hull.

Studies were started on a standardized hull and machinery concept to (1) develop a design with austerity features aimed at obtaining the lowest cost commercially acceptable cargo ship, and (2) provide a basic design readily adapted for construction under emergency conditions.

Value Engineering

The Value Engineering program for reduction of shipbuilding costs resulted in savings on subsidized shipbuilding of approximately $2.78 million, of which about 53 percent accrued to the Government and the remainder to industry. Eight new letters on value engineering information were issued to the industry. One previously issued letter was withdrawn and 17 reissued and revised.

A "Standard Specification for Cargo Ship Construction," [1] was developed after several years of effort and published by Maritime to effect cost reduction for the government and the marine industry through standardization of ship designs, components, and systems. It covers the construction requirements for a modern oceangoing cargo liner, and ships built with construction subsidy are required to embody the specifications in the volume to the greatest extent possible.

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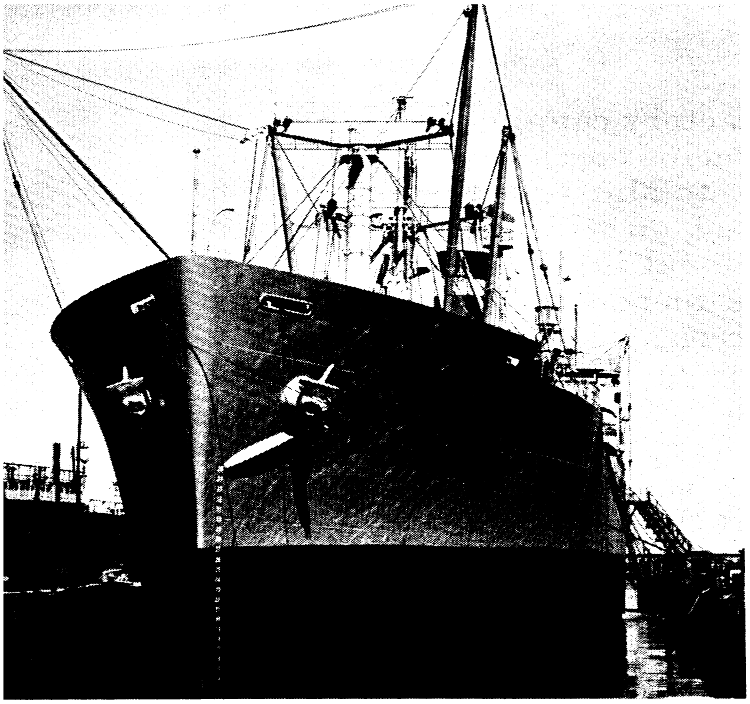
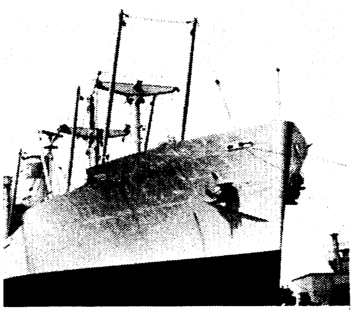
[1] See list of Shipping Studies and Reports, p. 93.





These are a few of the many Victory type ships built for World War II which have now been withdrawn from lay-up in the National Defense Reserve Fleet to enter military service once again, this time in Vietnam. Named for American colleges and small cities, many of these ships, like the Gallant Ship "Meredith Victory" (below), served also in the Korean engagement.

OPERATIONS

General Agency Operations

In July 1965, the Military Sea Transportation Service requested the reactivation of 14 ships from the Maritime Administration National Defense Reserve Fleet for use in support of military operations in Southeast Asia. The first request was followed by others; in August 33 ships were requested, then 2 each in September and October, 25 in December, and 25 in February. By the end of the fiscal year, a total of 101 ships had been broken out of their anchorages at the various Reserve Fleet locations around the country. Together with 8 ships redelivered from use agreement charters and assigned to general agents for use by MSTS, there were 109 ships under general agency agreement at the year's end, 107 more than at the end of the preceding year. From September 1965 to May 1966 the fleet was supplemented by three ships redelivered from bareboat charter to Alaska Steamship Co. during the normal winter layup. Just before the end of the year, MSTS asked for 20 additional ships to be reactivated in fiscal year 1967.

Thirty-nine assigned private shipping companies are approved to act as its general agents by Maritime in the operation of the ships for MSTS.

At June 30, 1966, there were 33 active general agents operating ships for the National Shipping Authority, Maritime Administration. These included 18 agents initially appointed before June 30, 1965, and 15 agents appointed during fiscal year 1966. This expansion of general agency operation was entirely attributable to the need for increased logistic support of military operations in Southeast Asia.

Reactivation work was carried out at shipyards near the Reserve Fleet anchorage from which they were drawn. The same procedures were followed as those used during the Korean emergency. The reactivated ships were taken from the priority reserve section of the fleet, where they had been kept in such condition as to permit their placement in service in the shortest possible time.

In addition to the government-owned ships, MSTS time-chartered a large number of ships, from both subsidized and nonsubsidized berth operators and tramp operators, and increased its requests for space on regularly scheduled liner services to the Southeast Asia area.

The sudden influx of military and merchant ships into the limited harbor facilities in Saigon and other Vietnamese port areas created some delay in loading and unloading of cargoes for the area. Meetings were held between the MSTS/MarAd officials and the shipping companies involved in Southeast Asia shipping to discuss ways of alleviating the situation.

As a result of these meetings, a shipping liaison group was formed of government and industry officials for study of shipping requirements—both military and civilian—affected by the U.S. involvement in Southeast Asia. The group's purpose was to work cooperatively together to fulfill the Nation's military shipping needs with the minimum disruption to civilian shipping, especially in the subsidized liner segment of the merchant fleet.

In March of 1966, Maritime opened a small office in Saigon to supplement the efforts of the general agents for the more than 100 Government-owned ships which by that time had been assigned for operation in the service of MSTS. The office was to assist the general agents, subagents, and ship masters in the Vietnam area, providing expeditious cargo discharge and turnaround of all general agency ships, in solving crew problems, in securing emergency repairs for ships, spare parts, etc., when required, in assuring rapid handling of mail for GAA ships, and in providing maximum assistance possible to all U.S. flag ships serving Vietnam.

The Maritime Administrator made a trip to the Far East in the spring of 1966, to survey the port and shipping situation in the Vietnam port areas. He officially opened the Maritime Administration's Saigon office while there.

The coordinated efforts of both the military and the industry resulted in appreciable improvement in ship turnaround. By the end of the year, the ships were encountering no serious delays in the Vietnam area, and discussions were continuing on a regular basis between involved parties in an effort to further provide for the most efficient means of carrying on shipping and port operations in the Southeast Asia harbor areas.

Reactivations

The need to reactivate Victory ships for military service in the shortest possible time threw a tremendous burden on ship repair yards. Although the first ships to be withdrawn were those considered to be in the best condition, the urgency of the military requirement made it necessary to assign work to yards on a negotiated basis without competitive bidding and to authorize much overtime.

For the following groups, additional time was available, competitive bids were obtained, and shakedown sea trials were possible to detect otherwise undiscovered faults. Costs therefore dropped somewhat.

The continued reactivation of additional ships and the need to withdraw those requiring more repair, and shortages of skilled workers in what had been for some time a declining industry, led to a rise in repair costs.

The variations in reactivation costs are shown in the following Table XI.

Table XI

REACTIVATION COSTS

Number of ships	Dates	Average reactivation costs
Group 1: 14	July 15, 1965—Aug. 18, 1965	$455,127
Group 2: 8	Aug. 14, 1965—Oct. 22, 1965	424,300
Group 3: 29	Aug. 26, 1965—Nov. 21, 1965	372,500
Group 4: 25	Dec. 7, 1965—Feb. 16, 1966	405,000

These figures cover shipyard activation cost only; other costs such as outfitting, towing, and husbanding, etc., are not included. Because of the need for haste in the reactivations, the long time (up to 20 years) these ships had lain idle, and the emergency nature of their assignments, there were a number of breakdowns and casualties resulting in additional repair costs.

While information on the costs of effecting such repairs was incomplete, available records and information did not indicate an abnormal situation in breakdowns suffered by these reactivated ships as against the normal operation of a like number of commercially operated vessels. The total downtime experienced by these ships during their service was approximately 3.1 percent of their total voyage days, a percentage which is considered well within the averages which can be expected during normal commercial operation.

The majority of the ships performed remarkably well, considering their age and long period of layup. One such ship, the *Linfield Victory*, received high praise from her master for her excellent performance over the first 7 months of her operation after breakout. During that period, not only did she not experience any delay on account of mechanical trouble, but regularly averaged 17.5 knots, or thereabouts, though her rated sea speed is only 16.5 knots.

The *Linfield* was one of the first ships to be broken out for service to Southeast Asia, and had previously served during the Korean conflict and the closing of the Suez Canal. This service record is typical of many of the Victory ships in the Vietnam service, which were turning in a good record in support of the U.S. military effort in Southeast Asia.

Other Maintenance and Repair

In connection with operating-differential subsidy for repairs, 105 surveys were made to establish outstanding defects and deficiencies on ships in subsidized service.

There were 1,019 repair inspections made to verify the necessity for repairs and their satisfactory completion, drydocking and underwater work on subsidized ships, and 1,644 repair summaries submitted by subsidized operators were reviewed to determine eligibility for subsidy and the fair and reasonable cost for these repairs. Repair costs totaled $40.5 million, of which $1.05 million was found ineligible for subsidy.

Approximately 1,570 other surveys, inspections, and repair cost estimates were made to assure compliance with various contractual requirements.

Charters

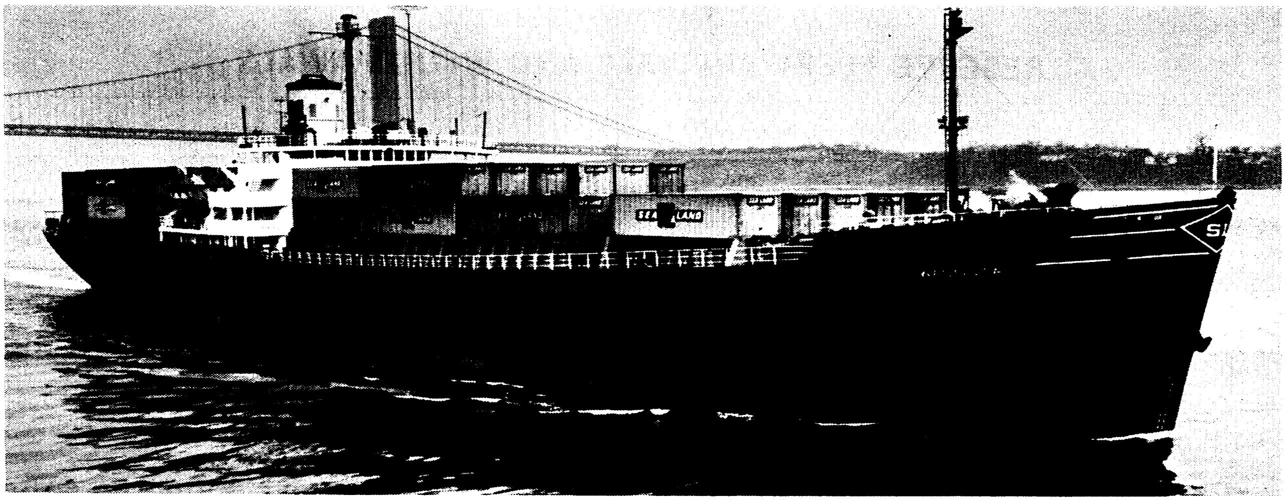
At the end of the fiscal year, 13 Government-owned ships were under bareboat charter, a decrease of 10 from last year. These were chartered under various provisions of law. Three were war-built ships chartered for use in Alaskan service (during normal winter layup these three ships were placed under General Agency Agreement for MSTS); one was the NS *Savannah*, chartered for commercial operation to First Atomic Ship Transport, Inc.; five were ships traded in to the Government for credit toward construction cost of new ships and used by the former owners to maintain their services until the new ships were completed; and four had been traded in for Government ships under the Ship Exchange program and were being employed by the former owners until the transfer ships were converted and placed in service.

Vessel Exchanges

Under Public Law 86–575, Maritime exchanged during the year 13 Government-owned for 13 private ships.

Under an amendment (Public Law 89–254) approved October 10, 1965, reserve fleet tankers were made available for exchange for operation on the Great Lakes, including the St. Lawrence River, or for conversion into dry cargo carriers or liquid bulk carriers. The vessels may carry natural gas, but may not be used to haul bulk petroleum except on the Great Lakes. Twenty-five T2 tankers were made available for trade out, of which 13 were of the more desirable "Mission" type, having somewhat higher horsepower. Because there were more applications for the latter type than there were ships, a special procedure was established to allocate ships among trades and applicants

The converted tanker "Pasadena, ex-San Jacinto," was delivered to Trinidad Corp. by Newport News SB&DD Co.



One of the C2 ships received under the Exchange Program from the reserve fleet and converted as container ships for Sea-Land-Services; two similar ships were completed and delivered during fiscal year 1966 to this company.

within trades which the Maritime Administration judged would achieve the greatest shipping capability and productivity.

The 13 Mission type tankers were allocated to 4 companies. Waterman Steamship Corp. received three, Hudson Waterways Corp. seven, Sea-Land Service, Inc. two, and Transwestern Associates, one. Waterman planned to use the ships as general cargo carriers in foreign trade. The others planned to convert them to containerships for use in domestic services. Contracts were signed for the tradeout of six Mission type tankers and one standard T2–SE–A1 tanker.

Other ships traded out under the Ship Exchange Act were one C3 cargo ship, two C2 cargo ships, and three Victorys. In the 6 years of the Ship Exchange program, Maritime exchanged 66 Government ships for 70 private war-built ships, and received approximately $7,355,656 in excess value of the ships going to operators over those traded in, subject to adjustment when contract work on certain of the ships is completed.

Shortly before the end of the fiscal year, the Department of Defense indicated that it would consent to release from priority status the remaining 25 C4 troopships from the reserve fleet for allocation under the Ship Exchange Act. In its terms of release, the Department of Defense stipulated that any such ships must be converted to types suitable for military requirements and be made available for charter to the military. The exact conditions under which the ships were to be released were under discussion between Maritime and the Military Sea Transportation Service at the year's end.

National Defense Reserve Fleet

On June 30, 1966, 1,327 ships were moored in the 8 locations of the National Defense Reserve Fleet. During the year 35 ships were placed in the fleets and 292 ships were withdrawn, of which 105 were for operation in the Southeast Asia effort.

Arrivals and withdrawals are shown in Table XII.

Table XII

RESERVE FLEET ARRIVALS AND WITHDRAWALS

Reasons or sources	Arrivals	Withdrawals
Army	1	16
GAA equipment removal	1	1
Exchange program	1	14
Redelivery from GAA contract	1	–
Redelivery from use agreement	2	–
MSTS operation	3	5
GAA/MSTS Southeast Asia program	3	104
Drydocking and bottom inspection	3	4
Navy	20	22
Scrap (107 Libertys, 19 miscellaneous types)	–	126
Total	35	292

The number of ships located in each of the eight reserve fleets at the year's end is shown in Table XIII.

Table XIII

SHIPS IN RESERVE FLEETS AS OF JUNE 30, 1966

Fleet	Priority	Scrap	Total
Hudson River, N.Y	99	64	163
James River, Va	150	152	302
Wilmington, N.C	–	67	67
Mobile, Ala	114	85	199
Beaumont, Tex	109	40	149
Suisun Bay, Calif	168	73	241
Astoria, Oreg	31	50	81
Olympia, Wash	125	–	125
Total	796	531	1,327

This total represented a decrease of 734 ships in the past 10 years. (See Appendix X.)

The number of priority ships decreased from 960 to 796 during the year. The total number of Liberty ships designated as an Emergency Reserve, apart from priority ships retained for national defense purposes, was reduced from 388 to 333.

One hundred and two percent of the preservation work scheduled on the priority ships was completed at the end of the year. No additional preservation was given to the other ships.

Ship Sales

One hundred eleven Libertys were sold for scrap and/or nontransportation use for a total of $5,319,187. Sale of 797 Libertys from 1958 through 1966 had resulted in a total return to the Government of $48,403,152.

In addition, 27 non-Liberty surplus ships were sold for scrap and/or nontransportation use for $2,095,792 during the year. The sales of 143 non-Liberty ships from 1958 through 1966 had returned $10,129,752 to the Government.

The tanker *Atlas*, a bulk oil carrier built in 1958 with Title XI aid, and acquired by the Government in January 1966, through mortgage foreclosure, was sold in May for $7,701,000.

Mortgage Sales

Of the 446 ships sold to non-citizens under the Merchant Ship Sales Act of 1946, for total original mortgages of $229,001,030, at the end of the fiscal year a cumulative total of $225,858,439 in principal and $54,956,497 in interest had been collected. During the year, $38,780 in principal and $674 in interest were collected. Included in the total principal was $379,270, assumed by Banco do Brazil in its agreement with the Maritime Administration dated June 1, 1965, whereby all outstanding Brazilian mortgages were transferred to Banco.

Total outstanding mortgages for both United States and foreign ship sales on June 30, 1966, amounted to $568,621. A total of $115,355,639 in interest had been collected from the inception of the program.

Mortgage and interest indebtedness of one Greek ship, against which formal defaults have been declared, remained delinquent. Additional interest was accrued. Total due on this contract was $40,136.

Foreign Transfers

Applications for transfer foreign of 61 ships were approved during the year under Sections 9 and 37 of the Shipping Act of 1916, as amended, 32 less than in fiscal year 1965. Three applications were denied. Of the 61, 45 with a total gross tonnage of 309,220 and an average age of 28.1 years were under U.S. flag when approval was granted. Approximately 25 percent were sold for scrapping abroad. (See Chart X.)

Three U.S. flag cargo and/or passenger ships, the *Excalibur*, *Exeter*, and *President Monroe*, were approved for operation under foreign flag. In addition to standard foreign transfer conditions, a trading restriction was imposed on the *President Monroe* which prevents this vessel from transporting passengers to or from ports in the United States, its territories or possessions, for 5 years without Maritime approval.

Sixteen of the 61 ships were undocumented or registered under foreign flag though owned by a U.S. citizen. (See Appendix XI.)

Charter of U.S.-owned ships to aliens was approved on 23 ships of 1,000 gross tons and over.

To ships previously transferred to foreign ownership and flag, over which Maritime continued to exercise contractual restrictions, approval was given for:

1. The transfer to other foreign ownership and flag of 41 ships, and to U.S. ownership without change in flag of 1 ship.
2. The sale of 30 ships from one alien to another without change of flag.
3. The sale of 17 ships by aliens for scrapping.
4. The transfer to aliens of stock ownership in four corporations.
5. Two rescissions of scrapping requirements.
6. Four substitutions of contracting parties.
7. Three modifications of trading restrictions.

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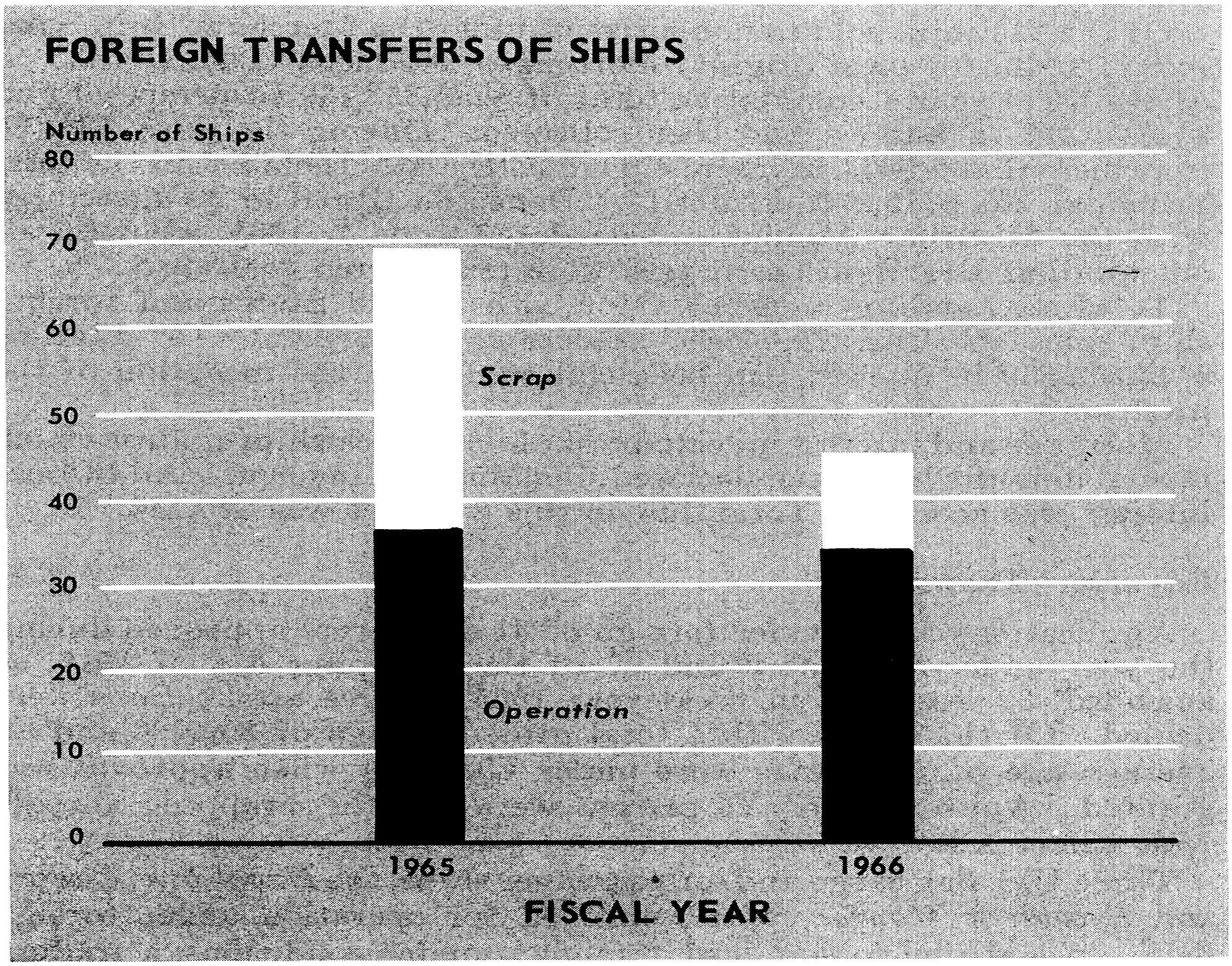
Chart X



8. Seven modifications of subordination of mortgage clause.
9. Thirty-four charters to aliens.
10. One approval in principle was given for the transfer of four Liberian tankers to South Korean ownership, registry and flag. This transaction had not been formalized at the end of the fiscal year.

Under the provisions of the Ship Mortgage Act, 1920, as amended, Maritime approved surrender of the marine documents of 322 U.S. flag vessels for change of ownership, home port, name, rig, etc.

User charges for filing applications for foreign transfers and similar actions amounted to $31,197.

Facilities Management

Real property of the Maritime Administration included at the year's end reserve shipyards at Richmond, Calif., and Wilmington, N.C.; warehouses at Kearny, N.J.; New Orleans, La.; and San Francisco, Calif.; the U.S. Merchant Marine Academy, Kings Point, Long Island, N.Y.; and Reserve Fleet sites at Tomkins Cove, N.Y.; Lee Hall, Va.; Wilmington, N.C.; Mobile, Ala.; Beaumont, Tex.; Benicia, Calif.; Astoria, Oreg.; and Olympia, Wash.

The Hoboken Terminal is under long-term lease to the Port of New York Authority. The St. Petersburg Training Station was turned over to the State of Florida for use as an educational institution. Fifteen thousand dollars was received in full settlement of the city's obligations for items of personal property in its possession at time of disposition. The property had been leased to the State since 1954.

The Richmond, Calif., warehouse was moved from the Richmond Reserve Shipyard to Fort Mason, in San Francisco. The General Services Administration was preparing to negotiate the sale of the Richmond, Calif., Reserve Shipyard to the City of Richmond.

After having been declared surplus to the General Services Administration, the Norfolk, Va., terminal was offered to various government agencies, and several indicated an interest in parts of it. However, the City of Norfolk urgently requested that the whole property be turned over to it for use as a commercial terminal. The conflicting requirements of the various Government agencies would have made it impossible to develop the property as a modern cargo handling facility. Maritime finally requested GSA to return the Terminal to it for disposal, and after agreement was worked out between the City of Norfolk and claimant Government agencies to meet their needs through offer of other sites, a letter of intent was approved by Maritime on June 23, 1966, covering a 3-year lease of the Terminal to the City. The City took over care and custody of the property on July 1, 1966, pending the satisfactory working out of arrangements for permanent disposition of the property.

Rents from leases of real property to private interests during the year amounted to $348,438.

Material Control and Disposal

Rental of mobilization reserve machine tools and equipment to commercial concerns working on defense contracts or in support of Merchant Marine programs produced a revenue of $339,188.

On July 1, 1965, marine equipment on loan to steamship operators and Government agencies was valued at $284,351. New loans of material valued at $327,852 were made. At the end of the year equipment valued at $593,853 was on loan. User charges collected from operators for this equipment amounted to $3,517.

Excess personal property having an acquisition value of $6,372,306 was disposed of. This includes property with an acquisition value of $4,071,488, which was donated or transferred to other Government agencies. Property having a value of $14,086 was destroyed or abandoned, and property with an acquisition value of $2,286,732 was sold for $354,752.

Warehouse inventories were reduced by $2,200,000 in the past year, leaving equipment valued at approximately $12 million.

Charles L. Swicegood accepts the Merchant Marine Meritorious Service Medal granted posthumously to his father, Leo Medlin, from Representative Rodney M. Love. Left to right: Charles L. Swicegood; Representative Rodney Love of Ohio; James J. Martin, National Maritime Union.

A Gallant Ship award was presented to the ''Japan Bear'', owned by the Pacific Far East Lines of San Francisco, for the rescue in January 1965 of nine survivors from the sinking Chinese Nationalist ship ''Grand''. Sen. Magnuson presented the award to Capt. Kenneth A. Shannon, who also accepted special awards for five members of the lifeboat crew and the radio officer for their part in the rescue.

MANPOWER

Labor Data

Seafaring employment during nonstrike months averaged 50,660 shipboard jobs, compared to the 47,160 figure for last year.

Employment in commercial shipyards with facilities to construct oceangoing ships 475 by 68 feet, averaged 57,300 production jobs per month, an average of 3,200 more than that of 1965. The longshore labor force followed the normal employment pattern of about 70,000 men, although more than 95,000 men were usually available for work.

Labor-Management Relations

Beginning on June 16, 1965, a strike of various seamen's unions tied up as many as 227 U.S.-flag merchant ships in the Atlantic and Gulf coasts. When the strike finally ended on August 30, it was estimated to have cost $12 million in seamen's wages alone.

A dispute on manning of automated ships tied up one Lykes Bros. Steamship Co. ship for 101 days. The line wanted five engineers, the Marine Engineers Beneficial Association demanded six in accordance with their new 1965–69 contract. The MEBA demand was met.

The National Maritime Union then insisted on three more unlicensed men for similar ships. As a result, one additional man was added to each of the deck, engine, and steward departments. The two awards resulted in an increase in crew complement on most ships from the original 36 to 40.

Failure of the lines and unions to reach firm agreements on reductions in crews for automated ships has hampered the scheduled installation of automated features on ships already in service.

On July 13 the Maritime Subsidy Board announced three opinions involving subsidizable wage scales on subsidized U.S.-flag ships involving the collective bargaining agreement between the Marine Engineers Beneficial Association and the American Merchant Marine Institute and American Maritime Association of July 26, 1963; the National Maritime Union's agreement with the AMMI of August 16, 1963; and the Masters, Mates, and Pilots agreement with the Pacific Maritime Association of October 12, 1961.

In accordance with its responsibilities under the Merchant Marine Act 1936, the Board is required to reimburse subsidized operators' wage costs with no more subsidy than would be required to operate the ships "in the most economical and efficient manner." The Board set several general standards: (1) the overall cost of wage increases embodied in collective bargaining agreements should be economical, reasonable, and noninflationary; (2) pensions and welfare benefits, and employer contributions thereto, should be reasonable, predictable, and not inimical to the long-range manpower needs of the industry; (3) employers' contributions to special funds cannot qualify for subsidy unless the ultimate use of the funds clearly and definitely qualifies as wage costs. Applying the standards, the Board disallowed for subsidy certain portions of the agreements reviewed.

The determinations were appealed to the Secretary of Commerce, who reversed the disallowances in part on the basis that they would be retroactive. He then established a procedure to be followed in reviewing all collective bargaining agreements for subsidy purposes, requiring submission of the final agreements to the Maritime Administration, together with such additional information and explanation as might be required.

By the end of the fiscal year, the Maritime Subsidy Board had received all of the collective bargaining agreements for review but had not yet received further information requested in support of economic cost estimates.

Seamen Shortages

In July, when merchant ships were called upon to carry military supplies to Vietnam, war risk bonuses were granted by steamship operators to all shipboard personnel sailing in danger areas. On July 9, 1965, the Maritime Subsidy Board issued a circular letter to all subsidized operators, calling to their attention a 1957 Federal Maritime Board determination still in force that any war area or danger zone bonus payments and seamen's war risk insurance payments applicable to any area are ineligible for operating-differential subsidy rate making and gross subsidy accrual purposes.

Subsequently thereafter, the Committee of American Steamship Lines petitioned for determination that war area or danger zone bonuses and seamen's war risk insurance could be eligible for those purposes barred by the 1957 decision. On October 13, 1965, the Board reaffirmed that such bonuses and insurance payments were not eligible for subsidy rate making and payment purposes, inasmuch as the

Department of Defense had not designated the Vietnam port areas as dangerous waters.

By fall the rapid increase in the number of ships being sent to Vietnam had caused shortages in licensed seamen personnel, especially engineers. Several steps were taken to relieve the shortages. Maritime urged recent U.S. Merchant Marine Academy graduates not at sea to return, and the unions urged retirees to apply for shipboard jobs.

The Maritime Administration presented a petition to the Interagency Advisory Committee on Essential Activities and Critical Occupations, requesting that ocean shipping be listed as an essential activity and certain seafaring skills be listed as critical occupations. Such listings are used by local draft boards in granting occupational deferments. Maritime also provided data for submission to State Selective Service Directors in support of occupational deferment for seamen.

Several upgrading courses were instituted by unions and industry to train unlicensed engineroom personnel to qualify as licensed engineers.

A revision of General Order 15 was made to suspend the prohibition against payment of cash in lieu of vacations to men on subsidized ships.

The senior class at the U.S. Merchant Marine Academy was permitted to graduate in June rather than in August to provide additional trained men to fill shipboard requests.

From January 1, to June 30, 1966, a total of 42 Government-owned ships had been delayed 2,957 hours because of crew shortages.

U.S. Merchant Marine Academy

The U.S. Merchant Marine Academy at Kings Point, N.Y., had an average of 899 cadets in training; 196 successfully completed the 4-year course; 85 received licenses as third mates and 111 as third assistant engineers. They also received Bachelor of Science degrees and, if qualified, commissions as ensigns in the U.S. Naval Reserve.

The Academy's Advisory Board and the Congressional Board of Visitors held a joint meeting on February 15, 1966, to consider a recommendation by a Maritime Administration consultant that policy direction of the Academy should be vested in a Board having statutory authority. Discussions on the recommendation were continuing between the Maritime Administration and the Advisory Board.

State Maritime Academies

The State Maritime Academies at Vallejo, Calif.; Castine, Maine; Buzzards Bay, Mass.; Galveston, Tex.; and New York State Maritime College at Fort Schuyler, N.Y., had a combined average enrollment of 1,536 cadets during the year. Some 1,476 of these cadets received a government allowance of $600 each toward the cost of uniforms, textbooks, and subsistence, and each school received an annual Federal assistance payment of $75,000 for use in maintenance and support of the school. Licenses as third mates were granted to 117 graduates, to 204 as third assistant engineers. All who qualified received commissions as ensigns in the U.S. Naval Reserve. Graduates of the New York State Maritime College and Texas Maritime Academy also received Bachelor of Science degrees.

Seamen Training

The Maritime radar observer training program continued in New York, New Orleans, and San Francisco, adding 63 to the 8,940 seamen previously receiving certificates. An additional 424 men completed the advance 5-day radar simulation courses. Forty-four men completed the Loran course in the Gulf Coast District, and 53 completed the nuclear, biological, and chemical warfare and damage control training in San Francisco, in a program supported by both Maritime and the Military Sea Transportation Service.

Merchant Marine Awards

A Gallant Ship Award was presented to the *Japan Bear*, owned by the Pacific Far East Lines of San Francisco, for the rescue in January 1965 of nine survivors from the sinking Chinese Nationalist ship *Grand*. Senator Warren Magnuson presented the award to Capt. Kenneth A. Shannon, who also accepted Merchant Marine Meritorious Service Medals for five members of the lifeboat crew and a Letter of Commendation for the radio officer for their part in the rescue.

Three other Merchant Marine Meritorious Service Medals were awarded for heroic actions. One went posthumously to Mr. Leo Medlin for risking his life to save an unconscious coworker from death by scalding while on duty aboard the USS *Mission San Rafael*, in Salamis, Greece. Representative Rodney M. Love of Ohio presented the award to Mr. Medlin's son.

One went to Edward C. Hayes, chief officer of the *Pioneer Muse*, which ran aground on October 9, 1961. Three times he made his way over dangerous rocks in hazardous weather to rig a boatswain's chair by means of which the entire crew was rescued without injury or loss of life. Representative Hervey G. Machen presented the award.

The third went to Mr. Romero M. Jalomo for risking his life to save an 80-year-old deckhand whose skiff sank off the coast of California on June 11, 1961. The presentation was made by Maritime's Pacific Coast Director.

ADMINISTRATION

Internal Management

Action was taken during the year to improve the efficiency, economy, and effectiveness of Maritime's operations. A number of organizational changes were made to give added emphasis to the programs concerned with maritime promotion, maritime manpower, and automatic data processing operations, and to provide an organization structure more responsive to the program needs of the agency.

Under the cost reduction program, savings were achieved by: (a) transfer of the NS *Savannah* from an experimental demonstration operation to an experimental commercial operation; (b) application of value engineering to ship construction; and (c) automation and centralization of payroll. These and other actions resulted in total savings during the year of $7.6 million.

The cost finding system, instituted to determine the total cost of each program of the agency, was refined during the year, and a manual was developed to govern its operation. This system gives promise of becoming a useful tool to aid in the measurement and control of administrative costs as they relate to the agency's programs.

An integrated reporting system, designed to provide meaningful information in streamlined form to various levels of management for decision making, planning, direction and control of the agency was established with the following principal elements:

(1) A program structure which defines the purpose, plan of action, and goal of each major program and project of the agency.

(2) Barometers of performance which provide quantitative measures for evaluating the progress of each project toward its established goal.
(3) Monthly reports, using visual aids, to communicate management information to top officials.
(4) Special visual presentations on individual programs at weekly staff meetings or at special briefings.
(5) Uniform progress charts maintained by operating offices to show progress of their activities toward predetermined goals.
(6) Planning calendars listing day by day for the coming month and year all events of major significance to the agency and its officials.

Improved Quality of Service to the Public

The Maritime Administration contributed to the Government-wide program to improve the quality of services to the public. Actions were taken to improve telephone techniques and contacts with the public, to provide better receptionist services for visitors, to simplify reporting requirements, to provide information pamphlets and brochures to answer inquiries from the public, and to provide exhibits and displays highlighting facts that are important for the public to know about the merchant marine and its value to the nation.

Internal Audits

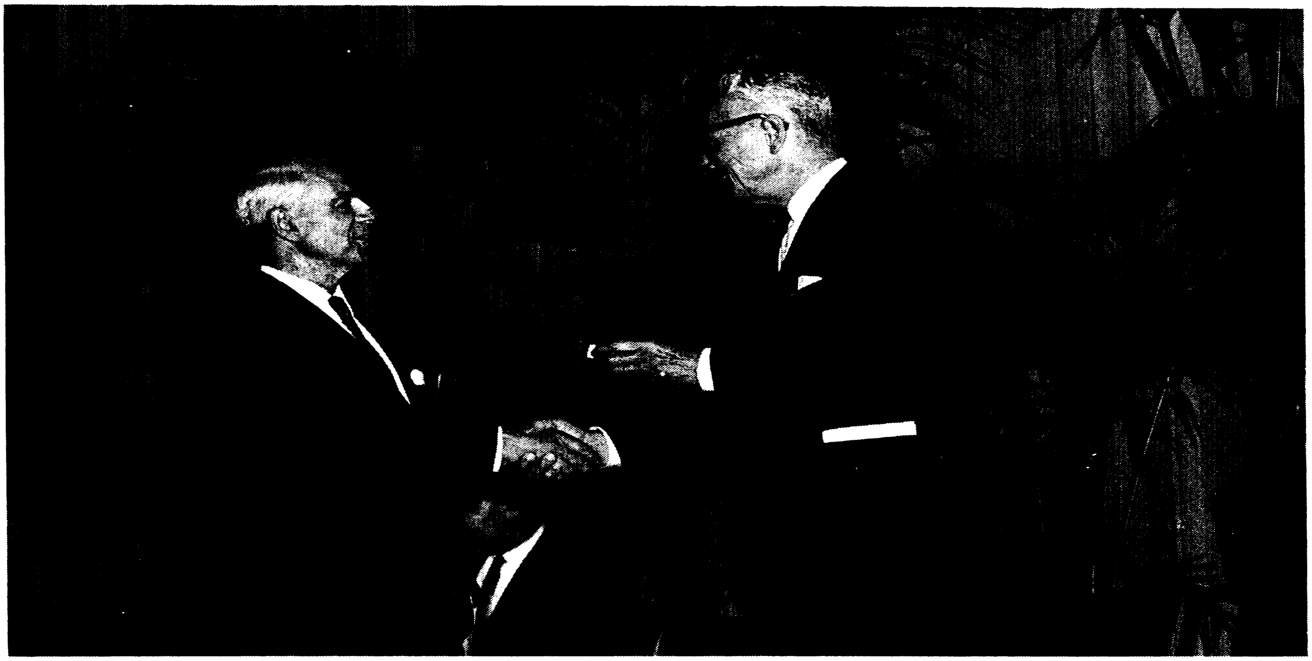
During the year, internal audits were conducted and reports issued on: (a) transportation fares paid by Government agencies for official travel aboard U.S.-flag ships; (b) Federal Government assistance to State Maritime Academies; (c) review of selected passenger ship wage costs considered in computation of operating-differential subsidy rates; and (d) a study of passenger ship personnel costs.

The General Accounting Office did not issue any reports on Maritime Administration operations during the fiscal year.

Personnel

During the year, the total of Maritime personnel employed increased by 98 positions from 2,203 to 2,301. (These figures do not include seamen employed by contractors operating ships for the Maritime Administration under General Agency Agreements.) The increase in employment resulted from the Vietnam shipping situation.

Two hundred and thirty-four Maritime employees received awards during fiscal year 1966; 210 for sustained superior performance; 17 for special act of service and singular achievement; 1 for distinguished or exceptional service; and 6 for meritorious or superior service. In addition, 101 employee suggestions were adopted for which cash awards totaling $3,405 were paid and from which savings estimated at $36,039 were realized. This was the first year that the Maritime Administration awarded its highest honor—the Department of Commerce Bronze Medal. Six employees received a Bronze Medal Award at a



Vito L. Russo, former Deputy Chief of Ship Construction, receives a Gold Medal for outstanding contributions in the field of naval architecture and ship design through expert leadership in promoting the efficiency and safety of the U.S. merchant fleet. The award was presented by Leroy Collins, former Under Secretary of Commerce, at a Commerce Department award ceremony on February 15, 1966.

special ceremony on Employee Recognition Day during Merchant Marine Week.

On June 18, 1966, the President nominated the Maritime Administrator, Mr. Nicholas Johnson, as a member of the Federal Communications Commission. He was confirmed by the Senate on June 27 and took over his new duties on July 1, 1966.

The Secretary of Commerce named the Deputy Maritime Administrator, James W. Gulick, as Acting Maritime Administrator, on July 1, 1966.

Employee Development

The management development program to provide specialized training at the executive, middle, and junior management levels was continued. Thirty-three college graduates recruited from the management intern and Federal Service Entrance Examination register and one Maritime employee were selected as management trainees. They received on-the-job training through rotational assignments, and attended conferences, staff meetings, and other training courses.

The trainee program for naval architects and marine engineers received 3 new recruits. Of 29 who completed the program, 16 are employed in Maritime, 9 resigned to go into private industry and 4 transferred to another agency. In addition, under the current program, there were four in training—two at MarAd headquarters, one in school, and one in a shipyard. Twenty-three middle management personnel were selected for a year-long course of formal lectures, discussions of reading assignments, and individual special projects. A total of 586 employees participated in interagency and nongovernment training courses on planning, programing and budgeting systems, automatic data processing, management and government policy, technical skills, and secretarial-clerical fields.

Safety

As part of the Governmentwide "Mission Safety-70" program instituted by President Johnson, a goal of 10 percent a year in accident reduction between 1965 and 1970 was set for each bureau of the Department of Commerce. Maritime reduced its rate by 16.7 percent during calendar year 1965 as compared with 1964.

The Mobile, Ala., anchorage of the National Defense Reserve Fleet received a special award for completing 2 consecutive years and a quarter million man-hours worked without a lost time injury. The employees of the Astoria, Oreg., fleet on June 30, 1966, completed 21 months and 160,544 man-hours without a lost time accident; and the employees of the Olympia, Wash., fleet on June 11, 1966, also completed 2 years and over 350,000 man-hours without a lost time injury.

Emergency Readiness

Emergency plans to provide a capability for continuity of agency operations were further developed and strengthened during the year. Programs and plans for employee self-protection and survival were advanced, including provisions for and the conduct of employee training. Measures to upgrade the capability level of all relocation sites were accomplished. Relocation staffing requirements were reviewed and updated. Organization and equipment for onsite damage assessment and analysis were improved.

Maritime continued its program of guiding and assisting U.S. seaport organizations in the development of individual port mobilization plans. Approximately 110 U.S. port entities, including those of Alaska, Hawaii, Puerto Rico, and the Virgin Islands are currently engaged in preparedness planning for port operations.

Recruitment continued for the National Defense Executive Reserve, which enlists officials trained to assume emergency shipping assignments if necessary. Approximately 60 percent of the ultimate membership of 525 had been attained. Briefings and seminars were conducted at various locations for the reservists covering matters of significance in the Maritime Administration's emergency planning program and in the transportation field generally. Measures were taken to increase information flow to reservists and keep them better informed.

Joint participation with the Department of Defense continued in an interagency industrial mobilization planning program. The program is designed to assure, through agreements with private manufacturing concerns, immediate availability or ready manufacture of essential marine components in an emergency.

FINANCE

Accounting

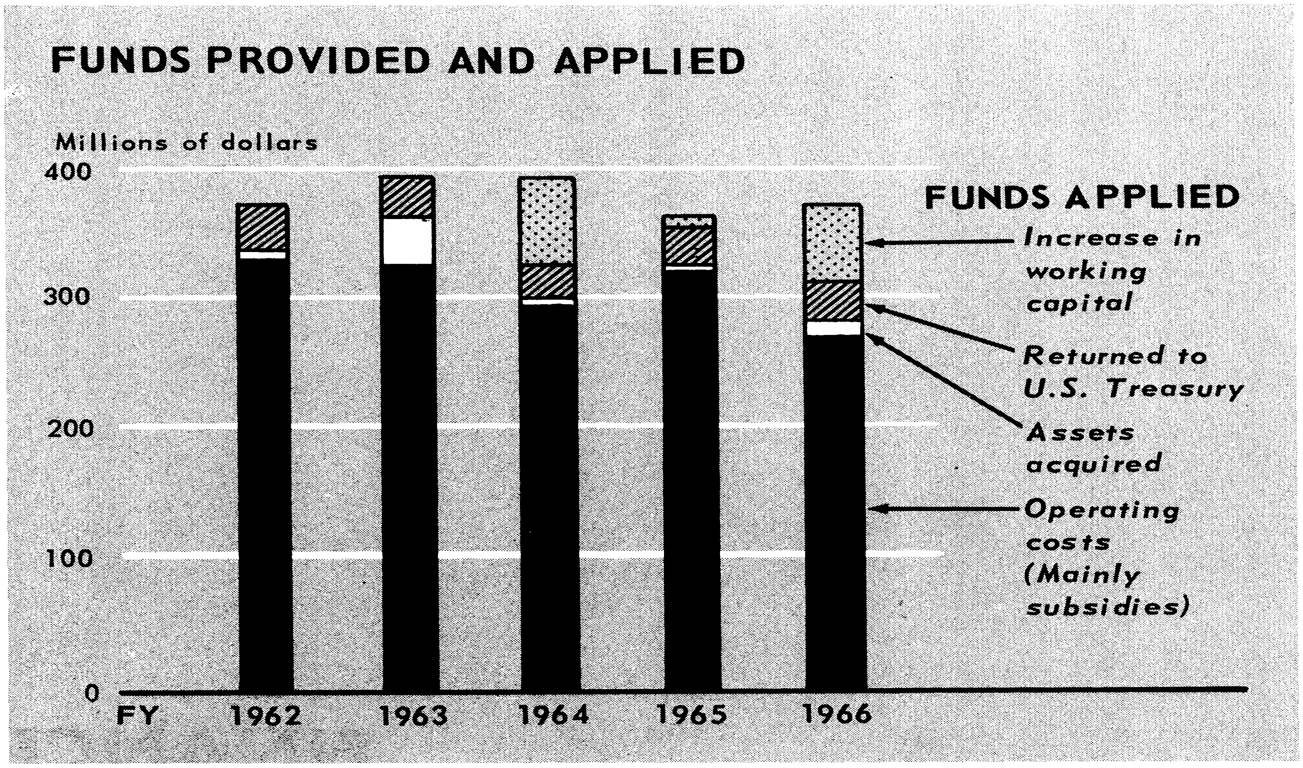
The accounts of the Maritime Administration were maintained on an accrual basis and in conformity with the principles, standards, and related requirements prescribed by the Comptroller General of the United States.

Net cost of combined operations of the Maritime Administration for the fiscal year totaled $393.3 million. The cost included $203.3 million for operating- and construction-differential subsidies, $145.9 million for depreciation on Reserve Fleet vessels and other assets, $5.9 million for research and development, and $8.6 million for administrative expenses. The equity of the Government at June 30, 1966, totaled $1,233.9 million, a decrease of $126.5 million from June 30, 1965. The decrease includes the net cost of combined operations, the return of $24.7 million in collections and unobligated balances to the Treasury, $48.6 million in property transfers to other agencies, offset by $340.1 million appropriated by Congress.

The details of the financial position of the Maritime Administration at June 30, 1966, and the financial results of its operations for the fiscal year are presented in the financial statements at the end of this report. A 5-year summary of funds provided and applied is shown in Chart XI.

Of the $22,923,766 of notes and accounts receivable on June 30, 1966, $7,164,537 consisted of amounts of additional charter hire collectible only upon submission and approval of final accountings, amounts referred to the General Counsel or Department of Justice for collection or litigation, amounts on the books of National Shipping Authority

Chart XI



agents, and amounts represented by notes and formal agreements accepted in place of open-account indebtedness. Of the $6,566,158 billings made during the fiscal year, only $1,829,887 or about 28 percent, remained to be collected at the end of the year from miscellaneous debtors, exclusive of other Government agencies.

Contract Auditing

Maritime auditors review the operators' annual subsidy accountings which have been certified by independent public accountants before payment of the final 5 percent of operating-differential subsidy. They also audit expenses eligible for subsidy to permit payment to the operators of up to 95 percent of the accrued operating-differential subsidy for such expenses.

Audits to permit final payments were completed for seven operators covering the period from 1957 through 1961. Most of the audits of expenses eligible for subsidy of the 15 subsidized operators were completed through calendar year 1964. Wage expenses of eight of the operators were audited through calendar year 1965, and protection and indemnity insurance expenses through calendar year 1962.

Audits under bareboat charter agreements were made primarily to develop data in connection with various litigated matters arising under the charter contracts. Audits were made of contracts for ship construction, research and development, and related contracts.

Audits completed during the fiscal year resulted in reduced billings of about $1,170,000 to the Government.

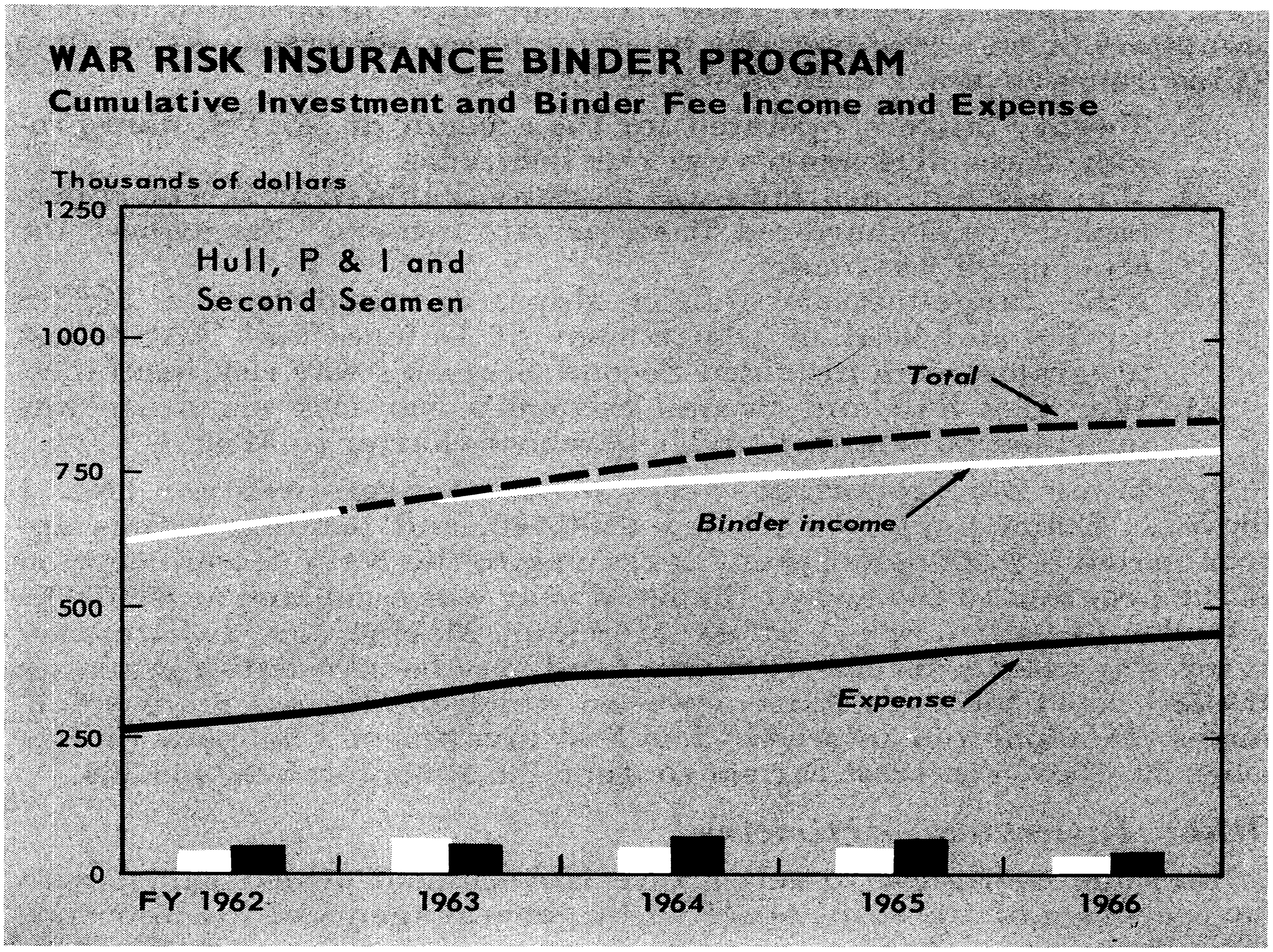
Title XII Insurance

War risk insurance and certain marine and liability insurance programs authorized by Title XII, Merchant Marine Act, 1936, as amended, were continued during the fiscal year.

War risk insurance binders covering shipowners from the time commercial war risk insurance ceases to provide adequate coverage until 30 days after the outbreak of war involving the major powers, outstanding on June 30, 1966 were: 1,487 for war risk hull insurance, 1,346 for war risk protection and indemnity insurance, and 1,113 for war risk insurance of crew life and personal effects. From the inception of the binder program in 1952 to June 30, 1966, binder fees totaled $806,338, and expenses totaled $458,522, of which $292,587 was paid to the underwriting agent appointed by Maritime to process the binders. (See Chart XII.)

War risk builder's risk insurance for the prelaunching construction period had been written on 136 ships from the inception of the program in 1953 through June 30, 1966. Premiums totaled $2,857,626. From October 1962 through June 1966, 28 policies were issued for war risk builder's risk insurance for the postlaunching construction period, each with a service fee of $75, and each subject to attachment and premium assessment upon automatic termination of commercial insurance resulting from outbreak of hostilities.

Chart XII



A standby war risk cargo insurance program was continued, to be effective when the Maritime Administrator finds that insurance adequate for the needs of U.S. waterborne commerce cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States. Commercial underwriting agents will be employed to write the insurance. On June 30, 1966, 35 underwriting agents were under contract.

On May 28, 1966, the Maritime Administration published in the Federal Register a "Notice of Proposed Rule Making," revising and restating the terms and conditions under which war risk insurance would be provided, and asked for the comments of interested persons. The notice cited the inadequacies of commercial war risk insurance and proposed: coverage on a mutual basis with initial premiums at commercial rates but subject to full assessment to cover losses; continuance of "just compensation" as a basis for all hull total loss settlements; issuance of war risk binders in the event commercial underwriters amend their policy terms to cover war risks for the period prior to the receipt by the shipowner of the underwriter's advance written notice of termination of commercial insurance instead of automatic termination resulting from outbreak of hostilities; and limitation of the obligations of the United States in event of a nuclear attack, with loss payments geared to availability of funds consistent with overall national emergency needs. Comments had been received and were under review.

At the request of the Navy, war risk insurance was provided without premium but on a reimbursable basis for losses incurred. As of June 30, insurance coverage in effect was as follows:

1. Twenty tankers, operated for the account of MSTS, were provided Second Seamen's war risk insurance.
2. War risk hull insurance was made available to MSTS on supertankers time-chartered from private owners. No request for attachment was made.
3. Nine range-instrumentation ships, operated in the MSTS service and used in Department of Defense and NASA test programs, were provided Second Seamen's war risk insurance.
4. War risk hull and Second Seamen's war risk insurance was provided on one ship under bareboat charter to MSTS.

No claims were reported, except on the tanker program (No. 1 above). Claim payments totaled $100,440, and pending claims approximated $20,300. Net premium saving to the Navy from inception of the program to the end of the fiscal year was estimated at $260,000.

Under Section 1208(a) of the Merchant Marine Act, 1936, money in the war risk insurance revolving fund may be invested in securities of the United States or in securities on which the United States guarantees principal and interest. The first investment was made on October 29, 1962. Interest earned to June 30, 1966, totaled $468,366.

Other Insurance Activities

Maritime continued to self-insure Government-owned ships, with the exception of 102 ships operated by general agents of the Maritime

Administration, on which protection and indemnity insurance was purchased to take advantage of the worldwide claims settling services of commercial underwriters.

Claims of a marine insurance nature assumed by the Government (not recoverable from commercial insurance) are as follows (Table XIV):

Table XIV

MARINE INSURANCE CLAIMS

Fiscal year 1966	Claims reported	Number of claims settled [1]	Amount settled
Marine protection and indemnity:			
Against the Government [2]	1,990	995	$566,000
Hull:			
In favor of the Government	34	5	464,418
Against the Government	7	1	nil
Builders risk:			
Against the Government	123	123	17,994

[1] Settlements include claims reported in prior years.
[2] Approximate.

The Maritime Administration had not received the views of the Attorney General which had been requested, regarding the basis of final settlement with commercial underwriters under various wartime protection and indemnity insurance agreements.

Mortgage insurance providing coverage when marine policies are invalidated was renewed on April 1, 1966, at a reduced rate of approximately 12½ percent on ships owned by unsubsidized operators who have mortgages insured under Title XI. Owners of 31 ships covered will save an estimated $28,000. As in the previous policy year, half of the insurance was placed in the American market. The mortgagor pays the premium for the insurance.

The Maritime Administration determines whether the insurance placed in commercial markets by mortgagors of ships on which the Government holds or insures mortgages, by charterers of Government-owned ships, and by subsidized operators of ships, complies with the contract requirements. During the fiscal year, insurance in the following amounts was approved (Table XV):

Table XV

INSURANCE APPROVED

Kind of insurance	Total amount	Percentage American	Percentage foreign
Marine hull	$1,798,574,863	62	38
Marine protection and indemnity	1,811,227,600	58	42
War risk hull	2,251,219,750	13	87
War risk protection and indemnity	2,064,410,550	14	86

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LEGAL

Legislation

Appendix XII lists legislation in which Maritime had an interest and shows its status at the end of the year.

Hearings on Vietnam—Shipping Policy Review

In February of 1966, the Subcommittee on Merchant Marine of the House Committee on Merchant Marine and Fisheries began an inquiry into shipping problems.

Although the committee initially was interested in the problems surrounding shipping to Vietnam, it subsequently broadened the scope of inquiry to include the state of the American Merchant Marine in general.

Witnesses appeared from Government, industry, and labor. Government witnesses included representatives from Navy, Defense, MSTS, and Commerce.

In mid-June, the subcommittee recessed its public hearings subject to the call of the chairman.

Safety of Life at Sea

The House Subcommittee on Merchant Marine held hearings on bills concerning the passenger cruise trade in August 1965. They dealt with financial responsibility, safety, and licensing of foreign cruise operators. The committee's interest was due in part to the abrupt sailing in 1964 of the *Riviera Prima* from New York City without its passengers and without returning their fares. The Maritime Administration supported a bill requiring the ship owners and the charterer to post bond or otherwise demonstrate financial responsibilities, which passed the House.

Before the House Committee, the Maritime Administration deferred to the State Department's opinion that the Safety of Life at Sea Convention barred unilateral U.S. action to require higher safety standards for foreign cruise vessels operating out of the U.S. ports to foreign ports.

Subsequently, there were two sea disasters in the Caribbean cruise trade on ships sailing from Florida. In November 1965, the *Yarmouth Castle*, burned and sank with a loss of 86 lives, and in April 1966, the *Viking Princess* (the former *Riviera Prima*) burned. In April, the Maritime Administration appeared before the Senate Subcommittee on Merchant Marine and Fisheries on new legislation on the subject. It insisted on the right of the United States to set safety standards for its cruise trade but urged postponing safety legislation pending a special session on sea safety by the International Maritime Consultative Organization in May in London.[1]

Maritime Law Consolidations

In conjunction with the Senate Committee on Commerce and House Merchant Marine and Fisheries Committee, Maritime assisted in bringing up to date the House Committee Print entitled, "The Merchant Marine Act, 1936, the Shipping Act, 1916, and related Acts," last printed in the second session of the 86th Congress. Printed during the current session, it contains all amendments through the first session of the 89th Congress.

Maritime has been reviewing S. 3446, a bill "To consolidate and reenact certain of the shipping laws of the United States, and for other purposes" to be enacted as the Merchant Marine Act of 1966. The purpose of the bill was to codify, without change in substantive law, all of the presently existing and effective merchant marine laws.

Forms and Regulations

Revision of Ship Construction Contract Form

Since 1961, when the current contract form used by the Maritime Subsidy Board for ships constructed with construction-differential subsidies was adopted, contract problems have made evident that a revision of the contract form was desirable. A revised form of contract was prepared and published in the Federal Register for comment. Comments were received from shipyards through the Shipbuilder's Council of America and from ship owners through the Committee of American Steamship Lines. The proposed revision of the contract form with the additional changes proposed was awaiting Maritime Subsidy Board approval.

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[1] See International Affairs, p. 89.

Maritime Procurement Regulations

An ad hoc committee within the agency was established to draft the Maritime Administration Procurement Regulations to provide direction, control, and uniformity in Maritime's procurement of personal property and nonpersonal services (including construction).

Specific areas to be covered by these regulations include procurement by formal advertising; procurement by negotiation; contract articles; patents and rights to data; contract cost principles and procedures; review and approval of contract actions; justification and documentation of procurement actions; selection of contractors by Board process; and contract appeal procedures.

Federal Ship Mortgage Insurance

With the objective of effecting cost savings to the operators and the Government, an effort was made to simplify and standardize documents required in Title XI public bond issue financing. A number of documents previously used for individual ships were consolidated into a single master document for multiple ships, and standard provisions were developed for other documents.

Westhampton *Case*

The Maritime Administration supported legislation designed to cure ship financing problems created by the decision of the Fourth Circuit Court of Appeals in *Chemical Bank N.Y. Trust Co., Trustee, Mortgagee* v. *Steamship "Westhampton,"* decided April 5, 1965. The Court held that a mortgage on an American-flag ship, given to a U.S. citizen as trustee to secure bonds held by an alien, was not valid and therefore not entitled to preference under the Ship Mortgage Act, 1920, because the bond, secured by the mortgage, is an "interest" in a ship under Section 37 of the Shipping Act, 1916, and no alien may hold an interest in an American-flag ship without the approval of the Secretary of Commerce.

The decision created uncertainty in one of the most popular and least expensive forms of ship financing—the sale of bonds secured by ship mortgages under the trust indentures. The decision caused great concern, not only for aliens holding bonds without approval, but also for U.S. citizens holding bonds along with aliens or holding bonds which (in their chain of title) had been held by aliens without approval. The problems were complicated by the facts that many of the bonds were in bearer form and that Section 2 of the 1916 Act contains no express criteria for determining citizenship of such organizations as pension funds, mutual insurance companies, savings banks, States and State agencies, all of which had been major purchasers of ship mortgage bonds.

The proposed legislation, enacted November 8, 1965, as Public Law 89–346, provided a procedure for validating bond issue and transfers without regard to citizenship of bondholders by approving those trustees meeting stated criteria. Provision was included for validating past transactions (not in litigation) by granting approvals within 1 year after enactment of the law. Following enactment of the bill, regulations were prepared and made effective March 15, 1966, to serve as a basis for obtaining the requisite approval of trustees to insure the validity of bond issue financing in both existing and future transactions.

Litigation

Tax Issues

Among the significant developments in the field of litigation, the U.S. Supreme Court refused to entertain petitions to rehear its determinations, favorable to the United States, in the Waterman Steamship (381 U.S. 252) and the National Bulk Carrier cases (381 U.S. 933), on a tax issue involving settlements under Section 9 of the Merchant Ship Sales Act of 1946. As a result, a number of similar pending suits against the Government were dismissed with prejudice. As a consequence of the dismissals, not only were income tax refunds of approximately $20 million eliminated, but also the litigants lost their rights to seek a reduction of approximately $15 million in respect to operating-differential subsidy recapture.

Bankruptcies and Mortgage Foreclosures

In the category of bankruptcy and mortgage foreclosure litigation following the refusal by the U.S. Supreme Court to review the decision of the U.S. Court of Appeals, 5th Circuit, in TMT Trailer Ferry Co., Inc., Chapter X Reorganization Proceedings, that tax and non-tax claims of the United States are entitled to priority, Maritime received full payment of its deficiency judgment of $696,494 resulting from the Government's mortgage foreclosure on the SS *Carib Queen*, and $56,647 representing nonlitigated charter hire and other claims.

The Government has filed claims in excess of $4 million in the Chapter X Bankruptcy Proceedings involving eight Kulukundis corporations based on third-party notes guaranteed by three Kulukundis corporations not involved in the bankruptcy proceedings, but having Title XI mortgage insurance contracts on the SS's *Titan*, *Atlas*, and *Achilles*. The Government's motion to consolidate the proceedings of the eight debtor corporations, and to merge their assets and liabilities, was granted.

Damage Claims

During the night of September 9–10, 1965, Hurricane Betsy struck the New Orleans vicinity. The Government-owned SS *Wake Forest Victory*, and the SS *Winged Arrow*, being reactivated at New Orleans ship repair yards, although heavily secured at their wharves in anticipation of very heavy weather, were severely damaged during the storm and, in turn, damaged other ships and property. The claims presented against the SS *Wake Forest Victory* and SS *Winged Arrow* exceeded $1,500,000 and $158,000, respectively. On March 8, 1966, petitions for exoneration from or for limitation of liability were filed by the Government, as owner of the two ships, in the U.S. District Court, Eastern

Table XVI

SUITS AND NONLITIGATED CLAIMS

Number of cases	Subject	Amount claimed by United States	Amount claimed against United States	Status June 30, 1966
51	Breach of charter	$2,563,186.42	$13,977,135.82	8 cases closed by consent decrees in favor of United States with total recoveries of $969,880.35. 8 cases closed by consent decrees against United States, with total payment by Government of $819,099.12. 35 cases pending: (1) 16 libels by United States, with total claims of $1,326,245.10 and (2) 19 libels against United States with total claims of $7,943,860.45.
5	Tax refund claims arising out of Sec. 9 adjustments of ship sales contracts.			All cases closed by decision of Supreme Court in favor of Government, resulting in elimination of income tax refund liability estimated at $20 million and retention of approximately $15 million in respect to operating-differential subsidy recapture.
89	Personal injury, illness and related claims by seamen, longshoremen and shoreworkers (under Suits in Admiralty Act).		[1] 5,000,000.00	30 suits settled or dismissed at total payment of approximately $11,000. 59 suits claiming approximately $3,300,000 are pending.
3	Collision (under Suits in Admiralty Act)	44,369.85	1,658,000	1 case closed by consent decree in favor of Government in sum of $9,750. Other 2 cases pending.
1	Refund of alleged overpayment of operating-differential subsidy recapture.		1,762,400	Pending.
3	Breach of ship construction contract	1,588,394.94	4,970,220.29	1 suit in which shipyard filed suit for $4,717,000 against the Government and shipowner, and in which the Government filed a cross-libel was closed by settlement agreement in which the Government was paid $11,200 and substantially large sums were paid between the private parties. Other 2 cases are pending.
2	Federal Tort Claims Act		100,108.21	1 case involving claim for $108.21 settled by payment of $60. Other case pending.
19	Miscellaneous	1,405,976.72	496,650	12 cases, in which the Government claimed a total of $1,157,211.72 were closed with a total recovery of $167,834.90 after settlements, adverse judicial decision, and abandonment of four claims as uncollectible. 7 cases pending.

[1] Approximately.

District of Louisiana, where the matters were still pending.

NS **Savannah** *Construction Claim*

Efforts were continued to complete processing of the claim of the New York Shipbuilding Corp. for its construction of the nuclear-powered merchant ship, NS *Savannah*. The shipbuilder had named $39,842,336 as the total sum due. The contracting officer issued an administrative decision which held that the shipbuilder was entitled to $33,882,625 for its construction work, of which $32,427,000 had been paid on account. The shipbuilder appealed to the Maritime Administrator for a final administrative decision. A panel of three representatives of the Administrator was established to hear the shipbuilder's appeal. However, the shipbuilder filed suit in the United States Court of Claims on its claim.

Table XVI lists the nature, number, and amounts involved in suits and nonlitigated claims in which Maritime had an interest, and their status at the end of the year.

Illegal Sales to Aliens

A total of 307 alleged violations of Section 9 and/or 37 of the Shipping Act, 1916, as amended, for the sale, charter, lease or loan of small vessels to aliens without the prior approval of the Maritime Administration were evaluated; 293 were settled by the remission of the forfeiture penalty outstanding against the vessels involved, or by accepting a payment in money *in lieu* of forfeiture, and one case by referral to the Department of Justice; thirteen cases were pending. The majority of the violation cases involved small craft made available, without approval, to Cuban citizens residing in Florida for use in the evacuation of their relatives and friends from Cuba.

MARITIME SUBSIDY BOARD

Organization and Functions

The Maritime Subsidy Board is composed of three members: the Maritime Administrator, the Deputy Maritime Administrator, and the General Counsel. The Comptroller serves as an alternate. The Board performs the functions and exercises the authority vested in the Secretary of Commerce to award, amend, and terminate operating- and construction-differential subsidy contracts; conduct hearings and make determinations; investigate the relative costs of building and operating ships in the United States and abroad; and related functions under the Merchant Marine Act, 1936, as amended, as well as other statutes. Decisions and orders of the Board are final, unless within the limits of specified periods of time, the Under Secretary of Commerce for Transportation, on his own motion, or in certain cases on the basis of a petition by an interested party, enters a written order stating that he elects to review the action of the Board.

Board Decisions

The final codified procedures relating to secretarial review of actions by the Maritime Subsidy Board were published in the Federal Register on July 29, 1965.

The authority to review decisions of the Board was delegated to the Under Secretary for Transportation by the Secretary of Commerce in a notice published in the Federal Register on November 20, 1965.

All decisions and orders of the Board during the year became final except in six cases.

1. In accordance with requirements of Circular Letter No. 8–60 (November 9, 1960), the Board was requested to approve for subsidy payment the terms of three collective bargaining agreements: (1) between American Merchant Marine Institute, American Maritime Association and Marine Engineers Beneficial Association of July 26, 1963; (2) between American Merchant Marine Institute and National Maritime Union of August 16, 1963; and, (3) between Pacific Maritime Association and International Organization of Masters, Mates and Pilots (Pacific coast) of October 12, 1961. In three separate opinions, A–14, A–15 and A–16, issued July 13, 1965, the Board passed on the three agreements after comparing the overall wage cost increases under the contracts before it with the guidelines of 3.2 percent per year in the 1965 economic report of the President. Generally, the Board disallowed for subsidy those amounts which exceeded the 3.2 ceiling. On his own motion, the Secretary of Commerce took review of the three actions and on July 23, 1965, modified the Board's decisions by disapproving retroactive disallowances while approving other determinations. He also set up some procedural guidelines for the Board to follow in reviewing future collective bargaining agreements.

2. Lykes Bros., on May 10, 1965, requested that its operating differential subsidy contract be amended so as to defer from August 1, 1965, to July 1, 1966, notification requirements as to its ability to proceed with replacement vessels for TR Nos. 15–B, 21–1, and 19, and to extend from July 1, 1965, to July 1, 1966, the date by which Lykes must agree to construct two additional vessels for TR 22 or forfeit increased sailing requirements. On June 17, 1965, the Board denied the requests. Lykes requested a hearing, which was held on June 23, 1965. On June 29, the Board reaffirmed its previous decision (Docket No. A–13). On June 30, Lykes petitioned the Secretary of Commerce for review of the Board's actions. On June 30, the Secretary directed the Board to defer the July 1, 1965, date until 5 days after the Secretary's decision on the case. On July 26, the Secretary decided that the deferral should be until February 1, 1966, and directed the Board to amend Lykes' contract to reflect such deferral.

On December 21, 1965, Lykes requested further extension until January 1, 1967. MSB denied this request on January 18. Lykes again petitioned for review and on February 14, the Under Secretary for Transportation directed the Board to amend the contract to reflect a further extension to January 1, 1967.

3. On June 2, 1964, the Board approved for publication in the Federal Register a notice of a proposed revision of the Article—"Sale or Transfer of the Vessels by the Owner" published June 6, 1964 (29 F.R. 7392). The article, appearing in construction-differential subsidy contracts, was considered to be deficient since it did not insure

that a ship built with construction-differential subsidy would, upon sale by its original owner, remain documented under the laws of the United States and be maintained in proper operating condition so as to protect the Government's financial interest in the vessel. The Committee of American Steamship Lines objected to the proposed revision. After consideration of all comments, the Board, on October 6, 1965, approved a revised policy and notified CASL of its action. CASL petitioned the Secretary of Commerce, who granted review on November 1, 1965. On May 10, 1966, the Under Secretary set aside the Board action. Federal Register Notice of May 14, 1966 (31 F.R. 7131) canceled the proposed revision.

4. A contract for the construction of four ships was signed on December 31, 1964, between American President Lines, Ingalls Shipbuilding Co. and the Maritime Administration. A contract for a fifth ship, approved specifically by Congress, was signed September 21, 1965. The bid specifications for these 5 ships contained arrangements for crew quarters for 37 men and 2 cadets. American President Lines later requested approval by the Board to increase the accommodations of the ships to permit a crew of 45 to 47 men, as this was the manning scale provided in the collective bargaining agreement between the company and the west coast unions. On March 8, 1966, the Board disapproved the change and called the company's attention to the Board letter of December 18, 1964, which stated that the Board was prepared to pay construction subsidy for crew quarters for a maximum of 35, or for its share of change order costs if crew quarters are later reduced below that figure. APL appealed the Board action to the Under Secretary for Transportation, and on April 4, 1966, he stayed the action of the Board pending further consideration of APL's petition. On April 6, he directed the Board to authorize APL to change plans and specifications of the five ships so as to enlarge the crew quarters. However, these changes were to be made "at its own expense and at its own risk" as the Department will not now be obligated to pay construction subsidy for quarters on these ships for more than 37 men plus 2 cadets. A telegram to APL dated April 7, 1966, authorized the change.

5. The Oceanic Steamship Co. filed an application on March 4, 1966, requesting construction-differential subsidy for the conversion and reconstruction of two C3 type ships to containerships. On May 3, 1966, the Board denied the application on the ground that the need for fiscal year 1967 ship construction funds is such that the application of Oceanic for construction-differential subsidy will not be favorably considered.

Oceanic petitioned the Under Secretary for Transportation for review and reversal. The Under Secretary took the matter under review, and on May 31, 1966, issued an order which stated that the "matter is stayed and remanded to the Board for reconsideration of Oceanic's application." The Board is directed to compare Oceanic's proposal with other applications for subsidy for new vessel construction and reconstruction under the Board's previously announced relative productivity policy.

6. In regard to the eligibility of severance pay expenses for subsidy, the Board on April 12, 1966, denied a petition filed by CASL for a Declaratory Order that Comptroller's Accounting Instruction No. 39 is invalid. This Board action resulted from the payment of approximately $62,000 in severance pay by Grace Line to certain members of the National Marine Engineers Beneficial Association in compliance with an arbitration award involving the sale and foreign registry of the *Santa Paula* and *Santa Rosa*. Having paid the severance pay, Grace Line then requested reimbursement from the Maritime Administration to the extent of applicable differential subsidy. Staff consideration of this case resulted in issuance of Comptroller's Accounting Instruction No. 39, which states in part that "severance pay in accordance with a contract relating to sale or transfer foreign of a vessel does not come within the definition of subsidizable wages." The Board, in denying CASL's petition, issued an opinion, Docket No. A–25, which was served on April 14, 1966. On April 22, 1966, CASL petitioned the Under Secretary for Transportation to review and reverse the Board decision of April 14, 1966. The Under Secretary took the matter under review on May 9, 1966, and at the end of the fiscal year this case was still pending further action by the Under Secretary.

Policy Proposals

After considering comments on the policy it proposed in March 1965 on payment of construction-differential subsidy only on standardized ship designs, the Board in September officially adopted the policy as revised.

The new rules apply to both new vessel designs and to changes under contract on vessels being built with subsidy. Applicants for subsidy are to duplicate designs of ships previously approved by the Board for subsidized construction. Major structure of the hull forms is to be retained, machinery horsepower and arrangement and plan of the deckhouse were to remain unchanged. Modifications may be permitted, such as changes in refrigerated cargo capacity, deep tanks and cargo gear, so long as the changes do not disrupt the ships' basic configuration, nor sacrifice gains that can be obtained from group production.

New designs are not ruled out and will be considered from any operator who has built enough ships of a given design to have optimized the economy of standardized ship construction, when the applicant feels that a new design is necessary in exceptional cases and justifies this need to the Board.

Where there is a difference between the Board and the operator as to whether a previously developed design can be satisfactorily adapted to requirements of the intended service at a substantial saving compared with building a new design, invitations to bid will be issued for both the standard design and the owner's custom design. Subsidy will be based upon whichever design requires the least subsidy. Nonstandard equipment or components will be considered eligible for construction subsidy only if their effect is to decrease the total of construction and operating subsidy projected over the life of a ship (25 years), or when it can be shown with reasonable certainty that the added investment will produce a return to the owner of at least 10 percent a year after taxes over the life of the investment.

Value engineering features—cost-saving designs and installations—will be included in all construction subsidy contracts and in the building agreements themselves. The Board will designate certain value engineering features as mandatory. If the owner considers these items unacceptable, the difference in cost between the value-engineered item and the one installed will be borne by the owner.

A change under contract will be allowed only when the net effect of the change will, with reasonable certainty, comply with the requirements for a reduction in overall subsidy or a 10-percent return after taxes, or when it is made to correct a design deficiency or to comply with a change in the requirement of a regulatory body. Any changes the owner desires which do not adversely affect the safe, efficient or economical operation of the vessel will be permitted, without subsidy payment.

Subsidy for changes made under the 10 percent after taxes proviso will be based on an estimate as to what the work would have cost had it been included in bid specifications.

In exceptional cases, the Board will authorize subsidy or research and development grants for new ship concepts or for individual features whose economic justification lies in the possibility of future major advances in ship construction or operation and which in the Board's judgment may lead to greater efficiency and economy.

In a further effort to assure the most productive American Merchant Marine for each dollar invested by the Government, the Maritime Subsidy Board after considering comments on its proposed statement of policy on June 24, 1965, published the revised policy on November 24, 1965.

To determine the productivity of proposed vessels, the Board will consider the following:

1. The number of ships proposed by the applicant.
2. The cubic and deadweight capacities and speed of the proposed ships.
3. The proposed cargo handling equipment and techniques for transfer of cargo in and out of ships and to and from inland points. In this connection, the applicant will be required to set forth the estimated rate of loading and of discharge of cargo, as well as the adaptability of the proposed ship to integrated systems of transportation embracing both ocean and overland transportation.
4. The estimated domestic cost of construction.
5. The estimated revenues and cost of operation; and with respect to wage cost, the proposed manning schedule on the proposed ships.
6. The applicant's intention to seek operating subsidy and, if so, the duration and amount of such subsidy payments.

These factors will be weighed in such a fashion as to measure the productivity of the proposed ship against the Government's cost of construction and operating subsidy.

The Board will award aid (so far as funds are available), for the construction of those ships otherwise eligible, as will give the greatest productivity for each dollar of Government aid.

The policy applies to requests for allocation of appropriations for fiscal year 1967 and thereafter, for ships for operation in liner service.

The Board reserved for determination at a later time standards to be applied in the allocation of Federal financial assistance for the construction of ships to be used in nonliner services.

Proceedings Before Hearing Examiners

During the year, 20 formal proceedings were conducted by the Hearing Examiners. Of these, 4 were terminated by agreement of the parties before initial decisions; 6 were pending hearing or in hearing process at end of the year, and 10 had been disposed of by initial decisions.

Of the 10 cases disposed of, on which initial decisions were issued, 4 were concerned with applications for operating-differential subsidy; 5 were concerned with contract appeals in connection with construction-differential subsidy; and 1 was an employee grievance matter.

Initial decisions were as follows:

Operating Differential Subsidy

(1) *Docket S–153 et al.*—This proceeding was concerned with an application of Lykes Bros. Steamship Co., Prudential Lines and Central Gulf Steamship Co. for amendments to operating-differential subsidy contracts by two of the applicants and a new contract for Central Gulf, all seeking additional subsidized sailings on Trade Routes 10 and 13 (U.S. Atlantic and Gulf/Mediterranean and Black Sea Ports). These applications were opposed by American Export Isbrandtsen Lines and Waterman Steamship Co. After the submission of an initial decision by the Hearing Examiner in January 1965 and as a result of Prudential's effort to have certain information administratively noticed by the Maritime Subsidy Board, a suggestion opposed by American Export, the Board reopened the record and remanded the case to the Hearing Examiner for the purpose of developing certain of this additional evidence. Additional hearings were held and a supplemental initial decision submitted on August 25, 1965, which confirmed the initial determinations of the Hearing Examiner and concluded that the application of Lykes should be granted but that the applications of Prudential and Central Gulf should not be granted inasmuch as these applicants had not sustained the burden of establishing by the record that their proposed increased sailings would significantly remedy the inadequacy in sailings found by the examiner to exist on Trade Routes 10 and 13. (Pending Board Decision)

(2) *Docket S–173* is concerned with the Great Lakes Foreign Trade Routes Investigation. During fiscal 1966 the Chief Hearing Examiner completed and transmitted to the Board his report on an investigation instituted by the Maritime Administrator to determine the essentiality of all Great Lakes foreign trade routes for operating subsidy purposes. Several of the routes emanating from the Great Lakes area had been served by subsidized U.S. flag carriers on an experimental basis for a 4-year period expiring December 31, 1964. The issues involved in the

investigation concerned the renewal, modification, or termination of the designation of these routes as essential for subsidized service. The carriers participating in the proceeding were Farrell Lines, Moore-McCormack Lines, American Export Isbrandtsen Lines, and Waterman Steamship Co.

In a reported dated October 11, 1965, the Chief Hearing Examiner among other things recommended that greater operational flexibility be authorized by the Board through consolidating existing experimental Great Lakes routes into five separate and essential trade areas with stopoff service at Atlantic ports (in this connection he defined with some specificity essential trade areas). It was further recommended that an incentive operating subsidy system be devised to support the solicitation and carriage of non-Government-impelled general and bulk cargo and that more economical shipping be achieved through the collection and concentration of overseas cargo at major Great Lakes ports. It was suggested that this could be accomplished through the development of land-sea container services together with feeder-type operations by barge and other modern devices. The Maritime Administrator subsequently (May 18, 1966), affirmed essentiality of five Great Lakes trading areas.

(3) *Docket S–76 et al.* (*reopened*).—This proceeding involved an application by Central Gulf Steamship Corp. for authority to operate 36 to 40 subsidized sailings with 11 vessels from the U.S. Gulf and Atlantic Coast ports to Trade Route 18 ports in India, Pakistan, Persian Gulf and Red Sea, with privilege calls at Beirut, Port Said and Alexandria to and from North Atlantic ports only. The proceeding was consolidated with an application from American Export Isbrandtsen Lines for an increase in its maximum allowable subsidized sailings on Trade Route 18 from 29 to 59 annually, to be operated by 7 existing or 6 newly subsidized vessels, with the privilege of calling up to 30 of these sailings at U.S. and Persian Gulf ports, provided, however, that no cargo is to be carried to Mediterranean ports with such additional sailings. In his initial decision, issued on July 29, 1965, the Chief Hearing Examiner found and concluded that even though Central Gulf has existing outbound service on Trade Route 18 in excess of 36 to 40 sailings annually, in view of the fact that between 80 to 85 percent of the cargo carried by Central Gulf is military or otherwise Government-impelled, some at premium rates, resulting in annual overall operating profit estimated at $2,200,000 annually even though 39 of the 54 inbound sailings return in ballast, an award of operating subsidy to operate this outbound service is unnecessary. He further found that Central Gulf has an inbound service on Trade Route 18 of 15 sailings annually; that the existing U.S. flag inbound service on this route is inadequate; that Central Gulf should be awarded subsidy in an estimated amount of approximately $2 million per year to operate vessels thereon at a frequency of 36 to 40 inbound sailings annually; and that the term of this contract should be for a period of 7 years, subject to renewal, modification or termination in light of conditions existing at the time of expiration. Additionally the Chief Hearing Examiner concluded that there would be no undue advantage

to Central Gulf over Waterman and Isthmian nor undue prejudice to American Export in granting Central Gulf's application. (Pending Board Decision)

(4) *Docket S–185.*—This proceeding was an attempt by Prudential Lines to obtain a readjustment of operating subsidy rates pursuant to Sections 603(b) and 606(1) of the Merchant Marine Act, the rates heretofore determined by the Board as applicable to Prudential's contract in May and June 1963. Prudential objected to the proposed subsidy rate for wages and subsistence applicable to cargo vessels on Trade Route 10 and for Protection and Indemnity Insurance premium cost for the period April 1, 1960, through December 31, 1961.

The Chief Hearing Examiner, in a report dated March 17, 1966, recommended that Prudential's fair and reasonable operating subsidy for April 1, 1960 (the day Prudential first became subsidized), through December 31, 1961, be computed from actual available wage cost data for the full 21-month period in lieu of a 1960 projection of 9 months advocated by the staff; that P. & I. insurance and deductible average cost elements of Prudential's 1960 operating-differential subsidy allowance be computed from the average of 1959 and 1961 data (1960 actual data being unavailable); and, that 1961 subsidy be computed from 1961 data rather than employing the wage rate complement theory advocated by the staff. (Pending Board Decision)

Contract Appeals in Connection With Construction-Differential Subsidy

Of the eight cases dealt with during fiscal 1966, three were settled by the parties prior to a report by the Hearing Examiner, including Todd Shipyard and American Mail Line disputes on main machinery damage and hatch covers, and United States Lines and Bethlehem Steel Co. disputes on delays.

(1) *Docket CA–10.*—An appeal by Bethlehem Steel concerned with the fair and reasonable value applicable to the deletion of a National Defense feature from two American President Lines ships pertaining to oil transfer piping and pumping capacity in excess of that required for commercial operation. The Hearing Examiner, acting as Maritime Subsidy Board Representative, concluded that the separate detailed bid for the deleted National Defense feature imposed a ceiling to the amount by which the contract price of the vessel should be adjusted downward as a result of the elimination. This was the position argued for by Bethlehem. It reversed the decision of the contracting officer, who had urged that the price reduction should be on the basis of a determination of the estimated amount saved by Bethlehem as a consequence of the deletion of the item. The contract price for the deleted item had been $13,500. The decision of the contracting officer and the position of staff counsel in this proceeding was that the downward adjustment to the contract price should be in the neighborhood of $58,000 for each of the two vessels. (Pending Board Decision)

(2) *Docket CA–16.*—This proceeding concerned an appeal by National Steel & Shipbuilding Co. from a decision of the Chief, Office of Ship Construction, Maritime Administration, denying NASSCO's

INTERNATIONAL AFFAIRS

International Organizations

The Maritime Administrator, as Washington Chairman of the NATO Planning Board for Ocean Shipping, was host to the 18th annual meeting held in Washington from April 19 to 21. A number of recommendations were adopted concerning the pooling of ships in the advent of a war and the establishment and manning of boards to direct the operation of the pooled ships.

A Maritime technical representative participated as a delegate for the United States in the Organization for Economic Cooperation and Development to study preservation of materials in marine environment. A final report on hydrological and biological research conducted at European and U.S.A. testing stations was completed and publications on marine fouling were released. Shipbuilding, statistical, and other economic and technical data was also supplied to OECD.

A Maritime Administration representative participated through the President's Cabinet Committee on Transportation in preparing recommendations for discussion at the White House Conference on International Cooperation which took place in Washington November 28 to December 1. The recommendations concerned improvement in international exchange of goods through reduction in paperwork; technical assistance to emerging nations by improving ports and terminals; international agreement on container equipment and coordination in systems and procedures; a UN program to establish standards for transportation statistics; training for international transport work; and a world transportation center.

Ports

Maritime participated in discussions with the Department of Agriculture and Indian officials on the Indian grain crisis, availability of ships to move heavy grain tonnage from the United States, and ability of Indian ports to handle the cargoes. Short-, medium-, and long-range plans to improve receipt and unloading of grain were discussed, including use of supersize ships.

A composite report dated January 28, 1966, was issued, which contained estimates of food requirements and a comprehensive analysis of India's port grain transshipment capability. Specific recommendations were made in order to increase the capability of receiving up to 1,200,000 tons of grain per month which was considered essential to meet India's needs. This goal was reached in May of 1966.

The First Special Inter-American Port and Harbor Conference held in Washington, D.C., in April approved the draft Annex to the Inter-American Convention on Facilitation of International Waterborne Transportation (Convention Mar del Plata). This Convention, signed on behalf of the United States by a Maritime official in June 1963, together with its Annex, is now ready for ratification by the member nations of the Organization of American States. The President forwarded this treaty to the U.S. Senate for ratification.

The sixth meeting of the Permanent Technical Committee on Ports of the Organization of American States, meeting in Washington, D.C., in June, agreed to establish a series of inter-American Port Seminars, the first to be held in the first half of 1967 on the subject of unitized cargoes.

Safety

Working through the U.S. Interagency Shipping Coordinating Committee, Maritime and other agencies of the Government prepared a U.S. position for use at the meeting of the Maritime Safety Committee, Intergovernmental Maritime Consultative Organization (IMCO), held in London, May 2, 1966, to discuss safety measures for passenger ships failing to meet the latest international safety standards.

The U.S. goal to persuade foreign countries to act quickly to upgrade safety standards for international passenger ship travel was substantially attained, when a dozen maritime countries agreed to support efforts to have passenger ships built prior to 1948 brought up to the 1948 Safety of Life at Sea standards, substantially the same as those in the 1960 treaty.

The recommendations of the Safety Committee were approved by IMCO's council meeting in London on May 16 and were then passed on to the extraordinary meeting in London of the full IMCO assembly scheduled for November 28, 1966.

The U.S. delegation won the Safety Committee's unanimous commitment that the measures needed are so vital that contracting governments should not await formal adoption of the amendments, but should act immediately to put the recommended measures into effect to the maximum extent as soon as possible. In this way many older ships previously exempted from conformity to minimum international safety standards would also be required to meet such standards or cease operation.

Foreign Visitors

A group of Brazilian shipping and transportation experts visited the Maritime Administration to discuss the subject of containerization. They talked with Maritime Promotion officials about the Maritime Administration's container studies and projects, including the lessons learned in the recently completed Through-Container Project.

Officials of ALAMAR, a private Latin American shipping organization, met with officials of Commerce and Maritime on September 2 at the request of U.S.-flag lines, for the purpose of opening avenues of communication and allowing visiting officials to give their views on mutual problems, and to discuss other matters relating to inter-American shipping.

Shipping Restrictions

During the Pakistani-Indian conflict, Maritime issued notices to American subsidized lines to inform them of the declaration by those governments that certain types of cargoes would be considered contraband and subject to seizure. Maritime also transmitted at the request of the Department of State a notice to shipping lines concerning the resolution of the UN Security Council banning the transportation of oil to Rhodesia.

At the beginning of the fiscal year there were 240 ships of 1,685,012 gross tons on the list of Free World and Polish flag ships which had called at Cuban ports since January 1963. Such ships are barred from carrying U.S. Government-financed cargoes from the United States. At the end of the year the list totaled 253 of 1,802,424 gross tons. The total number of sailings reported decreased from 344 in fiscal year 1964, to 293 in fiscal year 1965. During the year 10 ships were deleted from the list when their managing agents agreed that neither these ships nor any others under the manager's control would thenceforth trade with Cuba. In connection with these deletions 58 ships were pledged not to call at Cuba.

At the end of the year, a total of 91 ships had been removed from the list, and 877 ships had been pledged not to call at Cuba.

On February 11, 1966, the first list of Free World and Polish flag vessels arriving in North Vietnam on or after January 25, 1966, was issued by the Maritime Administration in accordance with the President's policy of denying U.S. Government-financed cargoes shipped from the United States to such vessels. There were five ships, totaling 35,263 gross tons, on the first list. By June 30 the number had increased to 26 ships of 179,698 gross tons. No ships had been removed.

SHIPPING STUDIES AND REPORTS

Where prices are not indicated a limited number of copies are available from Public Information Office, Maritime Administration.

General reports published during the year include:

1. "Merchant Type Ships of 100,000 Tons Deadweight and Over Including Those in Operation and Those Under Construction or on Order," 3 pages, Maritime Administration.
2. "Federal Ship Mortgage Insurance, Financing of Ship Construction, Reconstruction or Reconditioning," 7 pages, Maritime Administration.
3. "Your Interest in U.S. Flag Merchant Ships," 8 pages, Maritime Administration.
4. "Assistance to Maritime Industries in Western Hemisphere Nations," 35 pages, 20¢, GPO.
5. "The Marad Management Information Reporting System," 12 pages, illustrated, Maritime Administration.
6. "Facts About the United States Merchant Marine and How It Serves the Nation," 6 pages, Maritime Administration.
7. "This Is Your Merchant Marine," Brochure on the Maritime Exhibit, 8 pages, Maritime Administration.
8. "Welcome Aboard!" Your Merchant Marine Exhibit, Brochure on the Maritime Exhibit, 6 pages, Maritime Administration.
9. "Maritime Administration Employees' Stake in the U.S. Merchant Marine and What Can Be Done to Improve Its Equity," 4 pages, Maritime Administration.
10. "Decisions of the Maritime Subsidy Board, Maritime Administration, Department of Commerce," 734 pages, Volume I, August 1961 to September 1964, $3, GPO.

11. "The Impact of Government-Generated Cargo on the U.S.-Flag Foreign Trade Fleet for Calendar Year 1964," a Study Presented to the Subcommittee on Federal Procurement and Regulation of the Joint Economic Committee, Congress of the United States, 13 pages, printed for use of the Joint Economic Committee by GPO.
12. "Annual Report of the Maritime Administration," 88 pages, 1965, 35¢, GPO.
13. "Index of Current Regulations of the Maritime Administration, Maritime Subsidy Board, National Shipping Authority," 38 pages, Revised March 31, 1966, 30¢, GPO.
14. "Relative Cost of Shipbuilding in the Various Coastal Districts of the United States," Report to the Congress of the United States, 27 pages, June 1965, 50¢, Department of Commerce.

Statistical reports published during the year include:

1. "A Statistical Analysis of the World's Merchant Fleets as of December 31, 1964," 150 pages, 75¢, GPO (biennial).
2. "Employment Report of United States Flag Merchant Fleet Oceangoing Vessels 1,000 Gross Tons and Over," 6 pages, June 30, 1965, September 30, 1965, December 31, 1965, Maritime Administration.
3. "New Ship Construction—II Parts," Oceangoing Ships of 1,000 Gross Tons and Over in United States and Foreign Shipyards, 16 pages, June 1, 1965, Maritime Administration (annual).
4. "Merchant Fleets of the World: Oceangoing Steam and Motor Ships of 1,000 Gross Tons and Over," June 30, 1965, Maritime Administration (semiannual).
5. "Vessel Inventory Report," 151 pages, June 30, 1965, December 31, 1965, Maritime Administration (semiannual).
6. "Dry Cargo Service and Area Report," United States Dry Cargo Shipping Companies by Ships Owned and/or Chartered, Type of Service and Area of Operation, 8 pages, June 30, 1965, September 30, 1965, Maritime Administration.
7. "Participation of Merchant Ships, by Flag of Registry, in the Commercial Oceanborne Foreign Trade of the United States, by Type of Service, Calendar Year 1964," 3 pages, Maritime Administration.
8. "Colliers Under Construction and/or on Order," Oceangoing Ships of 1,000 Gross Tons and Over, June 30, 1965, 6 pages; September 30, 1965, 3 pages, Maritime Administration.

Technical Reports published during the year include:

1. "Classification of Weights—Standard Grouping for Merchant Ships," (reissued), 42 pages, PB–169–239, Clearinghouse, $2, or 50¢ in microfiche.
2. "The Economics of Nuclear Fuel in Maritime Applications—NUS—265A," 72 pages, PB–169–935, Clearinghouse, $3, or 75¢ in microfiche.

3. "Standard Specification for Cargo Ship Construction," June 1, 1965 (revised November 1, 1965), 868 pages, PB–168–691, Clearinghouse, $11.70, or $4 in microfiche.
4. "Mooring Safety Report—Phase I," PB–168–253, Clearinghouse, $4.
5. "The Surface Effect Ship in the American Merchant Marine" Final Report—Part IV; prepared by Booz Allen Applied Research, Inc., 68 pages, PB–167–990, Clearinghouse, $3.
6. "Wide Ship Plating With Small Initial Deflection Under Edge Compression and Lateral Load," prepared by Institute of Engineering Research, University of California, Berkeley, Calif., 43 pages, PB–168–318, Clearinghouse, $2, or 50¢ in microfiche.
7. "Maritime Administration Maintenance and Reliability Program";
   - Volume I: Summary and Recommendations, 44 pages, PB–169–643, Clearinghouse, $3.
   - Volume II: Engineering Report, 94 pages plus appendix, PB–169–644, Clearinghouse, $6.
   - Volume III: Classification of Merchant Ship Systems, 22 pages plus appendix, PB–169–645, Clearinghouse, $4.
   - Volume IV: Analysis of Maintenance Cost Data, 41 pages plus appendix, PB–169–646, Clearinghouse, $3. Prepared by Dunlap and Associates, Inc. Santa Monica, Calif.
8. "Added Mass and Damping Coefficients for Ships Heaving in Smooth Water," prepared by Massachusetts Institute of Technology, Department of Naval Architecture and Marine Engineering, 68 pages, PB–168–591, Clearinghouse, $3, or 75¢ in microfiche.

NOTE: The above technical reports may be obtained from the Clearinghouse for Federal Scientific and Technical Information, Springfield, Va. 22151.

APPENDIX I

MERCHANT FLEETS OF THE WORLD

Oceangoing Steam and Motor Ships of 1,000 Gross Tons and Over as of June 30, 1966

(Excludes ships operating exclusively on the Great Lakes and inland waterways and special types such as channel ships, icebreakers, cable ships, etc., and merchant ships owned by any military force)

[Tonnage in thousands]

Country of registry	Total			Combination (passenger and cargo)			Combination (passenger and cargo refrigerated)			Freighters			Freighters refrigerated			Bulk carriers			Tankers (including whaling tankers)		
	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons
Total—all countries	18,303	155,048	222,414	1,038	8,365	5,134	42	644	388	10,908	61,025	85,852	666	3,665	3,841	2,039	22,350	34,177	3,610	58,999	93,022
United States [1]	2,292	20,104	27,392	221	2,087	1,439	4	57	37	1,632	12,456	17,191	44	242	252	63	694	1,122	328	4,568	7,351
Privately owned	955	10,257	14,766	23	341	201	4	57	37	571	4,917	6,603	18	109	104	59	671	1,086	280	4,162	6,735
Government-owned	1,337	9,847	12,626	198	1,746	1,238	-----	-----	-----	1,061	7,539	10,588	26	133	148	4	23	36	48	406	616
Reserve Fleet	1,189	8,740	11,122	195	1,715	1,220	-----	-----	-----	924	6,504	9,153	22	107	119	2	14	22	46	400	608
Other [2]	148	1,107	1,504	3	31	18	-----	-----	-----	137	1,035	1,435	4	26	29	2	9	14	2	6	8
The British Commonwealth of Nations:																					
United Kingdom	2,005	19,667	26,123	90	1,319	748	25	494	299	1,010	6,475	8,694	156	1,438	1,592	289	2,348	3,326	435	7,593	11,464
Australia	105	578	785	5	20	13	-----	-----	-----	44	132	170	-----	-----	-----	45	300	416	11	126	186
British Colonies	171	1,167	1,690	19	75	64	-----	-----	-----	119	696	1,019	4	22	31	15	148	218	14	226	358
Canada	63	265	305	18	51	21	-----	-----	-----	18	48	57	2	2	2	8	58	82	17	106	143
Cyprus	26	170	252	1	2	1	-----	-----	-----	22	146	222	1	6	5	1	7	11	1	9	13
Ghana	16	115	148	-----	-----	-----	-----	-----	-----	16	115	148	-----	-----	-----	-----	-----	-----	-----	-----	-----
India	213	1,725	2,513	15	71	72	-----	-----	-----	168	1,060	1,527	-----	-----	-----	21	421	642	9	173	272
Malaysia	12	28	26	7	19	15	-----	-----	-----	4	7	9	-----	-----	-----	-----	-----	-----	1	2	2
New Zealand	57	191	228	2	13	3	3	12	9	45	149	198	1	2	2	5	12	13	1	3	3
Pakistan	57	399	551	6	57	44	-----	-----	-----	48	320	474	-----	-----	-----	2	11	17	1	11	16
Others	19	108	159	-----	-----	-----	-----	-----	-----	15	83	130	2	12	9	1	3	4	1	10	16
Argentina	157	1,085	1,432	15	102	75	3	27	20	68	387	530	6	18	18	4	24	33	61	527	756
Belgium	72	759	1,046	4	44	37	-----	-----	-----	44	311	403	2	11	9	8	136	206	14	257	391
Brazil	226	1,129	1,594	16	87	72	-----	-----	-----	145	556	812	2	7	7	16	62	88	47	417	615
Bulgaria*	58	383	573	1	6	2	-----	-----	-----	32	162	246	-----	-----	-----	12	81	122	13	134	203
Chile	49	286	389	6	25	28	-----	-----	-----	28	131	166	-----	-----	-----	9	53	77	6	77	118
China (Taiwan)	118	737	1,037	3	16	16	-----	-----	-----	95	598	861	11	38	35	1	3	4	8	82	121
China (Communist)	180	759	1,023	18	48	32	2	17	10	121	538	764	1	1	2	19	64	83	19	91	132
Colombia	26	142	190	-----	-----	-----	-----	-----	-----	24	129	170	-----	-----	-----	-----	-----	-----	2	13	20

Cuba*	34	185	252	-----	-----	-----	-----	-----	-----	31	179	246	-----	-----	-----	1	1	1	2	5	5
Denmark	338	2,535	3,696	21	54	30	-----	-----	-----	226	1,110	1,521	16	60	69	19	271	407	56	1,040	1,669
Finland	228	942	1,385	7	19	7	-----	-----	-----	171	546	813	-----	-----	-----	17	48	69	33	329	496
France	536	4,895	6,535	41	447	220	1	10	2	246	1,260	1,637	36	164	144	57	507	709	155	2,507	3,823
Germany (West)	853	5,224	7,415	17	187	110	1	2	1	652	2,891	4,169	64	213	222	70	1,012	1,491	49	919	1,422
Germany (East)*	91	568	773	5	43	31	-----	-----	-----	64	319	453	2	10	6	10	102	140	10	94	143
Greece	933	7,017	10,132	48	366	176	-----	-----	-----	657	3,783	5,562	16	79	76	78	927	1,414	134	1,862	2,904
Haiti	12	76	111	-----	-----	-----	-----	-----	-----	8	46	67	-----	-----	-----	3	17	26	1	13	18
Honduras	14	53	58	-----	-----	-----	-----	-----	-----	5	13	21	9	40	37	-----	-----	-----	-----	-----	-----
Hungary*	13	16	16	-----	-----	-----	-----	-----	-----	13	16	16	-----	-----	-----	-----	-----	-----	-----	-----	-----
Iceland	26	66	86	3	7	4	-----	-----	-----	12	24	36	8	19	23	1	2	3	2	14	20
Indonesia	138	447	536	29	114	78	-----	-----	-----	88	244	330	-----	-----	-----	-----	-----	-----	21	89	128
Ireland	16	105	141	-----	-----	-----	-----	-----	-----	13	81	108	-----	-----	-----	2	21	30	1	3	3
Israel	83	598	751	4	53	15	-----	-----	-----	60	288	389	8	48	51	9	195	275	2	14	21
Italy	577	5,287	7,020	70	765	287	1	16	8	248	1,206	1,777	17	75	67	99	1,249	1,846	142	1,976	3,035
Japan	1,353	11,877	18,048	29	124	95	-----	-----	-----	822	4,441	6,344	41	174	197	212	2,354	3,682	249	4,784	7,730
Korea (South)	39	160	244	1	1	2	-----	-----	-----	33	133	206	-----	-----	-----	3	18	26	2	8	10
Lebanon	146	755	1,143	-----	-----	-----	-----	-----	-----	135	716	1,085	-----	-----	-----	11	39	58	-----	-----	-----
Liberia	1,406	20,599	33,703	11	119	73	-----	-----	-----	522	3,606	5,356	7	25	27	305	4,600	7,948	561	12,249	20,299
Mexico	46	290	434	-----	-----	-----	-----	-----	-----	18	63	93	2	5	5	2	7	10	24	215	326
Morocco	12	47	68	-----	-----	-----	-----	-----	-----	11	44	65	1	3	3	-----	-----	-----	-----	-----	-----
Netherlands	478	4,397	5,997	39	439	350	-----	-----	-----	304	1,929	2,575	14	30	34	33	450	658	88	1,549	2,380
Norway	1,342	15,619	23,791	26	136	62	2	9	2	592	3,255	4,647	28	115	111	234	3,393	5,075	460	8,711	13,894
Panama	559	4,528	7,059	16	118	76	-----	-----	-----	356	1,612	2,428	7	20	19	34	226	356	146	2,552	4,180
Peru	25	118	175	1	6	7	-----	-----	-----	19	87	128	-----	-----	-----	-----	-----	-----	5	25	40
Philippines	100	564	764	9	20	20	-----	-----	-----	79	490	664	-----	-----	-----	4	33	51	8	21	29
Poland*	173	968	1,383	1	14	5	-----	-----	-----	135	781	1,139	7	19	19	23	74	99	7	80	121
Portugal	92	604	717	25	236	152	-----	-----	-----	53	176	271	-----	-----	-----	-----	-----	-----	14	192	294
Rumania*	24	138	195	1	7	2	-----	-----	-----	19	73	104	2	33	51	-----	-----	-----	2	25	38
South Africa	45	260	369	-----	-----	-----	-----	-----	-----	36	164	226	4	27	40	4	56	85	1	13	18
Spain	328	1,621	2,141	40	238	157	-----	-----	-----	190	646	928	9	21	26	19	97	136	70	619	894
Sweden	432	4,077	5,841	9	72	17	-----	-----	-----	235	1,183	1,608	33	218	218	79	1,111	1,619	76	1,493	2,379
Switzerland	28	203	289	-----	-----	-----	-----	-----	-----	22	147	210	2	3	3	4	53	76	-----	-----	-----
Turkey	110	568	735	24	114	62	-----	-----	-----	75	351	516	1	2	3	-----	-----	-----	10	101	154
United Arab Republic	44	200	251	11	56	50	-----	-----	-----	23	68	87	-----	-----	-----	-----	-----	-----	10	76	114
Uruguay	16	106	162	1	8	10	-----	-----	-----	11	57	88	-----	-----	-----	-----	-----	-----	4	41	64
U.S.S.R.[3]*	1,360	7,616	9,811	81	453	243	-----	-----	-----	781	3,334	4,480	93	447	409	166	850	1,114	239	2,532	3,565
Venezuela	32	260	372	-----	-----	-----	-----	-----	-----	16	54	80	-----	-----	-----	2	4	6	14	202	286
Yugoslavia	179	1,061	1,510	16	91	96	-----	-----	-----	139	716	1,039	1	3	3	11	166	245	12	85	127
All others	120	601	849	5	16	15	-----	-----	-----	90	394	549	6	13	14	8	42	58	11	136	213

[1] Excludes 138 non-merchant-type ships which are currently in the National Defense Reserve Fleet.
[2] Comprised of vessels under general agency agreement, bareboat charter, and in the custody of the Departments of Defense, State, and Interior.
[3] Includes the following U.S. Government-owned ships transferred to U.S.S.R. under lend-lease agreements and still remaining under that registry:

U.S.S.R. (lend-lease)	83	522	785	1	5	5	----	----	-----	80	505	761	----	----	-----	1	5	8	1	7	11

*Source material limited.

APPENDIX II

SHIP DELIVERIES FOR FISCAL YEAR 1966

Oceangoing Steam and Motor Ships of 1,000 Gross Tons and Over by Ship Type, Country in Which Built and for Whom Built.

(Excludes ships operating exclusively on the Great Lakes and inland waterways and special types such as tugs, ferries, cable ships, etc)
[Tonnage in thousands]

Registry for which built	Total		Japan		Sweden		Germany (West)		United Kingdom		France		U.S.S.R.*		Denmark		Italy		All other [1]	
	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons	Number	Deadweight tons
SUMMARY—ALL TYPES																				
Total	613	16,667	201	7,915	43	1,800	41	1,354	52	1,359	19	588	35	545	17	500	15	465	190	2,141
United States	11	147	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	11	147
United Kingdom	52	1,521	3	161	5	70	2	136	41	1,151	1	3	-----	-----	-----	-----	-----	-----	-----	-----
Denmark	20	431	4	119	1	5	-----	-----	1	5	-----	-----	-----	-----	9	291	-----	-----	5	11
France	13	437	-----	-----	-----	-----	-----	-----	-----	-----	10	422	-----	-----	-----	-----	1	4	2	11
Germany (West)	24	520	2	15	-----	-----	19	483	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	3	22
Italy	13	437	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	13	437	-----	-----
Japan	88	3,652	88	3,652	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Liberia	54	2,573	48	2,294	2	100	1	73	-----	-----	-----	-----	-----	-----	1	66	-----	-----	2	40
Norway	68	2,556	9	451	21	1,120	9	440	1	89	3	15	-----	-----	1	36	-----	-----	24	405
Sweden	20	655	-----	-----	13	497	2	37	1	5	-----	-----	-----	-----	1	91	-----	-----	3	25
U.S.S.R.*	95	1,102	1	35	1	8	-----	-----	-----	-----	-----	-----	34	532	2	5	-----	-----	57	522
All Others	155	2,636	46	1,188	-----	-----	8	185	8	109	5	148	1	13	3	11	1	24	83	958

Total	424	7,721	129	3,520	15	327	32	755	41	752	9	189	27	218	13	233	9	226	149	1,501
United States	11	147																	11	147
United Kingdom	37	698	1	25	3	30			33	643										
Denmark	12	137	1	11											6	115			5	11
France	6	52									4	41							2	11
Germany (West)	22	391	2	15			17	354											3	22
Italy	8	202															8	202		
Japan	58	1,555	58	1,555																
Liberia	33	1,231	29	1,031	1	26	1	73							1	66			1	35
Norway	33	687	6	163	7	207	5	108							1	36			14	173
Sweden	8	118			3	56	2	37											3	25
U.S.S.R.*	72	524			1	8							26	205	2	5			43	306
All Others	124	1,979	32	720			7	183	8	109	5	148	1	13	3	11	1	24	67	771

TANKERS

Total	178	8,884	71	4,393	28	1,473	9	599	10	602	8	388	8	327	4	267	6	239	34	596
United States																				
United Kingdom	15	823	2	136	2	40	2	136	8	508	1	3								
Denmark	8	294	3	108	1	5			1	5					3	176				
France	6	383									5	379					1	4		
Germany (West)	2	129					2	129												
Italy	5	235															5	235		
Japan	30	2,097	30	2,097																
Liberia	21	1,342	19	1,263	1	74													1	5
Norway	34	1,860	3	288	14	913	4	332	1	89	2	6							10	232
Sweden	11	532			10	441									1	91				
U.S.S.R.*	21	560	1	35									8	327					12	198
All Others	25	629	13	466			1	2											11	161

COMBINATION PASSENGER AND CARGO SHIPS

Total	11	62	1	2					1	5	2	11							7	44
United States																				
United Kingdom																				
Denmark																				
France	1	2									1	2								
Germany (West)																				
Italy																				
Japan																				
Liberia																				
Norway	1	9									1	9								
Sweden	1	5							1	5										
U.S.S.R.*	2	18																	2	18
All Others	6	28	1	2															5	26

*Source material limited.

[1] The United States, with 11 ships of 147,000 deadweight tons, ranked 15th as a shipbuilder on a deadweight tonnage basis. In addition to the countries listed above, she was preceded by Norway with 23 ships of 434,000 dwt.; Yugoslavia with 25 ships of 344,000 dwt.; Netherlands with 15 ships of 263,000 dwt.; Poland with 26 ships of 253,000 dwt; Spain with 22 ships of 171,000 dwt; and East Germany with 23 ships of 167,000 dwt.

APPENDIX III

EMPLOYMENT OF U.S. FLAG MERCHANT SHIPS AS OF JUNE 30, 1966, OCEANGOING SHIPS OF 1,000 GROSS TONS AND OVER

(Excludes vessels operating exclusively on the inland waterways, Great Lakes and those owned by the United States Army and Navy and special types such as cable ships, tugs, etc.) [Tonnage in thousands]

Status and area of employment	Total			Vessel type								
				Combination passenger and cargo			Freighters			Tankers		
	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead weight tons	Number	Gross tons	Dead weight tons	Number	Gross tons	Dead weight tons
GRAND TOTAL [1]	2,268	19,931	27,185	223	2,121	1,463	1,719	13,248	18,378	326	4,562	7,344
ACTIVE VESSELS [2]	1,019	10,600	15,181	27	398	238	740	6,368	8,726	252	3,834	6,217
Foreign trade	487	4,811	6,487	26	379	233	414	3,679	5,031	47	753	1,223
Nearby foreign	30	292	370	6	64	56	16	111	131	8	117	183
Great Lakes-Seaway foreign	6	41	55				6	41	55			
Overseas foreign	451	4,478	6,062	20	315	177	392	3,527	4,845	39	636	1,040
Foreign to foreign	7	58	89				6	42	62	1	16	27
Domestic trade	248	3,142	4,825	1	19	4	83	791	1,050	164	2,332	3,771
Coastwise	139	1,985	3,202				11	110	160	128	1,875	3,042
Intercoastal	37	482	700				22	248	325	15	234	375
Noncontiguous	72	675	923	1	19	4	50	433	565	21	223	354
Other U.S. agency operations	277	2,589	3,779				237	1,856	2,583	40	733	1,196
INACTIVE VESSELS	1,249	9,331	12,004	196	1,723	1,225	979	6,880	9,652	74	728	1,127
Temporarily inactive	45	497	741	1	8	5	24	215	302	20	274	434
Merchant types	44	489	736				24	215	302	20	274	434
Military types	1	8	5	1	8	5						
Laid up (privately owned)	15	94	141				7	39	56	8	55	85
National Defense Reserve Fleet [3]	1,189	8,740	11,122	195	1,715	1,220	948	6,626	9,294	46	399	608
Merchant types	863	6,139	8,919	6	51	53	833	5,842	8,482	24	246	384
Military types	326	2,602	2,203	189	1,664	1,167	115	784	812	22	154	224

[1] Excludes 83 ships transferred to Russian flag under lend-lease and still remaining under that registry.

[2] Excludes 24 Government-owned ships originally constructed as merchant ships but not available for commercial purposes since they are under the custody of the Defense, State, and Interior Departments, and 1 ship withdrawn from commercial service by the Panama Canal Co.

[3] Excludes 10 ships sold but remaining in custody of reserve fleet pending delivery, and 138 nonmerchant type ships currently in the reserve fleet.

NOTE: Tonnage figures are not additive since the detailed figures have been rounded to the nearest thousand.
Nearby foreign includes Canada, Central America, West Indies, North Coast of South America, and Mexico.

APPENDIX IV

OPERATING-DIFFERENTIAL SUBSIDIES

Expenditures for the Fiscal Year 1966 and Total Subsidies Payable and Expenditures for the Period Jan. 1, 1947, to June 30, 1966

Calendar year	Accruals			Expenditures		Estimated balance to be paid
	Subsidies	Recapture	Net payable	Fiscal year 1966 to date	Cumulative to date	
1947	$13, 438, 553. 00	$10, 228, 591. 19	$3, 209, 961. 81		$3, 209, 961. 81	
1948	28, 077, 303. 15	13, 861, 516. 61	14, 215, 786. 54	$644, 481. 73	14, 215, 786. 54	
1949	44, 213, 377. 37	14, 556, 046. 14	29, 657, 331. 23	(24, 752. 46)	29, 657, 331. 23	
1950	57, 873, 646. 90	9, 247, 287. 42	48, 626, 359. 48		48, 626, 359. 48	
1951	71, 968, 635. 75	25, 928, 162. 91	46, 040, 472. 84		46, 040, 472. 84	
1952	89, 361, 879. 82	25, 813, 568. 04	63, 548, 311. 78		63, 548, 311. 78	
1953	106, 296, 045. 96	13, 283, 782. 65	93, 012, 263. 31	(327, 848. 65)	93, 012, 263. 31	
1954	107, 357, 156. 17	2, 847, 387. 51	104, 509, 768. 66		104, 509, 768. 66	
1955	115, 145, 468. 54	11, 954, 857. 36	103, 190, 611. 18		103, 190, 611. 18	
1956	128, 187, 005. 24	22, 543, 379. 89	105, 643, 625. 35		105, 520, 498. 85	$123, 126. 50
1957	147, 147, 214. 29	25, 160, 510. 41	121, 986, 703. 88	1, 539, 842. 57	118, 673, 894. 69	3, 312, 809. 19
1958	146, 300, 366. 87	6, 031, 856. 30	140, 268, 510. 57	33, 920. 70	139, 400, 564. 38	867, 946. 19
1959	159, 957, 752. 97	562, 254. 78	159, 395, 498. 19	442, 470. 00	158, 022, 021. 94	1, 373, 476. 25
1960	167, 123, 764. 07	5, 345, 525, 58	161, 778, 238. 49	2, 680, 044. 98	160, 569, 171. 36	1, 209, 067. 13
1961	170, 940, 622. 08	1, 878, 389. 41	169, 062, 232. 67	3, 508, 687. 75	164, 961, 192. 58	4, 101, 040. 09
1962	184, 037, 888. 00	5, 091, 368. 04	178, 946, 519. 96	(320, 514. 05)	169, 279, 609. 53	9, 666, 910. 43
1963	192, 192, 882. 00	(1, 212, 147. 00)	193, 405, 029. 00	1, 516, 111. 08	181, 278, 256. 04	12, 126, 772. 96
1964	208, 764, 881. 00	1, 195, 006. 00	207, 569, 875. 00	6, 281, 331. 49	192, 723, 758. 58	14, 846, 116. 42
1965	192, 024, 101. 00	1, 102, 278. 50	190, 921, 822. 50	108, 834, 067. 14	166, 101, 199. 43	24, 820, 623. 07
1966	96, 973, 974. 50	2, 493, 022. 40	94, 480, 952. 10	62, 391, 786. 19	62, 391, 786. 19	32, 089, 165. 91
Total	2,427,382,518. 68	197, 912, 644. 14	2,229,469,874. 54	187, 199, 628. 47	2,124,932,820. 40	104, 537, 054. 14

APPENDIX V

OPERATING-DIFFERENTIAL SUBSIDY CONTRACTS AS OF JUNE 30, 1966

Name of operator	Expiration date of agreement	Trade routes	Minimum and maximum number voyages	Number of ships assigned as of June 30, 1966	
				Passenger and cargo combination	Cargo
American Export Isbrandtsen Lines, Inc.	Dec. 31, 1979	R-W-E[1], 10, 34, 18, 32, 5-7-8-9.	203-265	3	38
American Export Isbrandtsen Lines, Inc.[2]	Dec. 31, 1971	5-7-8-9	18-26		
American Mail Line Ltd	Dec. 31, 1978	29	36-42		9
American President Lines, Ltd	Dec. 31, 1976	R-W-W[3], 29, 17.	94-135	3	22
Delta Steamship Lines, Inc	Dec. 31, 1977	14-2, 20	67-79	3	10
Farrell Lines Incorporated	"	14-1, 15A, 16	76-99		21
Grace Line Inc	"	2, 4, 25	218-259	11	13
Gulf & South American Steamship Co., Inc.	Dec. 31, 1978	31	30-36		5
Lykes Bros. Steamship Co., Inc	Dec. 31, 1977	13, 15-B, 19, 21, 22.	274-326		54
Moore-McCormack Lines, Incorporated.	"	1, 6, 15A, 24	203-241	2	39
The Oceanic Steamship Company	Dec. 17, 1972	27	22-29	2	3
Pacific Far East Line, Inc	Dec. 31, 1978	29	53-63		10
Prudential Lines, Inc	Dec. 31, 1979	10	28-35		6
States Steamship Company	Dec. 31, 1977	29	58-74		13
United States Lines Company:					
Cargo service	Dec. 31, 1969	11, 12	335-391		41
SS *United States*	June 20, 1967	5-7-8-9		1	
Total			1, 715-2, 100	25	284
Total passenger/cargo-combination.					25
Total cargo					284
Grand total					309

[1] R-W-E=round-the-world eastbound.
[2] 2 containerships.
[3] R-W-W=round-the-world westbound.

APPENDIX VI

SUBSIDIZED AND SELECTED UNSUBSIDIZED OPERATORS [1]

Combined Condensed Balance Sheets, Dec. 31, 1965. See Notes. (Stated in thousand dollars)

	Subsidized	Unsubsidized	
		Tanker	Cargo
ASSETS			
CURRENT ASSETS:			
Cash	$57,729	$22,768	$22,085
Marketable securities	36,073	2,580	16,645
Accounts receivable	144,270	6,409	61,253
Other	19,832	4,821	27,909
Total	257,904	36,578	127,892
SPECIAL FUNDS AND DEPOSITS	[2] 290,429	12,910	
INVESTMENTS	24,344	32	37,779
DEFERRED ODS RECEIVABLE (see contra)	[3] 36,268		
PROPERTY AND EQUIPMENT—LESS DEPRECIATION:			
Vessels	711,574	199,152	73,574
Other	99,435	178	60,844
OTHER ASSETS	31,238	3,801	29,725
Total assets	$1,451,192	$252,651	$329,814
LIABILITIES AND NET WORTH			
LIABILITIES:			
Current liabilities:			
Accounts payable and accruals	$99,420	$5,732	$53,849
Current long-term debt	95	10,682	9,508
Other	29,105	1,660	34,698
	128,620	18,074	98,055
Voyages in progress—net	45,329	3,748	19,019
Long-term debt	[2] 277,860	169,458	60,599
Recapturable ODS (see contra)	[3] 36,268		
Operating reserves	21,666	7,499	9,062
Other liabilities	20,023	8,563	23,789
Total liabilities	529,766	207,342	210,524
NET WORTH:			
Capital stock	116,775	21,100	44,725
Surplus:			
Capital	145,889	29,571	26,630
Earned	658,762	(5,362)	47,935
Total surplus	804,651	24,209	74,565
Total net worth	921,426	45,309	119,290
Total liabilities and net worth	$1,451,192	$252,651	$329,814

SUBSIDIZED AND SELECTED UNSUBSIDIZED OPERATORS Continued [1]

Combined Condensed Income and Surplus Accounts Dec. 31, 1965. See notes (Stated in thousand dollars)

	Subsidized	Unsubsidized	
		Tanker	Cargo
WATER-LINE OPERATING REVENUE	$733,760	$61,725	$479,301
WATER-LINE OPERATING EXPENSE—NET:			
Wages	201,341	11,470	68,633
Depreciation	39,792	12,286	15,333
Overhead	94,165	1,721	59,086
Other	536,474	24,899	313,471
Operating-differential subsidy	(185,886)		
	685,886	50,376	456,523
GROSS PROFIT FROM SHIPPING OPERATIONS	47,874	11,349	22,778
OTHER INCOME	15,626	1,222	7,104
	63,500	12,571	29,882
OTHER DEDUCTIONS FROM INCOME:			
Interest expense	11,968	9,255	4,121
Other	2,924	1,410	932
	14,892	10,665	5,053
NET PROFIT FROM SHIPPING OPERATIONS	48,608	1,906	24,829
PROFIT (LOSS) FROM NON-SHIPPING OPERATIONS	21		(412)
NET PROFIT BEFORE FEDERAL INCOME TAXES	48,629	1,906	24,417
PROVISION FOR FEDERAL INCOME TAXES	8,804	847	11,503
NET PROFIT AFTER FEDERAL INCOME TAXES	39,825	1,059	12,914
ADD SURPLUS (CAPITAL AND EARNED) BEGINNING OF YEAR	766,672	23,444	77,981
Total surplus available	806,497	24,503	90,895
SURPLUS CHANGES:			
Cash dividends	(17,858)	(500)	(5,404)
Stock dividends	[4] (57)		[4] (2,700)
Gains from sale of assets	17,094		
Prior periods-subsidy recapture adjustments	(4,631)		
Other prior periods adjustments	3,606	206	(1,337)
Other			[5] (6,889)
	(1,846)	(294)	(16,330)
SURPLUS (CAPITAL AND EARNED)—END OF YEAR	$804,651	$24,209)	$74,565

NOTES

[1] The data were obtained from the year-end Forms MA-172 filed by 15 subsidized operators and by 19 tanker and 21 cargo operating companies, for the fiscal years ending during the fiscal year July 1, 1965-June 30, 1966 (322 subsidized ships, 21 tankers, and 126 cargo ships).

[2] Long-term debt includes $10,352,000 of mortgage indebtedness due within 1 year and payable from special funds and deposits of subsidized operators.

[3] Represents Government's share of recapturable subsidy deducted from subsidy payments pending settlement of 10-year subsidy recapture periods. Of the amount shown, $30,696,000 applies to completed, but unsettled subsidy recapture periods, and $5,572,000 applies to current incomplete subsidy recapture periods. The corresponding amounts at Dec. 31, 1964 were $39,004,000 and $4,181,000.

[4] Stock dividends:

Credited to:	*Subsidized*	*Unsubsidized-cargo*
Capital stock	$57,000	$2,700,000
Capital surplus	2,105,000	1,268,000
Charged to earned surplus	2,162,000	3,968,000

[5] Other changes include: Charges of $13,050,000 to earned surplus in connection with the purchases by companies of their own stock; credits to capital surplus of $1,292,000 as a contribution from a holding company, and of $4,869,000 in reduction of current and long-term debts by creditors.

APPENDIX VII

CONSTRUCTION RESERVE FUNDS

Authorized Under Sec. 511 of the Merchant Marine Act, 1936, as Amended, as at June 30, 1966

Operator	Amount	Operator	Amount
Hudson Waterways Corporation	$4,326,200	The Tug Rose A. Feeney Corporation	$48
Hughes Bulk, Inc	166,250	The Tug Thomas A. Feeney Corporation.	4,818
Penntrans Company	274,398	W. F. & R. Boat Builders, Inc	2,691
J. J. Tennant Company	796,800	Total	5,790,506
B. Turecamo Towing Corporation	216,856		
The Feeney Marine Corporation	2,445		

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APPENDIX VIII

CAPITAL AND SPECIAL RESERVE FUNDS

Cash, Approved Interest Bearing Securities and Common Stocks Under Approved Common Stock Trusts on Deposit in the Statutory Capital and Special Reserve Funds of Subsidized Operators as of June 30, 1966

Operator	Capital Reserve Fund			Special Reserve Fund			Combined total
	Cash	Securities	Total	Cash	Securities	Total	
American Export Isbrandtsen Lines, Inc.*	$86,176	$9,995,681	$10,081,857	$25,731	$12,674,779	$12,700,510	$22,782,367
American Mail Line Ltd.*	1,516,951	217,984	1,734,935	2,814,531	1,189,400	4,003,931	5,738,866
American President Lines, Ltd.*	19,856	1,750,475	1,770,331	552,016	2,047,897	2,599,913	4,370,244
Bloomfield Steamship Company	128,670	229,000	357,670		1,318,000	1,318,000	1,675,670
Delta Steamship Lines, Incorporated	336	2,624,976	2,625,312	32	7,331,394	7,331,426	9,956,738
Farrell Lines Incorporated	136,722	3,030,481	3,167,203	743,390	1,529,526	2,272,916	5,440,119
Grace Line Inc.*	79,436	6,509,413	6,588,849	12,118	8,748,630	8,760,748	15,349,597
Gulf & South American Steamship Co., Inc	66,828	2,200,810	2,267,638	24,787	1,999,653	2,024,440	4,292,078
Lykes Bros. Steamship Co., Inc.*	60,058	16,619,656	16,679,714	68,562	49,395,882	49,464,444	66,144,158
Moore-McCormack Lines, Incorporated	16,791	1,703,545	1,720,336	1,267	4,249,204	4,250,471	5,970,807
Oceanic Steamship Company, The*	107,244	6,938,283	7,045,527	17,530	244,136	261,666	7,307,193
Pacific Far East Line, Inc	27,299	2,764,868	2,792,167	3,270	8,515,000	8,518,270	11,310,437
Prudential Lines, Inc	457,441		457,441	50,000		50,000	507,441
States Steamship Company	518,357		518,357	3,225,610		3,225,610	3,743,967
United States Lines Company	113,815	6,375,675	6,489,490	15,399	21,797,439	21,812,838	28,302,328
Total	3,335,980	60,960,847	64,296,827	7,554,243	121,040,940	128,595,183	192,892,010
*Includes common stock trust funds aggregating			$392,608			$4,244,187	$4,636,795
Market value as reported by the trustees			491,716			4,961,817	5,453,533

NOTE: Accrued mandatory deposits applicable to the resumption period (generally Jan. 1, 1947, to Dec. 31, 1965), not included in the above, amount to $59,275,618, comprised of $45,996,906 applicable to the Capital Reserve Fund (depreciation) and $13,278,712 applicable to the Special Reserve Fund (excess profits).

APPENDIX IX

SHIP CONSTRUCTION ON JUNE 30, 1966

(Title V and Economy Act, 1932, New Construction)

Ships under Construction	Number of ships	Type	Shipyard	Gross tonnage	Estimated completion date	Estimated construction cost	Maritime Administration including national defense allowances	Owner	Estimated cost to owner
Title V—Merchant Marine Act of 1936.	1	C4-S-66a	Avondale Shipyard, Inc.	11,100	Oct. 1, 1967	$10,900,000	$5,400,000	Lykes Bros.	$5,500,000
"	5	C4-S-65a	Sun Shipbuilding and Drydock Co.	64,500	May 10, 1967	71,000,000	38,000,000	Grace Line, Inc.	33,000,000
"	3	C4-S-66a	Avondale Shipyard, Inc.	33,300	Dec. 1, 1967	33,100,000	18,200,000	Lykes Bros.	14,900,000
"	4	C4-S-66a	"	44,400	Mar. 17, 1967	43,100,000	23,300,000	"	19,800,000
"	5	C4-S-68a	Sun Shipbuilding and Drydock Co.	57,000	Feb. 20, 1968	62,700,000	33,200,000	U.S. Lines	29,500,000
"	5	C4-S-69a	Ingalls Shipbuilding Corp.	70,000	Jan. 26, 1968	69,900,000	37,600,000	American President Lines.	32,300,000
"	5	C3-S-76a	"	52,000	Aug. 16, 1968	53,800,000	28,800,000	Delta Steamship Lines	25,000,000
"	3	C4-S-73a	Bath Iron Works	39,000	"	40,000,000	21,700,000	American Export Isbrandt.	18,300,000
"	5	C4-S-69b	Avondale Shipyard, Inc.	70,000	Aug. 2, 1969	74,800,000	40,100,000	States Steamship Co.	34,700,000
"	3	C5-S-75a	Newport News Shipbuilding & Drydock Co.	46,500	Feb. 23, 1969	50,200,000	27,400,000	American Mail Line, Ltd.	22,800,000
"	1	C5-S-75b	"	15,500	May 24, 1969	17,300,000	9,100,000	Pacific Far East Line, Inc.	8,200,000
"	4	C5-S-78a	Ingalls Shipbuilding Corp.	57,600	Sept. 12, 1969	65,000,000	35,500,000	Mormac Lines, Inc.	29,500,000
Economy Act of 1932	1	S2-MET-MA62a	Aerojet-General Corp.	3,000	Sept. 16, 1966	7,100,000		Coast and Geodetic Survey.	7,100,000
"	2	S1-MT-MA63a	"	2,800	June 15, 1967	7,800,000		"	7,800,000
"	2	S1-MT-MA70a	Norfolk Shipbuilding & Drydock Co.	1,850	Feb. 6, 1967	5,100,000		"	5,100,000
"	2	S1-MT-MA71a	Jakobson Shipyard, Inc.	300	Nov. 15, 1966	1,850,000		"	1,850,000
"	1	S1-MT-MA72a	Aerojet-General Corp.	1,450	Apr. 28, 1967	4,500,000		"	4,500,000
"	1	S2-MT-MA74a	American Shipbuilding Co.	2,600	Nov. 24, 1968	8,600,000		"	8,600,000
"	1	C4-ST-67a	Lockheed Shipbuilding & Construction Co.	16,000	Aug. 31, 1966	16,200,000		Department of Navy—MSTS.	16,200,000
Total	54			588,900		642,950,000	318,300,000		324,650,000

APPENDIX X

NATIONAL DEFENSE RESERVE FLEETS

Dates (fiscal years)	Total ships in fleets	Dates (fiscal years)	Total ships in fleets
1945	5	1956	2, 061
1946	1, 421	1957	1, 889
1947	1, 204	1958	2, 074
1948	1, 675	1959	2, 060
1949	1, 934	1960	2, 000
1950	2, 277	1961	1, 923
1951	1, 767	1962	1, 862
1952	1, 853	1963	1, 819
1953	1, 932	1964	1, 739
1954	2, 067	1965	1, 594
1955	2, 068	1966	1, 327

APPENDIX XI

APPROVALS FOR TRANSFER FOREIGN

Approvals Granted, Pursuant to Secs. 9 and/or 37 of the Shipping Act, 1916, as Amended, of the Transfer to Foreign Ownership and/or Registry of Vessels of 1,000 Gross Tons and Over by Type, Number, Size and Age for Period July 1, 1965 Through June 30, 1966

	Pursuant to Sec. 9 (only)			Pursuant to Sec. 37 (only)			Total Secs. 9/37 (combined)		
	Number of vessels	Gross tons	Average age	Number of vessels	Gross tons	Average age	Number of vessels	Gross tons	Average age
U.S. privately owned:									
(a) Tankers	7	54,695	24.5	3	31,344	21.6	10	86,039	23.7
(b) Cargo	29	213,447	32.3	4	17,740	18.0	33	231,187	30.5
(c) Cargo passenger	3	28,543	22.0				3	28,543	22.0
(d) Miscellaneous	6	12,535	15.0	9	24,583	4.7	15	37,118	8.8
Total	45	309,220	28.1	16	73,667	11.2	61	382,887	23.6
Departure from U.S. port				4	5,600	22.0	4	5,600	22.0
U.S. Government-owned:									
Cargo	3	16,247	62.6				3	16,247	62.6
Total	3	16,247	62.6				3	16,247	62.6

APPENDIX XI—Continued

Recapitulation (by nationality) July 1, 1965, to June 30, 1966

	Sec. 9 (only)		Sec. 37 (only)		Sec. 9/37 (combined)	
	Number	Gross tons	Number	Gross tons	Number	Gross tons
U.S. privately owned:						
Nationality:						
Australian	1	2,529			1	2,529
British	4	22,967	2	4,100	6	27,067
Canadian	5	35,981	1	2,400	6	38,381
Liberian	17	133,254			17	133,254
Mexican	1	2,333	1	2,300	2	4,633
Panamanian	5	23,110	1	1,298	6	24,408
Saudi Arabian			1	4,803	1	4,803
Surinam			2	2,646	2	2,646
Total	33	220,174	8	17,547	41	237,721
Sale alien	12	89,046	8	56,120	20	145,166
	45	309,220	16	73,667	61	382,887
Departure from U.S. port			4	5,600	4	5,600
U.S. Government-owned:						
Sale alien for scrapping	3	16,247			3	16,247

APPENDIX XII

MARITIME LEGISLATION

[Fiscal year 1966]

Bill, 89th Cong.	Subject	MA Action	June 30, 1966, status
H.R. 4346	Amendment of Sec. 502, Merchant Marine Act, 1936, to extend the 55 percent maximum subsidy allowable on construction to June 30, 1966.	Maritime Administration prepared Department of Commerce report to Committee. Secretary of Commerce testified before House subcommittee and Administrator testified before Senate Committee.	On Aug. 14, 1965, the bill was signed and became Public Law 89–127.
H.R. 5989	Exemption of certain types of containers from coastwise laws.	Maritime Administration prepared favorable Commerce report for House Committee. Deputy Maritime Administrator testified before House Committee.	On Sept. 21, 1965, the bill was signed and became Public Law 89–194.
H.R. 4526	Amendment of Merchant Marine Act, 1936, to provide an extension of war risk insurance coverage for 5 years.	Deputy Maritime Administrator testified before House Committee and Senate Committee in favor of bill.	On July 27, 1965, the bill was signed and became Public Law 89–89.
H.R. 729	Amendment to Sec. 510 of the Merchant Marine Act, 1936, to provide for a redefinition of "obsolete" vessel to permit replacement when determined to be required by the Secretary of Commerce.	Maritime Administration prepared favorable report for Commerce for House Committee. Undersecretary for Transportation testified in favor of bill before House Committee. Deputy Administrator testified favorably before Senate Committee.	Passed House on July 12, 1965.
H.R. 728, S. 2069.	Amendment to Sec. 510(i) of Merchant Marine Act, 1936, to broaden vessel exchange provisions of act and extend them for 5 years to nonwar-built ships.	Maritime Administration prepared reports for Commerce to Committee. Administrator testified before House Committee. Undersecretary for Transportation testified before Senate Committee.	On Oct. 10, 1965, the bill was signed and became Public Law 89–254.
S. 2118	Providing for a clearer definition of the status of preferred mortgages.	General Counsel testified before House Committee. General Counsel testified favorably on S. 2118 as it passed Senate, before House Committee.	On Nov. 8, 1965, the bill was signed and became Public Law 89–346.
H.R. 2836, H.R. 6272, H.R. 19109, H.R. 10327, S. 1351, S. 2417, S. 3250, S. 3251, H.R. 15094, H.R. 15095.	Cruise legislation	Prepared Commerce unfavorable report to House Committee on H.R. 2836, H.R. 6272, H.R. 10109, and H.R. 10327. Prepared favorable Commerce report on H.R. 15094 and H.R. 15095 to House Committee. Administration testified against H.R. 2836, H.R. 6272, H.R. 10109 and H.R. 10327 before Senate and for S. 3250 and S. 3251	H.R. 10327 passed House Oct. 5, 1965.
S. 2858, H.R. 12591, H.R. 12624.	Amendment of Sec. 502, Merchant Marine Act, 1936, to extend 55 percent maximum subsidy allowable on construction to June 30, 1968.	Maritime Administration prepared a report favoring 1-year extension to House Committee for Commerce Department. Deputy Maritime Administrator testified in favor of 1-year extension before House and Senate Committees.	1-year extension passed Senate. 2-year extension passed House.
S. 2879, H.R. 12834.	Clarifies amendments to Merchant Marine Act, 1936, to extend life of certain vessels from 20 to 25 years.	Maritime prepared unfavorable Department of Commerce reports to House Committee.	

APPENDIX XII (Continued)

MARITIME LEGISLATION

[Fiscal year 1966]

Bill, 89th Cong.	Subject	MA Action	June 30, 1966, status
S. 2600, H.R. 11625.	Prevents vessels built or rebuilt outside the United States or documented under foreign registry from carrying cargoes restricted to vessels of the United States.	Maritime Administration prepared unfavorable Department of Commerce report to House Committee. Maritime Administrator testified before Senate Committee unfavorably. General Counsel testified unfavorably before House Committee.	
S. 3297, H.R. 15283.	Authorizes the carriage of military cargoes by U.S. flag vessels at reduced rates which are fair and reasonable thereby forcing Defense Department to use present methods of bidding rather than implementing new rules which would force competitive bidding.	Maritime Administration prepared unfavorable Commerce report to House Committee. Deputy Administrator testified unfavorably before House and Senate Committees.	
No bill	Shipping problems	Maritime Administrator testified before House Subcommittee on Merchant Marine.	
No bill	Maritime education and training	Maritime Administrator testified before House Merchant Marine and Fisheries Committee, Subcommittee on Manpower.	

FINANCIAL STATEMENTS

DEPARTMENT OF COMMERCE—Maritime Administration

Exhibit 1

Balance Sheet—June 30, 1966, and June 30, 1965 (note 1)

ASSETS	June 30 1966	June 30 1965
CASH AND FUND BALANCES (note 2)	$362,466,780	$317,708,333
ADVANCES:		
U.S. Government agencies	30,095	7,272
Others	1,900,399	24,476
	1,930,494	31,748
NOTES AND ACCOUNTS RECEIVABLE:		
U.S. Government agencies	15,382,580	1,707,509
Domestic firms and in ividuals	7,798,952	7,799,441
Foreign governments and nationals (note 9)	213,229	211,635
	23,394,761	9,718,585
Less allowance for losses	470,995	663,986
	22,923,766	9,054,599
ACCRUED INTEREST RECEIVABLE (note 3)	787,188	803,118
MATERIAL AND SUPPLIES (at cost or estimated cost)	1,065,592	1,425,251
INVESTMENTS—U.S. TREASURY SECURITIES	4,337,264	4,191,411
LOANS RECEIVABLE:		
Ship mortgage loans:		
Domestic firms and individuals	108,070,808	106,570,954
Foreign governments and nationals (note 9)	1,381,254	1,420,034
	109,452,062	107,990,988
Less allowance for losses	11,189,315	6,686,797
	98,262,747	101,304,191
JUDGMENT RECEIVABLE	------------	696,494
VESSELS UNDER CONSTRUCTION	58,920,206	43,140,311
FIXED ASSETS USED IN OPERATIONS (at cost, estimated cost or assigned amounts):		
Facilities and equipment	33,730,666	33,984,692
Less accumulated depreciation	15,354,314	14,989,663
	18,376,352	18,995,029
Land and improvements	8,508,645	8,422,129
Construction in progress	364,386	451,027
	27,249,383	27,868,185
ASSETS HELD PRIMARILY FOR MOBILIZATION PURPOSES (at cost, estimated cost or assigned amounts):		
Vessels	3,051,726,053	3,353,395,100
Less accumulated depreciation	2,887,910,880	2,972,505,517
	163,815,173	380,889,583
Facilities and equipment	72,536,607	80,362,300
Less accumulated depreciation	46,535,698	49,459,124
	26,000,909	30,903,176
Land and improvements	10,381,344	11,560,283
	36,382,253	42.463,459
Standby inventories	12,554,383	14,435,505
	212,751,809	437,788,547
OTHER ASSETS:		
Vessels held primarily for scrapping	384,206,235	449,531,615
Less allowance for losses	374,114,235	437,387,143
	10,092,000	12,144,472
Deferred charges:		
Unamortized Construction-Differential Subsidies	670,824,039	626,160,816
Other deferred charges and miscellaneous items	8,063,991	332,765
	678,888,030	626,493,581
Less allowance for losses	780,157	------------
	678,107,873	626,493,581
	688,199,873	638.638,053
	$1,478,895,102	$1,582,650,241

LIABILITIES

	June 30	
	1966	1965
Accounts Payable and Other Liabilities (note 4):		
U.S. Government agencies:		
Liability for vessels under construction	$58,674,657	$43,061,747
Advances and contributions	30,905,174	29,156,681
Accounts payable and accrued liabilities	3,353,693	324,059
Withholdings and contributions for Federal taxes	723,819	638,864
	93,657,343	73,181,351
Other:		
Accrued operating-differential subsidies (note 5)	105,490,570	117,094,016
Less estimated recapturable subsidies	953,516	74,295
	104,537,054	117,019,721
Amounts due shipbuilders for construction of vessels	18,149,786	19,290,214
Accounts payable and accrued liabilities	10,497,098	3,031,029
Deferred credits	5,324,985	125,223
Accrued annual leave	2,572,762	2,555,131
Vessel trade-in allowances payable	2,462,224	1,092,162
Deposits by contractors, and others	964,795	591,855
Withholdings for purchase of savings bonds and payments of State and local taxes	106,435	94,776
	144,615,139	143,800,111
	238,272,482	216,981,462
Funds Borrowed From U.S. Treasury by the Federal Ship Mortgage Insurance Revolving Fund	6,750,000	5,305,000
Equity of the United States Government (exhibit 3):		
Maritime Regular	1,199,236,337	1,328,333,822
Vessel Operations Revolving Fund	18,044,680	18,655,912
Federal Ship Mortgage Insurance Revolving Fund	12,915,696	9,839,656
War Risk Insurance Revolving Fund	3,675,907	3,534,389
	1,233,872,620	1,360,363,779
	$1,478,895,102	$1,582,650,241

The notes to financial statements are an integral part of this statement.

Exhibit 2

Statement of Operations for Years Ended June 30, 1966, and 1965 (note 1)

	Year Ended June 30	
	1966	*1965*
OPERATIONS OF MARITIME ADMINISTRATION:		
Net costs of operating activities (note 6):		
Reserve fleet program:		
Depreciation of reserve fleet vessels	$143, 142, 840	$154, 816, 640
Estimated loss from scrapping of obsolete vessels	25, 113, 995	15, 283, 656
Maintenance and preservation	5, 997, 865	6, 166, 204
	174, 254, 700	176, 266, 500
Maritime training program	4, 193, 768	3, 971, 880
Maintenance of reserve shipyards	586, 251	1, 218, 740
Operation of warehouses	207, 517	262, 280
	179, 242, 236	181, 719, 400
Direct subsidies and costs attributable to national defense:		
Estimated operating-differential subsidies (note 5)	174, 145, 691	212, 900, 772
Construction-differential subsidies	26, 828, 162	22, 432, 048
Cost of national defense features	1, 364, 429	1, 552, 136
	202, 338, 282	236, 884, 956
Administrative expense (note 6)	8, 656, 423	9, 426, 862
Research and development (note 6)	5, 931, 254	7, 791, 173
Uncapitalized expense incidental to ship construction	2, 188, 456	2, 835, 831
Financial assistance to State marine schools	1, 825, 706	1, 543, 004
	18, 601, 839	21, 596, 870
Other costs (—income):		
Depreciation on facilities and equipment not allocated to current programs	745, 392	1, 044, 725
Loss on sale of surplus material and scrap	145, 746	188, 714
Loss on sale of fixed assets other than vessels	24, 054	328, 386
Loss (—gain) on vessels sold	—64, 193	16, 977
Decrease in allowance for uncollectible accounts and notes receivable	—185, 667	—218, 256
Adjustments applicable to prior years	—529, 275	—3, 540, 749
Inventory and property adjustments	—757, 291	—454, 841
Interest earned	—3, 051, 587	—3, 447, 558
Miscellaneous (net)	—153, 411	—39, 800
	—3, 826, 232	—6, 122, 402
Net cost of Maritime Administration operations	396, 356, 125	434, 078, 824
OPERATIONS OF REVOLVING FUNDS (—net income or loss):		
Vessel Operations Revolving Fund	171, 564	—439, 762
War Risk Insurance Revolving Fund	—141, 518	—132, 999
Federal Ship Mortgage Insurance Revolving Fund	—3, 076, 040	—2, 992, 311
NET COST OF COMBINED OPERATIONS (exhibits 3 and 4)	$393, 310, 131	$430, 513, 752

The notes to financial statements are an integral part of this statement.

Exhibit 3

Statement of Equity of the U.S. Government for the Years Ended June 30, 1966, and 1965 (note 1)

	Year Ended June 30	
	1966	*1965*
Balance, Beginning of Fiscal Year	$1,360,363,779	$1,484,768,894
Additions:		
Funds appropriated by the Congress (note 7)	340,071,000	343,754,000
Property other than vessels transferred from others (net)	1,116,551	336,441
Contributions received for Chapel at U.S. Merchant Marine Academy, Kings Point, N.Y.	8,234	5,325
	1,701,559,564	1,828,864,660
Reductions:		
Net cost of combined operations (exhibit 2)	393,310,131	430,513,752
Payments into General Fund of U.S. Treasury	23,510,294	29,173,978
Vessels transferred to other Government agencies (net)	49,704,452	8,368,803
Unobligated balances of appropriations transferred to U.S. Treasury	1,162,067	444,348
	467,686,944	468,500,881
Balance, Close of Fiscal Year (exhibit 1)	$1,233,872,620	$1,360,363,779

The notes to financial statements are an integra part of this statement.

Exhibit 4

Statement of Sources and Application of Funds for Year Ended June 30, 1966 (note 1)

SOURCES:		
Funds appropriated by the Congress (note 7)		$340, 071, 000
Collections on mortgage loans receivable		11, 425, 908
Proceeds from sale of vessels owned		7, 336, 982
Borrowings from U.S. Treasury		5, 800, 000
Proceeds from sale of noncurrent assets other than vessels		1, 240, 257
Contributions received for construction of chapel		8, 234
Total funds provided		365, 882, 381
APPLICATION:		
Net cost of combined operations (exhibit 2)	$393, 310, 131	
Items considered in net cost of combined operations:		
Provision for depreciation	−145, 937, 380	
Amortization of construction-differential subsidies	−28, 873, 979	
Loss on disposal of noncurrent assets:		
Vessels	−20, 613, 802	
Other	−242, 807	
Increase in allowance for losses on loans receivable	−4, 502, 518	
Property adjustments	−1, 729, 331	191, 410, 314
Unamortized construction-differential subsidies		73, 537, 202
Payments into the General Fund of U.S. Treasury		23, 510, 294
Expenditures for mortgages and other loans		7, 754, 485
Repayment of borrowings from U.S. Treasury		4, 355, 000
Expenditures for construction or purchase of vessels		2, 259, 051
Unobligated balances transferred to U.S. Treasury		1, 162, 067
Expenditures for construction or purchase of noncurrent assets other than vessels		324, 385
Increase in investments—U.S. Treasury Securities		145, 853
Total funds applied		304, 458, 651
Increase in working capital		$61, 423, 730

Summary of changes in working capital for year ended June 30, 1966

	June 30 1966	1965	*Increase (−decrease)*
Assets:			
Cash	$362, 466, 780	$317, 708, 333	$44, 758, 447
Advances	1, 930, 494	31, 748	1, 898, 746
Notes and accounts receivable (note 9)	22, 923, 766	9, 054, 599	13, 869, 167
Accrued interest	787, 188	803, 118	−15, 930
Materials and supplies	1, 065, 592	1, 425, 251	−359, 659
Other deferred charges and miscellaneous items (net)	7, 283, 834	332, 765	6, 951, 069
Total	396, 457, 654	329, 355, 814	67, 101, 840
Liabilities:			
Accounts payable and other liabilities (note 8)	179, 597, 825	173, 919, 715	5, 678, 110
Working capital	$216, 859, 829	$155, 436, 099	$61, 423, 730

The notes to financial statements are an integral part of this statement.

Notes to Financial Statements—June 30, 1966 and 1965

1. The preceding financial statements include the assets, liabilities, income and expense of the Maritime Administration, the Vessel Operations Revolving Fund, the War Risk Insurance Revolving Fund and the Federal Ship Mortgage Insurance Revolving Fund, and also accounts maintained by certain steamship companies for vessels operated for the Vessel Operations Revolving Fund under General Agency agreements

2. Cash and fund balances consist of:

	1966	*1965*
Fund balances with U.S. Treasury:		
Operating funds	$320, 915, 977	$278, 887, 998
Trust and deposit funds	8, 427, 991	5, 887, 895
Allocations from other agencies	25, 922, 943	32, 409, 877
Cash in banks, on hand, and in transit	7, 199, 869	522, 563
	$362, 466, 780	$317, 708, 333

3. Accrued interest receivable:

	1966	*1965*
On ship mortgage loans:		
Domestic firms and individuals	$727, 934	$755, 154
Foreign governments and nationals	21, 180	4, 428
On other loans and investments	38, 074	43, 536
	$787, 188	$803, 118

4. The Maritime Administration was contingently liable under agreements insuring mortgages, construction loans, and accrued interest payable to lending institutions totaling $455,184,069 at June 30, 1966, and $414,599,464 at June 30, 1965. Commitments to insure additional loans and/or mortgages amounted to $30 million at June 30, 1966, and $6,991,940 at June 30, 1965. U.S. Government securities and cash of $51,-422, 978 at June 30, 1966, and $10,622,877 at June 30, 1965, were held in escrow by the Government in connection with insurance of loans and mortgages which were financed by the sale of bonds to the general public. There were also conditional liabilities for prelaunching War Risk Builder's Risk Insurance of $2,663,000 at June 30, 1966, and $4,210,974 at June 30, 1965. The Maritime Administration was also contingently liable for undetermined amounts in connection with settlements to be made under 99 claims against the Administration aggregating $19,384,011 at June 30, 1966, and 106 claims aggregating $22,543,369 at June 30, 1965. Based on previous experience, it is anticipated that settlements of these claims will be made for amounts substantially less than the gross amounts of the claims.

At June 30, 1966, and 1965 the U.S. Treasury held in safekeeping for the Maritime Administration $1,-135,000 and $2,970,000, respectively, of U.S. Government securities which had been accepted from vessel charterers, subsidized operators, and other contractors as collateral for their performance under contracts.

5. Operating-differential subsidies are paid subject to final adjustments at the end of the operators' recapture periods which are established by contracts generally as 10-year terms. The Administration was contingently liable for subsidies in the amounts of $130,401,293 and $125,816,601 at June 30, 1966, and June 30, 1965, respectively, which had not been paid because of estimated recapturable excess profits in the same amounts pending final accountings for applicable recapture periods.

6. Costs on the Statement of Operations are shown after deductions for revenue and reimbursements and include depreciation on facilities and equipment used in operations and on reserve fleet vessels held primarily for mobilization purposes.

Costs shown for the following programs include:

	Year Ended June 30			
	1966		1965	
	Depreciation	Revenue and reimbursements	Depreciation	Revenue and reimbursements
Maintenance and preservation of reserve fleet vessels	$486, 084	$411, 798	$725, 917	$103, 294
Maritime training program	293, 760	181, 661	390, 454	193, 224
Maintenance of reserve shipyards	1, 048, 644	705, 152	1, 505, 545	620, 393
Operation of warehouses	39, 672	93, 232	47, 817	19, 421
Administrative expense	89, 340	5, 659, 415	88, 763	4, 641, 769
Research and development	91, 648	------------	110, 311	------------

7. Congress has authorized the Maritime Administration, prior to the appropriation of funds, to enter into contracts for training of cadets at State Marine schools. At June 30, 1966, $2,313,646 of $2,333,818 of unliquidated obligations were unfunded, and at June 30, 1965, $2,283,200 of $2,327,738 of unliquidated obligations were unfunded.

8. Accounts payable and other liabilities shown on exhibit 4 exclude $58,674,657 at June 30, 1966, and $43,061,747 at June 30, 1965, which were offset against related costs for vessels under construction.

9. An unsecured receivable due from the Banco de Brazil amounting to $1,350,663 at June 30, 1965, was reclassified as a loan receivable and therefore excluded from working capital as of that date.

The Maritime Administration acknowledges the courtesy of the following companies for permitting use of their photographs: American President Lines, Ltd.; Grace Line; Lykes Bros. Steamship Co., Inc.; Matson Navigation Co.; Prudential Lines, Inc.; Sea-Land Service, Inc.; Trinidad Corp.; United States Lines; and also, the Coast and Geodetic Survey (ESSA).

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