
**UNITED STATES
MARITIME COMMISSION**

**REPORT
TO CONGRESS**

**FOR THE PERIOD ENDED
JUNE 30**

1942



UNITED STATES MARITIME COMMISSION

Office: Commerce Building

Washington, D. C.

COMMISSIONERS

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LETTER OF TRANSMITTAL

UNITED STATES MARITIME COMMISSION
WASHINGTON, January 1, 1943

TO THE CONGRESS:

I have the honor to present herewith the report of the United States Maritime Commission for the year ended June 30, 1942.

This report is submitted pursuant to section 208 of the Merchant Marine Act, 1936, as amended, which provides that "the Commission shall, at the beginning of each regular session, make a report to Congress, which shall include the results of its investigations, a summary of its transactions, its recommendations for legislation, a statement of all receipts under this act, and the purposes for which all expenditures were made."

In previous years the annual report of the Commission has covered a period ending on October 25. This has been changed in accordance with customary procedure of other Government agencies to terminate with the fiscal year. Pursuant to the authorization of Public Law 600 - 76th Congress, the printing of the report has been discontinued this year, and the original copy will be maintained in the records of the Commission.

As the need for additional legislation cannot be accurately forecast during the war period, the Commission is not in a position to submit any specific recommendation for legislation at this time. Such recommendations will be made to the Congress if developments make it necessary for the authority of the Commission to be amplified.

The accompanying report covers the activities of the Commission and of certain related activities of the War Shipping Administration in so far as it is necessary to provide a continuity of action for the period under review.

E. S. Land,

E. S. Land, Chairman

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INTRODUCTION

The transition of the United States to belligerent status on December 7, 1941, focused more sharply the attention of all our citizens on overseas transportation - a key problem in the defeat of the Axis powers.

While aircraft provides effective assistance, the major movement of men and material to the fighting fronts is dependent upon the vessels of our merchant marine. Without ships to transport them to a sphere of action, tanks, planes and guns may make production records but do not destroy the enemy.

Unlike most industries the conversion of shipping and shipbuilding activity to a wartime footing did not await the impact of war itself. For many months previous the merchant fleet had been engaged in the importation of strategic materials to stock the arsenal of Democracy and in the delivery of supplies to the anti-Axis nations. The shipyards too had accelerated their construction tempo to keep pace with the growing demands for more and still more tonnage on the remaining trade routes of world commerce and for the defense of the country. With the benefit of this experience over the period prior to the outbreak of the war, the Commission was in a position to intensify its shipbuilding efforts and to achieve a tightening control over the utilization of existing tonnage within a pattern already established and operative.

The true nature of the transportation problem became more apparent during the first few months when enemy thrusts threatened

✓ certain of our lines of communication and deprived us of the sources of important raw materials. Engaged in a ~~peripheral~~ war, our ships were forced to traverse attenuated lines of supply and to utilize ports and internal communication systems whose facilities were not designed to cope with the burdens imposed by wartime movements. This strain upon the merchant marine was accentuated immediately by the need for supplying auxiliary vessels to complement the program for not a two but a five-ocean Navy.

The shortage of ships has been described as the bottleneck which must be eliminated in order for our efforts to be successful. The truth of the statement can only be accepted in the light of many other limiting factors which are imposed by a global war. One of the most important of these is adequate protection for the vessels and the cargoes which they carry. The far-ranging activities of hostile craft present a constant hazard to the movement of vessels along the world sea lanes. Production without protection leads to destruction without delivery. While there has not been and never can be in an absolute sense sufficient shipping to comply with all military and civilian requirements, the merchant fleet to date has been adequate to transport the vital materials presented for loading at seaboard.

The ability of the Commission to provide the ships required traces back to the enactment by the Congress of the Merchant Marine Act, 1936. Under the terms of this legislation the Commission was charged with the responsibility of fostering a merchant marine adequate to serve as an auxiliary in our national defense and to transport a substantial portion of our waterborne commerce. While the

latter objective could be attained in part through the operating subsidy program whereby United States operators were paid the difference in cost of operation between American and foreign-flag vessels, the needs of national defense could only be met by new types of vessels and a revival of the merchant shipbuilding industry.

The foresight of the Congress in providing the instrument of policy whereby the Commission was enabled to lay the groundwork for the unprecedented volume of present construction has proven of inestimable value in our conduct of the war.

THE MERCHANT FLEET

Although the United States had on January 1, 1941, a merchant fleet of 1150 ocean-going vessels of 2,000 gross tons and over in size, aggregating 7,078,909 gross tons (approximately 10,500,000 deadweight tons) and occupied second position among world maritime nations, this merchant fleet was insufficient to handle the constantly increasing burden placed upon it by the withdrawal of the fleets of the nations engaged in the European war and by our own requirements for import of strategic and critical materials. The only course of action was to build new vessels and in the meantime, to divert to essential needs of the war program all available ships under American control.

The outstanding aspect of the employment of our ocean-going merchant marine in this twelve-month period has been the mobilization of our available tonnage to meet those most essential war needs.

In pre-war years, the coastwise and intercoastal trades had given employment to more than one-half of the active ocean-going merchant

tonnage under the American flag. In the endeavor by the Maritime Commission, and subsequently by the War Shipping Administration, to meet the need for additional tonnage on long oversea routes resulting first from national defense requirements and later, after the United States became a belligerent, from the war program requirements, vessels were withdrawn from these domestic trades. First to be depleted was the intercoastal trade, and thereafter the coastwise services, until by June 1942 these had been substantially reduced to a relatively small number of tankers principally engaged in carrying petroleum products to the North Atlantic Coast, and the cargo vessels fulfilling the essential service of carrying coal from the Hampton Roads area to northern coastwise ports.

Another resource of tonnage drawn upon to meet emergency requirements pending the large-scale delivery of new ships from the emergency construction program was the utilization of all available foreign flag tonnage. This included the tonnage of invaded and Axis countries immobilized in our ports, which was taken over by the Government, tonnage chartered from various United Nations registries and foreign flag vessels owned by American companies. By the end of June 1942, approximately one-sixth of the ocean-going tonnage under American operation consisted of vessels of other than American registry.

Serious inroads upon the available merchant marine tonnage were made in this period by demands of the military branches of the Government for additional auxiliaries. These depletions made it necessary to curtail sharply the tonnage employed in carriage of civiliar requirements.

Up to June 30, 1942, nearly 300 large merchant ships, aggregating in excess of 3,000,000 deadweight tons, in addition to many smaller craft, had been acquired from the Maritime Commission for the Army and the Navy. Many of these were the new high-speed vessels constructed under the Maritime Commission's long-range program, some of them having been acquired from operators who had recently put them in service while others, still under construction in the shipyards, were converted to the requirements of the armed forces.

The delivery of new vessels from the shipyards, however, has tended to offset these depletions in a greater degree each succeeding month, with the result that the merchant marine tonnage available on June 30, 1942, closely approximated that under American registry in commercial service at the beginning of 1941.

With the continued rapid increase in production by American shipyards in the latter part of 1942 and schedules calling for more than double that production in 1943, there is every indication that the American merchant marine will be in a better position to meet its obligations than at any other time since the outbreak of the European conflict in 1939. While it is hoped that tonnage will be sufficient to permit a greater movement of commodities affecting the civilian economy, the necessities of the war program would seem to preclude any immediate relief.

CONSTRUCTION PROGRAM

President Roosevelt in his annual message to Congress in January 1942 directed that certain objectives in the production of implements of war be attained during the year 1942. One of these objectives was

the construction and delivery of 8,000,000 tons of merchant shipping. This annual report covers the activities of the Maritime Commission during the fiscal year ending June 30, 1942, but it is the privilege of the Commission to report that the President's mandate was not only met but exceeded by the end of the calendar year: 746 ships of 8,090,800 deadweight tons were placed in service by December 31, 1942. This total does not include a number of vessels built for the military branches of the Government, nor 800 small craft. The composition of this Victory Fleet of 746 vessels is: 542 Liberty ships, 62 tankers, 62 of the Commission's long-range C type, 55 cargo ships for the British, 5 coastal freighters, 5 ore carriers and 15 vessels of special types.

Every world record for the construction of merchant ships was broken during 1942. The only period of shipbuilding activity with which comparison can be made was during the last World War when 5,500,000 tons were delivered during twelve months. This twelve-month period, however, was not completed until some time subsequent to the termination of hostilities. In June, 1942, the last month of the fiscal year, American shipyards delivered 66 vessels aggregating 731,900 deadweight tons. The best previous month of steel vessel production had been September 1919 when the peak of construction in the First World War was reached 10 months after the signing of the Armistice. During that month 618,886 deadweight tons were made available for service.

This record month during the fiscal year was over-shadowed during the remainder of the year until the climax was reached in

December 1942 when the rate of production had practically doubled with the delivery of just short of 1,200,000 deadweight tons.

Expansion of Facilities

The groundwork for the unprecedented expansion of shipbuilding capacity which has pyramided in the past couple of years to a degree beyond comprehension in time of peace was made ready in the earlier years of the Commission's existence. A survey of facilities available in 1937 revealed the existence of but 10 yards with 46 shipways in the United States capable of building ocean going vessels of 400 feet in length. Half of these ways were occupied by naval construction.

The adoption of the Commission's long range building program in the latter part of 1937 calling for 50 new ships a year for the next 10 years initiated the rehabilitation and expansion of the shipbuilding industry. Today the merchant shipbuilding program utilizes more than 60 shipyards having more than 300 ways for large vessel construction. This program involved not only the expansion of existing yards, but to a great extent the creation of shipways where none had existed before. The 20 new yards, most of which are engaged in building the Liberty vessel, or EC 2 Design, were fashioned out of waste lands, flats and other unused terrain. The total number of new shipways, including those provided for in existing yards, amounted to 243. They were built almost entirely under facilities contracts with the Commission. A detailed summary of the facilities program is set forth in Appendix D to this report.

This expansion was based upon the requirements of the nation for ships, first to implement our defense aid program and later to meet

our war needs. The time of construction in each of the yards has now been cut to such an extent that attainment of the new goals which have been established for merchant ship construction can easily be achieved with the facilities which exist. The limiting factor is no longer the shipway but the allocation of material and equipment to build the ship itself.

Liberty Ship

The principle factor in the great increase of production was the Liberty Ship program which was authorized under Public Law No. 5, approved February 6, 1941, and subsequently expanded under defense aid appropriations and national defense appropriations. The Commission adopted the Liberty Ship as a type of simplified design for emergency construction. It was viewed as a mass production assembly project. Having in mind the congestion caused during the last war by a heavy concentration of shipbuilding in yards such as Hog Island, the Commission spread its 18 new yards along the lengthy coast line of the United States. These Liberty shipyards account for approximately 65% of the total construction program.

The first group of EC-2 cargo vessels were delivered in December 1941, or less than 10 months after passage of the appropriation authorizing their construction. The average time from keel to delivery was 235 days. In June 1942, only 6 months later, 51 of the same type were delivered with an average construction time of only 122 days. This average was again cut in half during the following months so that by November 1942 the average time consumed in all yards from keel laying to delivery was 55 days. Although some yards have furnished

spectacular performances in delivering ships in two weeks or less in order to illustrate the possibilities of extensive prefabrication and pre-assembly, the Commission takes greater pride in the overall reduction in shipbuilding time which has been achieved by all of the yards.

There are many factors which make possible the production records currently being reached and surpassed by the shipyards in the United States. Of prime importance is the close cooperation of labor and management and the willingness to adopt new methods and new ideas while pledging themselves to eliminate slowdowns or stoppage of work. The morale in the yards, consequently, has been excellent and has played an important role. Some of the new methods employed by the shipyards which have contributed to the record-breaking performances are: extensive prefabrication, or the building of large sections of a ship before they are carried to the shipways; the increased use of welding instead of riveting, which conserves man power and material and provides a stronger ship construction in shorter time; and the adoption of assembly-line methods to the construction of the ship itself.

The Commission has adopted certain policies with the purpose of facilitating increased production in the shipyards. The standardization of design and elimination of changes, except those which would permit the greater use of less critical materials, offers the opportunity for an interchangeability as between the various yards so that a proper scheduling of material is facilitated. When temporary excesses of certain types of steel or equipment may have accumulated in

a certain yard, the close control exercised by the Commission makes possible their transfer to other yards which may be lacking just such material in order to complete a vessel.

This close control arises out of the centralized purchasing system established by the Commission. The materials and parts for the Liberty Ship vessels are manufactured in more than 800 plants located in 32 states. The flow of this material is guided by the Commission on the basis of the progress reports which it receives from all of the yards.

Another policy which has contributed a share to the sensational construction program is the adoption of training systems in cooperation with the various shipyards. More than 90% of the men and women presently employed have had to be trained for the jobs they now perform. Thousands of these workers had never seen a shipyard until they signed on for employment. Even with the training program, however, the job could not have been done had the old-time methods of the shipbuilding craft been maintained. It was essential that the individual job be simplified to enable each worker to attain the necessary skill in the shortest possible time.

Standard Vessels Program

Although the Commission's shipbuilding program has centered since December 1941 in the production of emergency cargo vessels, the original concept of rehabilitating the American merchant marine by introduction of modern, high-speed cargo vessels has not been retarded. In fact, the 500-ship program, originally destined to be fulfilled within a 10-year period, will have been completed by the end of 1943. Many

of the dry cargo vessels because of their speed and design, as well as many of the tankers being constructed by the Commission, have been made available to the military branches of the Government. The rapid increase in construction of these C-Design vessels has been made possible only by a parallel expansion of the manufacturing facilities for certain types of equipment, notably turbines, gears and pumps. It was the shortage of the essential propulsive and auxiliary machinery which made it necessary for the Commission to resort to the Liberty vessels, as well as the fact that mass production methods could not be applied so successfully to the more complicated C-Design.

Housing and Transportation of Shipyard Workers

The creation of shipyards on unused waterfront property with the consequent employment of many thousands of workers in areas which in most cases were sadly deficient in adequate living quarters and the normal services of community life imposed a severe burden on the location selected. In certain cities the addition of a new shipyard could be absorbed within existing facilities of the community. In others it was necessary to provide them from the ground up.

Severe shortages of housing facilities occurred in sixteen areas in which the Commission had shipyards. The most acute shortages arose in the communities where the emergency yards were established. Expanding production in certain of these yards, bringing the total payroll up to forty, fifty and sixty thousand new workers, could not be met without a large amount of new housing. The Commission was instrumental in arranging for National Housing Agency projects to be set up in these localities, and considerable progress has been made

during the course of the year. Actual completion for occupancy has been made difficult because of the shortage of critical materials. The primary objective of the Commission at this time is to obtain these materials in order that the existing construction may be completed and made available for the workers' use.

The National Housing Agency has authorized approximately one hundred thousand dwelling units of which about twenty-five percent are completed; another fifty percent are under construction and are partially available for occupancy, while the remaining twenty-five percent have been authorized but not yet built. In addition the Commission itself has sponsored the construction of a limited number of dwelling units in areas where housing conditions are acute. A total of twelve thousand five hundred sixty units have been authorized and are under construction.

Concomitant with the program for the construction of housing units in areas adjacent to shipyards the Commission has been instrumental in the improvement of local transportation to the yards from nearby cities. Early in 1942 the Commission undertook a survey of the transportation problem and emphasized the need for furnishing alternative methods of transportation to the automobile which was found was the major vehicle of communication. The pending shortage of rubber and curtailment of gasoline consumption emphasized the need for this precautionary move.

As a result of its survey various types of local transportation have been established or supplemented. In Portland, Oregon; the San Francisco Bay area; Mobile, Alabama; Baltimore; and Portland, Maine

ferry services have been initiated. In cooperation with existing railroad services a shuttle train operation has been established at Vancouver, Washington and Houston, Texas. The extension of existing electric railway lines at Richmond and Los Angeles, California permitted direct shuttle service to the yards located in these cities. As the use of private automobiles for transportation has gradually been curtailed, it has been necessary to provide additional transportation by bus. Operations of this nature for the transfer of shipyard workers have been organized at Portland, Oregon; Vancouver, Washington; Sausalito and Los Angeles, California; Houston, Texas; Pascagoula, Mississippi; Panama City and Tampa, Florida; Brunswick and Savannah, Georgia; and Wilmington, North Carolina. Extension of these services or the establishment of similar transportation facilities at other areas may well be required during the coming year.

ORGANIZATION

The membership of the Commission has undergone several changes during the past year. John J. Dempsey, whose appointment to the Maritime Commission was confirmed by the Senate on November 26, 1940, resigned on July 7, 1941. The vacancy created by his resignation has been filled by John M. Carmody, formerly Administrator, Federal Works Agency, whose appointment to the Commission was approved by the President on December 11, 1941. Rear Admiral Howard L. Vickery was elected Vice Chairman of the Commission on February 3, 1942.

The personnel of the Commission, including those subsequently transferred to the War Shipping Administration, increased during the year to 5743, of which approximately 3,000 are located in the field.

The major increase during the period took place in the field where it was necessary to augment the technical and financial staffs to supervise the construction of vessels in 61 shipyards with their rapidly expanding programs. A corresponding increase in the operating staff provided more effective control of vessel and cargo movements at the major ports of the United States. A further increase in the field staff occurred through a decentralization of the shipbuilding supervisory activities. As the new yards came into production it was found desirable to establish regional construction offices responsible for production in their respective areas. These offices are located in Oakland, California; New Orleans, Louisiana; Philadelphia, Pennsylvania; and Chicago, Illinois. The nucleus of these office staffs was formed by transfer of employees from Washington.

Direct comparison with the administrative personnel required to supervise construction in the First World War is not possible because of changes in the functions performed by the Government agency responsible for the construction program. The Maritime Commission is now carrying out many duties with respect to design, plan approval and purchase of material which were not undertaken in the last World War by the Emergency Fleet Corporation. Despite assumption of these additional activities, and despite the greatly increased volume of construction at the present time, the total administrative personnel is considerably less than that employed by the Emergency Fleet Corporation. At the end of 1918 when the earlier program had attained its peak there were over 8,000 persons employed by the Emergency Fleet Corporation as compared with the total of approximately 5500 employed

at the present time by the Maritime Commission to supervise a program delivering new ships at twice the earlier rate.

Under the Executive Order creating the War Shipping Administration many employees of the Maritime Commission were detailed temporarily to the War Shipping Administration pending their official transfer. In cooperation with the Bureau of the Budget, a division of functions and personnel has been evolved. This division had not been completed by the end of the fiscal year.

LEGISLATION

The two principal types of legislative activities affecting the Commission during the course of the year were appropriations and authorizations to finance the construction program and additional powers to cope with defense and war problems of vessel operation during the emergency.

The appropriations and authorizations of Congress, including Title II of the Second Supplemental National Defense Appropriation Act, 1942, the Fifth Supplemental National Defense Appropriation Act, 1942, and the Independent Offices Appropriation Act of 1943, furnished the sinews for construction of vessels and shipyard facilities under the Merchant Marine Act, 1936, and the First Supplemental National Defense Appropriation Act, 1942. These appropriations and contract authorizations gave substance to the successive increases in the construction program directed by the President, which rose from twelve million deadweight tons for the ensuing two years in December, 1941, to twenty-four million tons a few months later.

A separate additional appropriation of two hundred ten million dollars was made to increase the marine and war risk insurance fund to carry out the provisions of Insurance Sub-title of the Merchant Marine Act, 1936, and Public Law 101. A broad revision of the war risk insurance provision of the Merchant Marine Act, 1936, as amended, was made by Public Law 523, approved April 11, 1942, and this revision amplified the authority to provide marine and war risk insurance and re-insurance by extending the coverage for hulls, cargo, and seamen in the case of American vessels, and also for foreign flag vessels under the control of the United States, or engaged in commerce essential to the war effort or the domestic economy. Authorization was granted also to provide insurance at reduced or noncommercial rates insofar as such action was required in the interests of the war or domestic economy.

Various emergency enactments, including legislation relating to idle foreign vessels, purchase or charter of vessels for foreign commerce or national defense, ship warranties and priorities, negotiation and adjustment of construction and other contracts, war risk insurance, and the determination of construction subsidy differentials, were extended for the duration of the war and not more than six months thereafter.

The most important change in the authority of the Commission was brought about by Executive Order 9054, issued February 7, 1942, pursuant to the First War Powers Act, 1941, whereby the broad authority of the Maritime Commission with respect to acquisition, operation, maintenance, allocation, control, and insurance of the ocean-going

fleet was transferred to the War Shipping Administration. This Executive Order, in effect, split the former activities of the Commission into two divisions: the major activity of the Maritime Commission henceforth was the construction of ships, whereas their operation was delegated to the War Shipping Administration.

Among the many other statutes affecting operation of the Maritime Commission during this period one which deserves special mention is that which provides for decorations to be awarded by the Commission to persons in the American merchant marine who distinguished themselves by outstanding conduct or service in line of duty. The importance and danger of service in the merchant marine, particularly during the early months of the war, has not perhaps been fully appreciated. For many months the officers and seamen on United States flag vessels were, in fact, the first of our citizens to be engaged on the world battle-front. Their willingness and readiness to serve under existing conditions is a tribute to their courage and deserves the commendation of all our citizens.

RULES AND REGULATIONS

Under the general powers granted to the Maritime Commission by Section 202(b) of the Merchant Marine Act of 1936, as amended, various rules and regulations have been adopted from time to time to carry out the powers, duties, and functions vested in the Commission. These are issued in the form of General Orders and are published in the Federal Register.

An important series of orders issued by the Commission arose out of the closer control over waterborne commerce which the Commission

effectuated subsequent to the outbreak of war on December 7, 1941. These orders established a reduction in the time charter rates for both dry cargo and tank vessels in which the Commission would concur in the granting of warrants. As the rates provided for adjustment in compensation in accordance with speed of the vessels, an order was issued by the Commission setting forth a formula for the determination of sea speed.

Related to this was the adjustment of freight rates to approximate the scale of time charter rates. A principal factor in the determination of freight rates was the premium paid for war risk insurance. It was essential, therefore, that the Commission prescribe a basis for valuation of individual vessels for insurance purposes. Under the terms of this order permission was granted to the owner to carry additional insurance in excess of the valuation approved by the Commission, provided that such excess was not included in the determination of the freight rate.

The authority of the Maritime Commission to provide personnel for the expanding merchant marine was broadened during the period under review. A comprehensive set of regulations was established by the Commission covering three phases of the training program, i.e., the U. S. Maritime Service, the appointment and training of cadets and cadet officers, and the state maritime academies.

Persons desiring to practice before the Commission are required to submit applications fully setting forth their experience and qualifications. Originally an approved applicant was entitled to practice for a two-year period with the privilege of automatic renewal.

It had been the intention of the Commission to discontinue as of July 1, 1941, granting of financial aid for the operation of vessels over 20 years of age. It developed, however, in certain cases, that the rapid withdrawal of new vessels for service with the armed forces left available only old vessels to maintain service obligations of operating-differential subsidy agreements. Thus, to the extent that the war effort permitted continuance of any vessels in the operators' subsidized lines, the Commission consented to the payment of nominal rates of subsidy with respect to the over-age vessel operations to maintain the integrity of the operating agreements and the statutory benefits to the operators thereunder.

The subsequent requisition of use of the entire ocean-going fleet has made it desirable to seek from the Congress new legislation permitting the suspension of operating agreements for the period of the war. Such proposed legislation is exemplified in the pending bill, H. R. 7105.

Statutory Reserve Funds

There are set forth in Appendix I detailed statements as to the status on December, 1941, of the capital reserve and special reserve funds established by companies having operating-differential subsidy agreements under the provision of Section 607, Merchant Marine Act of 1936, as amended. These statements are based on audited figures except where otherwise indicated. In instances where they are not audited they are subject to adjustment at the time of the annual accountings for the calendar year 1941 by the Commission's auditors.

It is felt that the detail set forth in Appendix I makes it unnecessary to provide additional analysis with regard to either the capital reserve or special reserve funds.

TRAINING PROGRAM

The program for training personnel for the merchant marine has necessarily been greatly expanded to provide crews for a large number of new ships now under contract which are being delivered in increasing larger numbers. The program is conducted under authority of Section 216 of the Merchant Marine Act, 1936, as amended.

While this report covers the fiscal year ending June 30, 1942, attention is invited to the fact that certain changes have been effected in jurisdiction during that year and subsequent thereto.

From July 1, 1941 to March 1, 1942, jurisdiction was with the United States Maritime Commission. By Executive Order No. 9083 this was transferred on February 28, 1942 to the United States Coast Guard, and the training functions were carried on by the Coast Guard from March 1, 1942 to July 11, 1942 when by Executive Order No. 9198 the training functions were transferred to the Administrator of the War Shipping Administration. By agreement between the Administrator and the Commandant of the Coast Guard the complete transfer was not effected until August 31, 1942 on which date all Coast Guard personnel was relieved by merchant marine personnel. The functions have been operated since September 1, 1942 by the Administrator of the War Shipping Administration through a Division of Training established by him.

During the year this was changed to provide that all admissions to practice would terminate on June 30, 1944, at which time the list of registrants would be re-examined by the Commission. At present, 567 attorneys and 245 other qualified persons are listed on the register.

CONSTRUCTION-DIFFERENTIAL SUBSIDIES

Acquisition of auxiliaries for the armed forces was substantially facilitated by availability of vessels constructed under the Commission's long-range program for operation in essential trade routes. From the inception of the Merchant Marine Act, 1936, to June 30, 1942, the Commission had granted construction differential subsidies on 158 new vessels of its long range production program, 36 such grants having been made in the fiscal year under review. At June 30, 1942, 108 of these vessels were in operation and 50 were nearing completion. Of those the Commission re-acquired 68 for the armed forces, of which title to four was subsequently re-acquired by the subsidized operators. Thus, of the construction subsidy grants with respect to 158 vessels the net grant of construction differential subsidy applied to only 90 vessels at the end of the fiscal year. All of those remaining 90 vessels under private ownership have been, or will be upon their completion, requisitioned for use in the war effort as directed by the W.S.A.

The foregoing is illustrative of the wisdom of Congress in enacting Title V of the Merchant Marine Act, 1936, authorizing the Commission to grant aid up to 50 percent of domestic construction cost of vessels intended to augment the American merchant marine and to assure their availability to the Government in time of war or national

emergency. Operators availed themselves of the opportunity to replace their aging fleets at a cost to them comparable to foreign costs of construction. The building program was accelerated, financed in part by the private operators and in part by the Government. When the vessels are re-acquired as to title by the Government, the operator is reimbursed his share of the construction cost, depreciated to the date of transfer to the Government. The service, Army or Navy, accepting title to the vessel as an auxiliary pays the depreciated domestic construction cost thereof, including reimbursement to the Commission for its contribution to such cost, i.e., the construction-differential subsidy, less depreciation for the period the new vessel was operating on an established trade route.

OPERATING-DIFFERENTIAL SUBSIDY AGREEMENTS

There was no change in the composition of subsidized lines during the past fiscal year. Emergency conditions preceding and following the entrance of the United States into the war, however, seriously disrupted operations on the prescribed essential trade routes for the maintenance of which operating-differential subsidy has been granted pursuant to the terms of the twelve agreements in force under the authority of Title VI of the Merchant Marine Act, 1936.

During the several months prior to July 1, 1941, operations on most of the essential trade routes, as defined in the operating-differential subsidy agreements, produced substantially increased profits to the contracting operators. Negotiations for a readjustment of subsidy payments under the provisions of Section 606 of the Merchant Marine Act, 1936, were conducted and resulted in agreements

to eliminate subsidy on voyages commenced on or after July 1, 1941, except as to reduced subsidy on items of crews' wages.

Subsidized operations were curtailed in the latter part of the previous fiscal year and the curtailment accelerated during the period under review by the withdrawal of vessels from the established trade routes for purposes of national defense and the war effort. As against 751 voyages with accrued operating-differential subsidy (including inactive periods) amounting to \$13,061,301.06 in the fiscal year to June 30, 1941, there were 423 such voyages with accrued subsidy of only \$4,069,329.37 applicable to the fiscal year 1942 as set forth in the following tabulation:

Accrued Operating-Differential Subsidy on Voyages
and Inactive Periods, July 1, 1941 to June 30, 1942

	<u>Number of Voyages</u>	<u>Accrued Subsidy</u>
American Export Lines, Inc.	34	\$ 311,976.54
American Mail Line, Ltd.	15	228,074.35
American President Lines, Ltd.	17	927,066.01
American South African Line, Inc.	13	147,026.80
Grace Line Inc.	46	369,594.94
Lykes Bros. Steamship Co., Inc.	98	658,977.45
Mississippi Shipping Co., Inc.	33	133,473.16
Moore-McCormack Lines, Inc.	57	471,945.86
New York and Cuba Mail Steamship Co.	69	103,900.31
Oceanic Steamship Co.	6	153,109.62
Seas Shipping Co.	17	215,461.66
United States Lines Co.	<u>28</u>	<u>348,722.67</u>
Total	423	\$4,069,329.37

The rapid rate of reduction of subsidy is illustrated by the following breakdown into quarterly periods of the total subsidy accrual as above set forth:

Accrued Operating-Differential Subsidy on Voyages
Completed in Quarterly Periods July 1, 1941 -
June 30, 1942

<u>Quarterly Period</u>	<u>Accrued Subsidy</u>
July 1 - September 30, 1941	\$2,392,584.70
October 1 - December 31, 1941	1,046,492.27
January 1 - March 31, 1942	504,247.51
April 1 - June 30, 1942	<u>126,004.89</u>
Total	\$4,069,329.37

Aid to Vessels Over 20 Years of Age

Pursuant to Section 605(b) of the Merchant Marine Act, 1936, as amended, there is included in Appendix F a list of the vessels over 20 years of age for which an operating-differential subsidy has been paid during the period from July 1, 1941 to June 30, 1942. The payment of subsidy for over-age vessels has been granted by the Commission pending their replacement by new construction. For voyages commenced subsequent to July 1, 1941, payment has been limited to 1 percent of crews' wages.

In the normal course of events the replacement program would have been largely completed by the introduction into the service of the operators of new vessels contracted for pursuant to the Commission's long-term construction and replacement program. Many of the old vessels were actually replaced by new vessels which in turn were withdrawn from their intended service by requirements incident to the national defense program and the war effort. In order to assist the subsidized operators in maintaining the maximum of service requirements on essential trade routes the Commission concurred, as an emergency measure, in the continuation in such services of a number of old vessels previously scheduled for withdrawal.

A new merchant fleet consisting of nearly 2,500 vessels is now under construction by the United States Government. This is in addition to our present merchant fleet. These new ships require a complement of about 25,000 licensed deck and engineer officers, about evenly divided, and about 100,000 unlicensed seamen in the deck, engine, stewards and radio departments. While there are many experienced seamen now ashore in other occupations and while every effort is being made to induce these men to return to sea, the number who can be made available involves so many variable factors that provision has been made to train enough new officers and seamen to supply all needed.

The scope of the War Shipping Administration's program for training personnel for our merchant marine, which is conducted by its Division of Training under the supervision of Capt. Edward Macauley, Deputy Administrator, is as follows:

Merchant Marine Officer Training

United States Merchant Marine Cadet Corps - There are presently over 3,000 cadets in training to become officers under the Federal system. This number will be increased to 5200 by January 1, 1943. The course covers a period of 16 months, of which the first two months of preliminary training are given at basic schools at Kings Point, New York, Pass Christian, Mississippi, and San Mateo, California; then 6 to 8 months on active merchant vessels, dependent upon voyage time, and finally from 6 to 8 months advanced courses at the United States Merchant Marine Academy at Kings Point. Graduates are qualified to sit for licenses as Third Mates or Third Assistant Engineers. Cadets

are also enrolled as Midshipmen in the Merchant Marine Naval Reserve for which they must qualify before being appointed as cadets. They receive instruction in Naval Science as well as in all maritime subjects and are eligible for appointment as Ensigns in the Merchant Marine Naval Reserve upon securing their licenses as merchant officers but they remain in an inactive Navy status so long as they serve on merchant vessels.

Requirements for appointment to the United States Merchant Marine Cadet Corps are as follows: Unmarried citizens of the United States, native born or naturalized for at least ten years; between the ages of 18 and 23 years with overage allowance of one year for each year of college; high school education or its equivalent; good health and good moral character.

The training ships NENEMOOSHA, SEA LOVE, FELIX RIESENBERG and EMORY RICE are attached to the Academy and the NORTH STAR, ONEIDA and QUEEN OF THE FLEET to the Basic School at Pass Christian, Mississippi. A training ship will soon be added to the Basic School at San Mateo, California.

While in training the cadets are paid \$65 per month by the Government ashore and by the ship operators afloat. They are furnished with uniforms, textbooks, quarters, subsistence, and medical and dental care. While in port on merchant vessels, each cadet is examined by a Cadet Training Instructor and is assigned studies to be carried on at sea under the supervision of the ship's officers.

Approximately 6000 cadets of the United States Merchant Marine Cadet Corps are expected to qualify as Merchant Marine Officers in

the years 1942, 1943 and 1944. They will release officers now serving as Third Mates and Third Assistant Engineers for raise in grade to higher ranks, six months sea service being required for each raise in grade.

State Maritime Academies - There are five State Maritime Academies under Federal supervision operated with Federal aid. They are as follows: California Maritime Academy, San Francisco, California; Maine Maritime Academy, Castine, Maine; Massachusetts Maritime Academy, Hyannis, Massachusetts; New York State Maritime Academy, Fort Schuyler, the Bronx, New York; Pennsylvania Maritime Academy, Philadelphia, Pennsylvania.

There are approximately 1000 cadets now enrolled in the five State Maritime Academies which will graduate approximately 1500 officers in the years 1942, 1943 and 1944.

Requirements for admission to the State Maritime Academies are the same as for the United States Merchant Marine Cadet Corps except that they may be admitted at the minimum age of 17 years and 8 months. They receive approximately the same pay and allowances as the Federal cadets and their course of training covers the same period of 16 months but instead of being trained on active merchant vessels they take an annual training cruise of three months on school ships provided by the Government. The ships presently assigned for these cruises are the ALLEGHANY, GOLDEN STATE and KEYSTONE STATE. The State Maritime Academy cadets are also enrolled as Midshipmen in the Merchant Marine Naval Reserve in an inactive status, receive training in Naval Science and are eligible for appointment as Ensigns in the

Navy when they secure their licenses as Third Mates or Third Assistant Engineers.

Officers Schools of the United States Maritime Service - The United States Maritime Service trains officers up from the ranks, and new seamen for unlicensed positions in the deck, engine, stewards and radio departments. The officer schools are located at Fort Trumbull, New London, Connecticut and at Government Island, Alameda, California. At these schools, seamen with at least 14 months' sea service are given a four months' course to qualify them to sit for licenses as Third Mates and Third Assistant Engineers. While in training, they are rated as Chief Petty Officers, are paid \$126 per month and are furnished with uniforms, textbooks, quarters, subsistence, medical and dental care and the use of recreational facilities. These two schools have a present capacity of 4200 graduates per annum and this is being increased to 8000 per annum by January 1, 1943.

Engineer Officers from Approved Technical Colleges and with Machinist Experience - Students of approved technical colleges who have completed a three years' course and men with three years' experience in the machinist trade as apprentices, of which 3 months must have been spent in the construction, installation or repair of marine engines, are eligible to sit for licenses as Third Assistant Engineers after completing three months' service in the engine room of a merchant vessel as an unlicensed engineer. Such men are eligible for a one month's course at the United States Maritime Service Training Station at Hoffman Island, New York. They must be at least 19 years old. They are enrolled in the Maritime Service as Chief Machinist's

Mates and are paid \$126 while at the training station. Aboard ship standard wages are paid.

Refresher Courses - Experienced seamen whose licenses have expired and who wish to renew them and those who are eligible for raise in grade are eligible to take refresher courses of from four to six weeks at the Officers Schools at Fort Trumbull, New London, Connecticut and Government Island, Alameda, California. While at these schools they are rated as Chief Petty Officers and are paid \$126 per month.

Unlicensed Seamen Training

Deck, Engine, and Steward Personnel - The United States Maritime Service maintains four shore training stations for apprentice seamen at Sheepshead Bay, New York; Hoffman Island, New York; St. Petersburg, Florida and Port Hueneme, California. Negotiations are in progress with the Navy Department to remove the station from Port Hueneme, California, to Catalina Island, California, for the duration of the war, in order that the Navy Department may use the facilities of Port Hueneme. The following training ships are attached to these stations: AMERICAN SEAMAN, AMERICAN SAILOR, EMPIRE STATE, VEMA, JOSEPH CONRAD, TUSITALA, ALLEGHANY, BERKSHIRE, CITY OF CHATTANOOGA and the new Liberty ship, AMERICAN MARINER. 16,000 trainees can be accommodated at one time by these training units, so that potentially 64,000 men, less attrition, can be graduated each year. They receive a three months' course of training in the deck, engine and stewards departments. While in training apprentice seamen are paid \$50 per month and are furnished with clothing, quarters, subsistence, medical and

dental care. Engine department graduates are eligible for certificates as oilers, firemen and water-tenders. Deck men are certificated as ordinary seamen and are eligible to be examined for certificates as able seamen after serving three months on a merchant vessel. If they have already had 3 months' experience at sea before enrolling they are graduated as able seamen. Stewards department graduates are certificated as cooks, bakers or messmen. Standard established wages are paid aboard ship.

Radio Operators - At Gallups Island, in Boston Harbor, the Maritime Service operates a radio school which accommodates 1,000 trainees at one time. The course is being reduced from ten to six months and 2,000 radio operators can be turned out each year. While in training enrollees are paid from \$50 to \$66, depending on previous training, and are furnished with uniforms, quarters, subsistence, medical and dental care, and the use of recreational facilities.

Cooks and Bakers - Cooks and bakers are very essential to the welfare of seamen. A specialized school to produce them is established at Sheepshead Bay, New York. Cooks and bakers are also trained at each of the other training stations and on the training ships. While in training for three months, the enrollees are paid \$50 per month and are furnished with uniforms, quarters, subsistence, medical and dental care and recreational facilities. Aboard ship, standard established wages are paid.

Additional Training

The Commission also maintains visual signaling schools for merchant marine officers in the ports of New York, Baltimore, New Orleans

and San Francisco. This training is exceptionally important during emergency conditions when a great deal of communication cannot be used. To date, 1488 candidates certificates have been awarded for proficiency in expert signaling.

Extension or correspondence courses are available to merchant marine personnel while at sea. These courses are conducted for the Commission by the Coast Guard Institute at New London, Connecticut, which holds examinations of the enrollees. To date, 3185 members of the Maritime Service and 1244 additional seagoing personnel have been enrolled for these courses.

INSURANCE

The repeal of certain sections of the Neutrality Act on November 17, 1941, made a great change in the insurance activities of the commercial underwriters and of the Maritime Commission because it permitted vessels to proceed into waters where the danger of loss or damage from war activities was imminent. The Commission realized that it would undoubtedly be called upon to supply war risk insurance under the provisions of the Merchant Marine Act of 1936, as amended, and Public Law No. 101, 77th Congress, approved June 6, 1941, which authorized it to do so whenever it appeared to the Commission that adequate and satisfactory insurance could not otherwise be obtained at reasonable rates and upon reasonable terms and conditions. Early in December, 1941, the Commission created a Wartime Insurance Committee to set up the organization necessary for supplying insurance.

The large number of foreign flag vessels acquired by the Commission under provisions of Public Law No. 101 had the status of Government owned vessels and on these the Commission was a self-insurer both

with respect to the vessels themselves and other interests of the owners or charterers, such as the protection of the crew against loss of life and personal injury caused by war activities. These vessels were not insured with commercial underwriters, but in a few early cases the lives of the crews were so insured. All of this insurance was assumed without the formality of recording the premiums and setting them up in a special fund.

Many vessels were chartered by the Commission for Lend-Lease and other services on terms which provided that the Commission would supply and pay for the war risk insurance. A policy was adopted in regard to these vessels of permitting the owner to arrange commercial war risk insurance whenever it appeared that the cost of such insurance was reasonable and not in excess of the probable cost if the risks had been assumed by the Commission.

This policy permitted a large amount of insurance to flow through the regular channels of the commercial markets. However, as conditions changed, costs of such insurance increased rapidly, and it was decided to have the Commission assume all of these risks. These conditions made it more and more evident that the Commission would shortly be called upon to supply war risk insurance.

About January 1, 1942, the Wartime Insurance Committee began to underwrite war risks on privately owned vessels, but the volume of business was small. When the War Shipping Administration was created in February 1942, the Wartime Insurance Committee became the Division of Wartime Insurance of the War Shipping Administration, and all underwriting under the authority of the 1936 Act, as amended, and Public Law No. 101 was done by the new organizations. The Maritime

Commission continued to underwrite risks under authority of Section 10 of the 1920 Act until June 30, 1942, but this authority was exercised in only five or six cases where the commercial markets were not able to supply insurance in the amount required.

During the past few years the Commission has insured under authority of Section 10, Merchant Marine Act of 1920, as amended, a part of the protection on many of the vessels which were mortgaged to the Commission. As the underwriting activities of the Government have developed, the Commission has permitted its participation in many of these vessels to be transferred to the commercial markets. The distribution during the last five years over the three available markets of the insurance required by the mortgages on these vessels is shown in the following tabulation:

	<u>Fund</u> Percent	<u>American</u> Percent	<u>Foreign</u> Percent
Oct. 25, 1938	5.2	46.5	48.3
Oct. 25, 1939	6.4	46.2	47.4
Oct. 1, 1940*	16.8	50.48	32.72
Oct. 1, 1941	10.52	60.91	28.57
June 30, 1942	6.56	70.20	23.24

* The fund percentage is unusually high and the foreign percentage is unusually low because at the time three high-valued vessels were insured a large section of the British market could not be used as it had not made deposits in this country. If the fund could have been limited to its usual participation its percentage would have been 7.1 percent instead of 16.8 percent.

From the above figures it will be noted that a larger percentage of the insurance on these vessels is being placed with the American commercial underwriters. Their ability to handle this increased participation justified the efforts previously made by the Commission to increase the capacity of the American commercial market so that it is

able to handle the business proffered under present world conditions where steamship owners have shown preference for the security offered by the American market.

Shipyards Insurance

No insurance has been arranged on the shipyards built by the Commission or on the vessels constructed in them. However, on vessels constructed in private yards, insurance has been arranged to cover until delivery of the vessels to the Commission. Practically all of this insurance has been placed in the American market, the foreign market being used only where it was necessary to supplement the capacity of the American market, or where a material saving could be effected. In certain cases the Commission insured that part of the risk in excess of the capacity of the American and English commercial markets.

In the emergency shipyards the Commission has been influential in placing workmen's compensation, automobile and other forms of liability insurance. Every effort has been made to have this insurance arranged on a cost-plus basis whereby the contractors paid to the insurance carriers (1) an agreed percentage of the premiums to cover the insurance carriers' fixed charges, overhead, and the taxes chargeable to each contract, (2) the claims plus the loss expenses which are fixed at 12 percent of the claims actually paid. The cost of this insurance cannot under any circumstances exceed 90 percent of the manual rates as determined by the states in which the work is being done.

This cost-plus insurance plan has been installed in all of the emergency shipyards, except those located in a few states where the law requires that the insurance be placed with the state funds.

Wartime Insurance

Upon transfer by Executive Order creating the War Shipping Administration of the functions, duties, and powers of the Maritime Commission with respect to marine and war risk insurance, the Wartime Insurance Committee of the Maritime Commission continued to function under War Shipping Administration Administrative Order No. 1 of February 10, in the administration of insurance activities authorized under Public Laws Nos. 677, 101, and Section 10 of the Merchant Marine Act, 1936, as amended.

The functions of the Committee since it was formed on December 19, 1941, consisted substantially of general administration of war risk underwriting operations of the Commission, and subsequently, the Administration; collaboration with commercial underwriters writing war risk insurance in co-ordinating insurance provided by them, with the needs of the ship owners and of the Government under wartime conditions; advising vessel owners whose vessels were chartered for Government use as to insurance to be placed with commercial underwriters and the values to be so insured; reviewing war risk insurance costs submitted by ship owners for freight rate surcharges; advising generally on matters relating to war risk insurance including appearances before Congressional Committees on war risk insurance legislation, negotiations with the Reconstruction Finance Corporation as to scope of war risk insurance to be provided by that agency under the War Damage Insurance Act and consultations with the Maritime War Emergency Board on questions of crew war risk insurance.

The efforts of the Committee were directed largely at first toward stabilization of market rates for hull war risk insurance. To this

end, the Committee maintained its rates at levels prevailing at the inception of periods of intensified enemy activity in any area until investigation showed that the higher market rates were justified. To further stabilize hull rates, the Committee reached an understanding with commercial hull underwriters, whereby rates would remain constant for all vessel sailings within a given month. Prior to this, such rates were subject to change from day to day without notice, and inasmuch as war insurance costs constituted a substantial part of operating expense, a ship owner could not estimate with any degree of accuracy voyage expenses, nor could anticipated costs be determined for freight surcharge purposes.

The Committee's rate stabilization efforts diverted a substantial volume of war risk insurance from the commercial market to the Government. This shift was inherent under existing conditions and was not deemed to be in conflict with the long standing policy of the Maritime Commission to develop and foster an American commercial market for the insurance of marine risks.

The Committee continued to function until the appointment, by the Administrator, of a Director of Wartime Insurance in the office of the Assistant Deputy Administrator for Fiscal Affairs on April 7, 1942, who assumed direction of the insurance activities of the Administration from that date.

The enactment of Public Law 523, approved April 11, 1942, broadened the basis of the Administration's insurance activities by authorizing the writing of war risk insurance on a nominal or other rate basis when deemed necessary in the furtherance of the war effort, or the domestic economy of the United States. Before the end of the

fiscal year, it became apparent that the cargo war risk insurance on a nominal rate basis would have to be furnished for imported raw materials or commodities because of increasing pressure on price ceilings of such imports and on manufactured goods requiring substantial quantities of imported raw materials. Consultations in this connection with the Office of Price Administration were in progress during the last month of the fiscal year and before the close of the year the Administration was providing war risk insurance for petroleum and petroleum products at nominal or non compensatory rates.

Because of the heavy liabilities borne by the War Shipping Administration following requisition of the American merchant marine and assumption of war risk insurance on vessels so requisitioned, legislation was recommended to the Congress for an increase in the war risk insurance fund. By Act approved June 5, 1942, the appropriation for the fund was increased from forty million to two hundred fifty million.

Insurance Written

Insurance written by the Maritime Commission, and subsequently by the Administration for the period ending with June 30 totaled \$1,029,543,016.50 for a total premium of \$25,074,973.19. Losses incurred during this period totaled \$45,535,294.16. These figures include insurance written during June on petroleum products on a nominal rate basis in the amount of \$10,000,115.00 for a premium of \$30,799.90 with losses totaling \$1,274,097.16. These figures do not include assumption of war risks with respect to hulls and crews of vessels under time charter or requisition time charter to the Administration. These assumptions totaled \$528,825,420.00 for which

deposit premiums (subject to readjustment of \$31,362,246.09 was credited the insurance fund. Losses incurred under these assumptions totaled \$67,536,970.75 for the period covered by this report.

The Claims Section of the Division of Insurance, U. S. Maritime Commission was reorganized and established in New York on authorization of the Administrator during March, 1942, to facilitate the settlement of all claims arising under insurance written and risks assumed by the Administration. This Section is now a part of the War Shipping Administration organization and is under the direction and supervision of the Director of Maritime Insurance. To further expedite the settlement of the large volume of hull and cargo claims, the Administrator also authorized and approved agreements negotiated with commercial underwriters for the routine examination of such claims and submission to the Claims Office in New York of recommendations as to settlement.

Federal Ship Mortgage Insurance

During the fiscal year July 1, 1941, through June 30, 1942, three applications in the total amount of \$565,000 were submitted to the Commission for commitments to insure preferred ship mortgages on new vessels to be constructed under the provisions of Title XI of the Merchant Marine Act, 1936, as amended. Two of said applications, for \$400,000 and \$160,000, respectively, were approved during the period and commitments issued; the third, for \$65,000, was pending at the end of the fiscal year and subsequently approved.

The aggregate of commitments to insure and contracts of insurance issued from the enactment of Title XI to June 30, 1942, amounts

to \$3,190,000. Of this amount, eliminations to the extent of \$2,353,000 resulted from the cancellation, modification or lapsing of three commitments, including, during the fiscal year, the lapsing of one commitment for \$2,100,000 when the vessel, in connection with which the commitment was issued, was, upon completion, acquired by the Navy in the interest of national defense. A further commitment in the amount of \$400,000 was modified by reduction of \$188,000 when exigencies of national defense required curtailment of the construction contemplated when the commitment was issued.

Payments in reduction of outstanding insured mortgages have been effected in the total amount of \$208,553.24, including \$90,000.40 during the fiscal year.

As at June 30, 1942, the Commission's outstanding contingent liability with respect to commitments to insure and contracts of insurance in force amounts to \$5,628,116.76. Of this amount a commitment of \$212,000 is in respect to vessels under construction; the balance of \$5,416,116.76 is under definitive contracts of insurance covering vessels in operation.

Federal Ship Mortgage Insurance Fund Debentures

No Federal Ship Mortgage Insurance Fund debentures have been issued, nor has any default occurred under the insured mortgages.

As at June 30, 1942, the maximum amount of debentures contingently issuable is represented by the net amount of \$5,628,116.76 of commitments to insure and contracts of insurance outstanding. Of such amount \$5,316,116.76 represents the total of contingently issuable debentures at the approved interest rate of 2-3/4 percent,

with exemption from all taxation (except surtaxes, estate, inheritance and gift taxes) which may be imposed by the United States, by any territory, dependency or possession thereof, or by any state, county, municipality or local taxing authority. \$312,000 represents the amount of outstanding commitments to insure issued subsequent to February 28, 1941, with respect to which, under the Public Debt Act of 1941, debentures, if required to be issued, will be subject to Federal taxes. The rate of interest on such modified debentures has been tentatively fixed at 2 3/4 percent, subject to the approval of such rate by the Secretary of the Treasury.

Federal Ship Mortgage Insurance Fund

The balance in the Federal Ship Mortgage Insurance Fund as at June 30, 1942, amounts to \$535,503.40, an increase of \$7,243.40 since October 1, 1941, when the last report was made to the Congress. However, during the fiscal year July 1, 1941, to June 30, 1942, the increase in the Fund amounted to \$15,068.71, represented by the deposit with the United States Treasury of collections made by the Commission of \$7,950 for charges authorized by Section 1104 (d) of the Act and \$7,118.71 for premiums under Section 1104 (c).

LITIGATION AND CLAIMS

Investigation of all claims by and against the Commission is handled by the Office of the General Counsel. Conduct of the litigation of all cases is handled by that office, subject to supervision by the Attorney General of the United States.

During the fiscal year covered by this report 88 cases of the Maritime Commission, involving \$7,147,557.23, were litigated and

closed, the total amount paid being \$76,418.79 and the amount received \$52,371.62.

There were 164 cases involving \$29,912,222.63 on the docket on July 1, 1941. Added during the fiscal year were 56 cases involving \$3,456,264.58 and there were 132 cases involving \$26,220,929.98 pending on June 30, 1942.

Cases in litigation for other Government departments showed the following status:

On the docket July 1, 1941, were 46 involving \$863,835.46; added during the year were 15 involving \$783,582.11. There were 14 cases involving \$289,335.07 closed with \$35,551.95 paid and \$1,597.45 received in settlement. On June 30, 1942, there were 47 cases involving \$1,353,080.50 pending on the docket.

Claims pending but not in litigation for the Maritime Commission on July 1, 1942, numbered 25 involving \$20,813,164.41. During the year 68 were added involving \$292,958.78 and 13 involving \$6,017.99 were closed on which \$375.50 was paid and \$3,484.45 was received. Eight cases amounting to \$79,927,464.07 involving foreign governments have been dropped from the report because they are to be handled through diplomatic channels. Claims pending on June 30, 1942, totaled 72, involving \$1,172,641.13.

Claims affecting other Government departments but handled by the Commission's General Counsel totaled 20, involving \$24,576.35 on July 1, 1941. Twelve amounting to \$110,015.16 were added during the year and five involving \$109,636.16 were closed with payment of \$750. Claims pending on June 30, 1942, totaled 27, involving \$24,955.35.

REGULATORY FUNCTIONS

The Commission, during this fiscal year, exerted a more intensive and effective control of freight rates than that exerted last year in order to prevent a recurrence of the spiraling of freight rates which occurred in the last war. As indicated by last year's Annual Report, it was hoped that the desired result could be achieved by the voluntary action of the carriers. While the great majority of conferences and carriers showed a willingness to comply, their efforts were nullified by the few who endeavored to take full advantage of the situation.

It also developed that even those carriers which were trying to be cooperative were handicapped and embarrassed by the activities of owners who were chartering their ships to others and who were not subject to any statutory control as to the level of the charter rates. Because of the interdependence between charter and berth rates, it is practically impossible to control the level of one without a control of the level of the other. To meet the situation, the Congress passed the Ship Warrants Act which became effective July 14, 1941. This Act not only gave a measure of control over charter rates but also strengthened the Commission's control over berth rates. The passage of this Act and the adoption of the rules and regulations implementing the Act required a very wide extension of the tariff schedules previously on file with the Commission and a more extensive analysis and supervision of those schedules than had previously been required.

The energies of the Sections of the Division of Regulation were directed to carry out the policy of the Commission as above indicated.

Formal Docket

Three major investigations were made during the course of the year. In Practices, etc., of San Francisco Bay Area Terminals, 2 U.S.M.C. 588, the Commission, among other findings, reaffirmed its jurisdiction over State and municipally owned terminals, reduced free time periods and prescribed, as a reasonable practice, generally higher rate levels as minima for wharf demurrage and storage based on the cost of the service as shown by the record. Respondents were ordered to file their tariffs with the Commission. The State of California and other petitioners brought suit to enjoin the Commission's order in the District Court of the United States for the Northern District of California, Southern Division. (Cases No. 22000-R, 22002 L).

In Alaskan Rates et al., 2 U.S.M.C. 558, the general investigation of the rate structures, including proposed increases, of carriers operating in the Alaskan trade was completed. With few exceptions, the rates were found not unreasonable as a whole, based on the fair-value test. Special rates to large shippers and certain unjustified rate increases were condemned, unfiled tariffs covering services to irregular ports were ordered filed, and Alaska Steamship Company was admonished to cancel joint rail and water rates with Alaska Railroad and file water proportional rates with the Commission. These cases were reopened, 2 U.S.M.C. 639, not only to bring the record down to date, but to determine whether a surcharge of 45 percent was needed to cover additional war costs of operation. The basic rate structures of Alaska Steamship Company and Northland Transportation Company were found to be unreasonable; special rates to large

shippers were condemned; the surcharge was found unreasonable to the extent it exceeded 20 percent on rates to and from Southeastern Alaska, but not unreasonable on other traffic.

Surcharges were determined by formal hearing in four other trades. (See Surcharge Matson Navigation Co., 2 U.S.M.C. 622; Surcharge - U. S., Haiti and Mexico Services, 2 U.S.M.C. 625; and Surcharge Coastwise Bulk Coal Rates, unreported.) The surcharges were fixed to reflect the extra cost of war risk insurance, war risk crew bonus and cost resulting from increased length of voyage. The carriers were required to present detailed evidence to support their claim for surcharges. Insofar as possible, the basic peacetime rate levels were preserved, and the percentage increases, showing actual increased war costs, may be adjusted as such costs rise or fall. On February 7, 1942, by order of the President, the function of fixing surcharges, among others, was transferred to the War Shipping Administration.

New and novel questions were presented in the following cases:

In Schafer v Encinal Terminals, 2 U.S.M.C. 630, it was found that respondent's use of its terminal facilities in its railroad pool car business was not prejudicial or discriminatory against other cargo. In Long Beach Lumber Co., Inc. v. Consolidated Lumber Co., 2 U.S.M.C. 611, the Commission held that complainant failed to sustain his allegation that defendant terminal's employees refused to accord delivery of lumber to complainant who was being picketed by labor unions. In American Union Transport, Inc. v. "Italia" Societa Anonima Di Navigazione, 2 U.S.M.C. 553, the Commission decided that duties of

defendant carrier, under regulatory provisions of the Shipping Act, 1916, were not owed to complainant, a broker seeking reparation for brokerage and injury to its reputation as a broker, because of carrier's refusal to book shipments, upon complainant's request.

A terminal company was found to have violated Section 20 of the Shipping Act, 1916, in the San Francisco Bay Terminal case mentioned above. The company knowingly received, without shippers' consent, information concerning the billing of shipments which may have been used to the detriment of such shippers.

Schedules containing increased rates were suspended in four cases in which formal hearing was had. In Sugar Rates - Puerto Rico to Atlantic and Gulf Ports, 2 U.S.M.C. 620, and Terminal Rates at Seattle, 2 U.S.M.C. 660, the proposed increases were found not unlawful. But in Lumber Rates - Atlantic and Gulf Ports to Puerto Rico, 2 U.S.M.C. 636, the increases were found not justified without prejudice to establishment of a proper surcharge. Alaska Rates et al., supra.

In Rates, Charges and Practices of L. & A. Garcia and Co., 2 U.S.M.C. 615, the respondent, in not filing its rates, was found to have violated the rules prescribed in Section 19 Investigation, 1935, 1 U.S.S.B.B. 470. Also, by "brokerage" payments to shippers and by otherwise reducing freight rates, respondent was found to have violated Sections 16 and 17 of the Shipping Act, 1916. These violations were certified to the Department of Justice for prosecution.

One formal complaint was filed and 11 investigations instituted upon the Commission's own motion, in addition to the 8 cases pending

on June 30, 1941. Sixteen hearings were conducted and three proposed reports were issued. One oral argument was had. Thirteen final reports were issued, disposing of 17 cases. A complete list of cases decided, together with abstract of opinion, is shown in Appendix G. Four formal cases were pending on June 30, 1942. Four petitions were acted upon.

Special Docket

Two cases were disposed of under the special docket.

(A comprehensive index digest was prepared for Volume 1 of the regulatory decisions of the Commission and predecessor bodies. This book, containing reports issued between November 14, 1919, and November 23, 1938, will soon be ready for distribution by the Government Printing Office.)

Special Investigations

Special investigations, both in the field and by correspondence, were conducted in 10 cases. Two of these, involving speculation in steamship space and failure to file tariffs, resulted in formal investigations now pending. One resulted in the conviction and assessment of a fine against defendant in Federal Court for false billing in violation of Section 16 of the Shipping Act, 1916. Seven special investigations were instituted, eight were closed, and two are pending.

Interstate Filings

The jurisdiction of the Commission with respect to carriers by water engaged in interstate commerce is exercised for the most part over those carriers which are engaged in transportation between the continental ports of the United States and ports in the possessions and Territories of the United States, including Alaska, and between

ports in those Territories and possessions. Carriers engaged in this traffic are required by law to file their actual rates and are forbidden to make changes therein on less than 30 days' notice, unless the Maritime Commission gives special permission for shorter notice. In view of the fact that, after the entrance of the United States into the war, the ships engaged in this traffic were taken over and run for the account of the United States, numerous questions arose as to the application of these filing requirements to circumstances. The Commission adopted the policy, which was later also adopted by the War Shipping Administration, that the requirements of the law should be met with the same care as though the carriers were private individuals. The agents for the War Shipping Administration, therefore, are continuing their filings of rate schedules pursuant to the requirements of the Act and the War Shipping Administration is concurring therein.

During the period 491 tariff schedules containing the actual rates charged were received for filing. After examination, one was rejected for failure to comply with the notice requirements of the law, and 73 letters were written to carriers relating to errors in the schedules. 155 letters were written concerning tariff filings and circulars executed by carriers covering their operations. Under authority granted by the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, as amended, 51 special permission applications requesting the Commission to make changes in rates on less than statutory notice, or to modify the tariff requirements, were received; 48 were granted and 3 were filed without action.

Seven rate adjustments proposed by common carriers were protested by shippers or other interested parties. The Commission suspended the proposed changes in four of these cases in order to investigate the lawfulness thereof. The other three were filed without action because of subsequent withdrawal of the protests.

A total of 97 freight and passenger tariffs filed by 39 carriers of their agents, covering operations between ports in the United States and its Territories and possessions, remain under this jurisdiction.

The revision of the Commission's Tariff Circular No. 1, containing rules and regulations governing the publication, posting and filing of tariff schedules of water carriers operating between United States ports and Territories and possessions, is nearly completed.

War Surcharges

Subsequent to December 7, 1941, the Commission recognized that the war was imposing unusual and exceptional expenses, such as longer routings, delays, hull war risk insurance, insurances of crews and their effects, and crews' bonuses, upon carriers and over which they had no control. These expenses would vary in amount according to the particular trade involved. It was felt that these expenses could best be reflected in the form of surcharges, represented by specific percentages of the rates, to be superimposed thereon, rather than to increase the basic rates as such. This procedure would maintain fairly steady basic rates whereas the surcharges could fluctuate to meet changing situations caused by the war. The surcharges which have been authorized are listed in Appendix G-1 to this report

This surcharge procedure was also followed with respect to the carriers serving United States possessions and Territories. When the ships engaged in these interstate trades, however, were taken over by and operated for the account of the United States the War Shipping Administration, which had the jurisdiction over the operation of the ships, established uniform surcharges of 25 percent in all of these off-shore interstate trades except to Southeastern Alaska, where the surcharge was retained at 20 percent.

Agreements Filed under Section 15, Shipping Act, 1916

By Section 15 of the Shipping Act, 1916, carriers participating in agreements to control competition are exempted from the provisions of the Anti-trust Acts if their agreements have been approved by the Commission. This mechanism has proven to be most helpful during war-time conditions when it has been necessary to exercise a full measure of control over carriers by water, particularly those engaged in foreign commerce. Since the conclusion of the last war, many operators, as well as shippers, have recognized the advantages derived from the conference system, and even though the exigencies of the war have placed the area served by certain conferences under enemy control, these conferences have maintained their organizations in skeleton form after eliminating the alien memberships. The Commission has utilized the conference organizations to study and report on specific rate questions, to analyze complaints and to publish and file tariff schedules pursuant to orders of the Commission or the War Shipping Administration. The rate schedules built up as a result of rate experience have furnished valuable data to be used in the Commission's

determinations of proper maximum rate levels. By reason of the close association of the conferences with their individual members, they have provided a ready source of pertinent information with respect to operating costs, tonnage movements and practices and conditions prevailing in foreign ports, all of which are pertinent to determining rates at a proper level.

Upon the entrance of the United States into the war, the Commission acted promptly to effect the elimination of the nationals and their agents or representatives of any country at war with the United States from membership or participation in Section 15 agreements. The Commission's order dated December 11, 1941, resulted in terminating the participation of Axis carriers in 68 agreements and in the cancellation of 104 transshipment and other Section 15 agreements.

During the fiscal year 254 agreements, modifications and cancellations have been acted upon. As of June 30, 1942, 565 effective agreements were on file with the Commission, including 125 conference agreements, 20 pooling agreements and 10 agreements covering terminal rates and practices.

Terminal Operators

Section 1 of the Shipping Act, 1916, provides that the term "other persons subject to this act" means any person not included in the term "common carrier by water" carrying on the business of forwarding or furnishing wharfage, dock, warehouse, or other terminal facilities in connection with a common carrier by water, and such "other persons" are subject to the filing requirements of Section 15 of that act. Since terminal operators are a necessary adjunct to

overseas transportation, the practices of one have their effect on the practices of the other, and the regulation of terminal operators is necessary if carriers by water are to be regulated.

Terminal operators have acquired a better understanding of the regulatory provisions of the Shipping Act as a result of the Commission's formal investigations and reports in Docket 418 (In the Matter of Services, etc. of Carriers Engaged in the Eastbound Transportation of Lumber, 2 U.S.M.C. 143), Docket 481 (In the Matter of Wharfage Charges and Practices at Boston, Mass., 2 U.S.M.C. 245) and Docket 555 (Practices, etc., of San Francisco Bay Area Terminals, 2 U.S.M.C. 588). Docket 555 is discussed at greater length elsewhere in this report under the heading of "Formal Docket." These decisions have gone far to outline the extent of the Commission's jurisdiction and its authority to regulate terminal charges and practices.

During the year a number of terminal operators entered into Section 15 agreements for the purpose of eliminating destructive competition and unfair practices. These have benefited both carriers and shippers by the stabilization of terminal rates and charges. The parties to such agreements have filed tariffs covering free time and rates and charges for storage, wharfage, dockage, handling and related services. During the period 368 terminal tariffs were received for filing.

Foreign Rates and Surcharges

Subsequent to the passage of the above mentioned Ship Warrants Act, and effective August 1, 1941, the Commission prescribed a scale of maximum charter rates for United States and foreign flag dry cargo

vessels, ranging from \$4.50 per deadweight ton per month up to \$6.05, depending upon the size of the vessel. This scale did not apply to passenger liners, car ferries, sea-trains, refrigerator vessels, tankers or vessels under 2,500 tons deadweight. Owners and operators of vessels were requested to adjust their berth rates and other freighting arrangements to this charter scale plus additional reasonable allowances for such items as management overhead and profit and loss risks.

On August 22, 1941, the Commission prescribed a scale of maximum charter rates, ranging from \$4.50 per deadweight ton per month to \$6.50 on tankers of varying sizes.

On September 24, 1941, the Commission issued a further order fixing maximum charter rates for dry cargo vessels under 2500 tons.

On January 20, 1942, the Commission reduced the level of the above-named charter rates for both dry cargo vessels and tankers. Simultaneously it ordered an adjustment of all freight rates to the level in effect in the respective freight areas on September 1, 1940, unless some specific freight rate had been authorized since that date by the Commission or other public rate regulatory authority. The Commission at the same time advised that it would authorize the application of surcharges based upon percentages of the September 1, 1940, rates if and to the extent the steamship lines were able to show that these surcharges were necessary to cover increases since September 1, 1940, in war risk insurance items, crew bonuses, voyage times, and other operating expenses not assumed by an owner under time charter.

Rate adjustments under the foregoing directives were handled by the Commission until the War Shipping Administration was established by Executive Order dated February 7, 1942. A statement of the various actions taken by the Commission with respect to maximum freight rates and surcharges pursuant to these directives is appended as Appendix G-1.

The Maritime Commission, in the exercise of its regulatory functions under the Shipping Acts, has acquired an extensive file of rate schedules covering a period of many years. To assist the War Shipping Administration, as well as to avoid a break in these continuing rate files, arrangements have been worked out with the War Shipping Administration whereby the Maritime Commission will continue to be the official repository of all rate schedules, including those required to be filed pursuant to the Ship Warrants system. In many instances the necessity of making separate filings with both the War Shipping Administration and the Maritime Commission has thus been avoided. Under this arrangement the Commission reviews ship warrant applications and obtains from the carrier applicant's rate schedules conforming to the War Shipping Administration's maximum rate limitations. If these schedules do not conform to all requirements, the matter is taken up with the carriers and revisions of schedules are obtained; the War Shipping Administration is notified of the results so that ship warrants may be withdrawn or withheld if necessary.

The analysis of freight tariffs and traffic practices in connection therewith has continued and has led to the correction and adjustment of a number of individual rate matters in the public interest.

Substantial assistance has also been given the Board of Economic Warfare, War Production Board and other war agencies in various rate matters, and steadily increasing use has been made of the facilities of the Commission in the dissemination of rate data and information to other agencies of the Government.

During the year the following rate filings were made:

Schedules of freight rates filed pursuant to order in Docket No. 128	4,450
Schedules of freight rates filed pursuant to order in Docket No. 507	33
Other schedules of freight rates filed	<u>1,543</u>
Total	6,026

TRANSFER OF VESSEL REGISTRY AND SALES TO ALIENS

During the period covered by this report two factors affected materially the sale of American owned vessels and their transfer to foreign registry. The repeal of the Neutrality Act obviated the necessity for many such transfers and the involvement of the United States in war in December brought the entire American merchant marine into United Nations war service without the necessity of change of registry.

The American laid up fleet had been disposed of prior to this period so that the only vessels available for transfer to aliens would have to be withdrawn from essential domestic service. This was deemed inexpedient by the Commission under the circumstances with the result that few transfers were made after December.

The tabulations appended herewith cover in detail all phases of the transactions which require the approval of the Commission under Section 9 of the Shipping Act of 1916 and Section 37 of the same Act during the emergency declared to exist by the President in his proclamation of May 27, 1941.

Type, number, gross tonnage, average age of vessels approved by the Maritime Commission for transfer to alien ownership and/or registry and flag under Sections 9 and 37 of the Shipping Act, 1916, as amended, July 1, 1941 through June 30, 1942.

	<u>No.</u>	<u>Gross Tonnage</u>	<u>Average Age (years)</u>
1. Sailing Vessels, Schooners	8	6,545	48.7
2. Tugs and Barges	42	13,680	16.2
3. Pleasure Vessels, Yachts, etc.	29	2,446	19.2
(a) Motorboats (Undocumented of less than 5 net tons)	134	643	4.6
4. Tankers	16	84,840	20.6
5. Commercial Vessels under 1,000 gross tons (fishing vessels, motorboats, etc.)	17	4,331	23.8
6. Commercial Vessels over 1,000 gross tons (cargo, combination cargo passenger)			
(a) Subsidized (Proceeds reserved	-	-	-
(b) Non-Subsidized (for new constr.	-	-	-
(c) Non-Subsidized	31	138,692	26.6
(d) U.S.M.C. Vessels	-	-	-
Total	<u>277</u>	<u>256,177</u>	<u>13.9</u>
Redocumented under U. S. Laws	2	7,319	
Sale and/or Transfer not consummated	6	21,093	
Commercial Vessels over 1,000 gross tons. Subject to requisition under Section 902 M.M. Act, 1936	16	75,702	

Mortgage to Alien: ORBIS (ex SAVANNAH) 5,200 gross tons; Mortgagor - Orbis Steamship Corporation, New York, N. Y.; Mortgagee Woburn Trading Corporation, alien controlled domestic corporation, New York, N. Y.

Nationality, number and tonnage of vessels approved by the Maritime Commission for transfer to alien ownership and/or registry and flag pursuant to Sections 9 and 37 of the Shipping Act, 1916, as amended, July 1, 1941 through June 30, 1942.

	<u>Number of Vessels</u>	<u>Total Gross Tonnage</u>
Argentine	2	17,195
Bahamian	1	51
Brazilian	7	35
British	13	2,966
Canadian	27	14,559
Chilean	4	278
Costa Rican	1	58
Cuban	11	1,523
Dominican	1	280
Ecuadoran	8	302
French	2	17
Haitian	1	27
Honduran	9	12,656
Irish	2	11,209
Mexican	30	2,105
Newfoundland	7	12,797
Panamaian	36	132,485
Peruvian	10	1,836
Philippine	1	2,294
Salvadoran	1	5
Spanish	2	145
Swiss	1	74
Venezuelan	4	399
	<u>181</u>	<u>213,596</u>
Sale Alien Only	<u>96</u>	<u>42,531</u>
	<u>277</u>	<u>256,177</u>
Mortgage to an Alien	1	5,200

Additional approvals granted pursuant to Section 37 of the Shipping Act, 1916, as amended, for delivery by builders of vessels constructed for alien account and departures from a United States port, July 1, 1941 through June 30, 1942.

	<u>No.</u>	<u>Gross Tonnage</u>	<u>Nationality alien purchaser and/or contractor</u>
Commercial Vessels over 1,000 Gross Tons	<u>43</u>	<u>300,300</u>	British
Total	<u>43</u>	<u>300,300</u>	
Commercial Vessels under 1,000 Gross Tons	9	179	Bolivia
	3	29	British
	1	5	Ecuadoran
	12	276	Netherlands
	2	10	Newfoundland
	1	5	Venezuelan
Total	<u>28</u>	<u>504</u>	
GRAND TOTAL	<u>71</u>	<u>300,804</u>	

During the fiscal year ended June 30, 1942, there were 204 approvals by the Maritime Commission of the surrender of marine documents, pursuant to section 30, subsection O (a), Merchant Marine Act, 1920. During this same fiscal year 11 certificates were issued by the Commission, granting approvals required by section 30, subsection B-4, Merchant Marine Act, 1920. These are largely routine proceedings intended for the preservation of an accurate record of each documented vessel.

GOVERNMENT-OWNED VESSELS

The War Shipping Administration under the authority of section 902 of the Merchant Marine Act, 1936, as amended, which was transferred to it from the Maritime Commission by Executive Order, has requisitioned either for use or title virtually all ships under American flag or ownership. These vessels are operated in most cases by their former owner in the status of an agent of the Government. The new vessels constructed by the Maritime Commission are likewise transferred to the War Shipping Administration for operation during the war. Under present conditions, therefore, virtually all of the vessels of the American merchant marine engaged in overseas transportation are under the control, if not the ownership, of the United States Government. The disposition of these vessels cannot be reported at this time due to obvious military restrictions.

Reserve Fleet

During the period under review, the last 20 vessels in the Reserve Fleet were withdrawn from lay-up, repaired and placed in service by the Maritime Commission. The laid-up fleet surviving from the

First World War is, therefore, now closed out, but a skeleton force is retained at one site, Lee Hall, Virginia, for the purpose of performing maintenance on the floating equipment and pier and a watch service over equipment and material which will be kept in condition for immediate availability.

Foreign Flag Acquisitions

Subsequent to the outbreak of the war in Europe in September 1939, and after the invasion of Scandinavia and the Low Countries in 1940, a considerable number of foreign flag vessels were immobilized in ports of the United States and its territories and possessions. A total of 105 of these vessels have been taken over under Public Law 101 up to June 30, 1942. The nationality and size of these vessels are shown in the following table:

Foreign Vessels Requisitioned by the United States up to June 30, 1942, under Public Law 101

<u>Nationality</u>	<u>Number</u>	<u>Gross Tons</u>	<u>Deadweight Tons</u>
Danish	40	142,641	232,783
French	10	139,117	76,888
Italian	28	168,744	231,237
Finnish	17	55,213	80,387
German	3	14,096	22,182
Estonian	2	3,837	5,920
Rumanian	1	3,495	5,000
Dutch	1	3,492	5,292
Lithuanian	1	1,255	1,700
Swedish	1	20,067	9,340
Greek	<u>1</u>	<u>3,034</u>	<u>5,250</u>
Total	105	554,991	675,979

Maintenance and Repair

All of the foreign flag vessels taken over by the Commission under Public Law 101 required to a greater or less degree the performance of necessary repair work before being placed in operation.

The most extensive repairs were undertaken on the 31 Italian and German cargo and passenger vessels which were sabotaged prior to being taken over by the Government. Some idea of the magnitude of this work can be obtained from the cost of the program which averaged approximately \$300,000 per ship.

The repairs necessary to place in operation the remaining foreign flag vessels consisted mainly of drydocking, maintenance and classification of repairs and arming and degaussing. This was accomplished at an approximate average cost of \$100,000 per ship.

A further indication of the high cost of repairing vessels in time of war is furnished by the figures on the remaining 20 vessels in the Reserve Fleet placed in operation during the year. Under ordinary circumstances, these vessels would have remained inactive. The unrelenting pressure for ship bottoms made it imperative to place in operation every vessel capable of serving the transportation needs of the war. These 20 vessels were repaired and commissioned at a cost of approximately \$150,000 per vessel.

During the entire year ending June 30, 1942, over 5,000 vessels entered yards of the country for repair or conversion work. This is approximately equal to the entire tonnage of the prewar world and includes only those ships, both foreign and American, in excess of 1,000 gross tons. The average time of each repair job was 17 days.

Under the provisions of the Lend-Lease Act, the repairing, arming, degaussing, conversion and installation of convoy operating measures were authorized and completed on 1,250 vessels. Included in this program were the reconditioning and conversion of a number of former

passenger vessels into troop ships. With the entrance of the United States into the war, the problem of protecting our merchant ships for operation on the high seas became of vital importance. This program was undertaken immediately and continued throughout the course of the year. By June 30, 1942, approximately 1,300 ships had been armed and degaussed. The total expenditures for repair, reconditioning, conversion, arming and degaussing of the above vessels was approximately \$185,000,000.

TERMINALS

Results of operation of the terminal properties for the year ending June 30, 1942, are set forth in Appendix J to this report. Gross revenue derived from the Commission's terminal properties for the year ending June 30, 1942, decreased 9 percent under the similar period for 1941. At the same time, expenses decreased 18 percent and net revenue decreased 2 percent. The decrease of gross revenue and net revenue was due primarily to the return of the Boston Terminal to the War Department on March 1, 1942, and the allocation of a portion of the Norfolk Terminal to the Navy Department in May of 1941. It will be noted that these two terminals had a considerable decrease of gross revenue and net revenue while the Hoboken and Philadelphia Terminals show an increase in revenues.

By General Order No. 7, Supplement No. 1 of the War Shipping Administration, dated July 28, 1942, issued pursuant to Executive Order No. 9054, dated February 7, 1942, establishing the War Shipping Administration, the following properties were transferred from the

United States Maritime Commission to the War Shipping Administration:

(a) the property located in Hoboken, New Jersey, and commonly known as the Hoboken Terminal; (2) the property located in Norfolk, Virginia and commonly known as the Norfolk Army Base Terminal; and (c) the property located in Philadelphia, Pennsylvania and commonly known as the Philadelphia Army Base Terminal.

Boston Terminal - On January 30, 1942, the Secretary of War notified the Maritime Commission that the revocable Permit, granted by the Secretary of War to the United States Shipping Board (predecessor of the United States Maritime Commission) on May 2, 1921, for use and occupancy of certain portions of the Army Supply Base at Boston, Massachusetts, was revoked and requested the return of the premises not later than March 1, 1942. Pursuant to this action of the Secretary of War, the Maritime Commission terminated the leases with the Boston Tidewater Terminal, Inc., covering the operation of the Terminal, and with Demetrios Christodoulelis covering the operation of the restaurant building, effective as of midnight, February 28, 1942, and returned the premises to the War Department on March 1, 1942.

Hoboken Terminal - The Commission continued the direct operation of this Terminal during the past year. The only major change in its tenants was the termination of the lease with Campbell Stores, effective April 13, 1942, covering the occupancy of approximately 55,000 square feet of space in the upper level of the headhouse between Piers #1 and #3, and use as a bonded storage and storage warehouse. The termination of this lease was made for the purpose of eliminating

all storage in transit sheds and in order to keep the terminal liquid for the movement of cargo to and from ships.

Philadelphia Terminal - There has been no major change in the operation of this Terminal during the past year. The piers have been used extensively for the movement of Lend-Lease and other cargo in the war effort.

Norfolk Terminal - On June 16, 1942, the Maritime Commission gave up operation of the Norfolk Terminal and issued Permits to both the Army and Navy for its joint use in the war effort. These Permits gave the Navy the right to occupy all the land bounded by Hampton Boulevard, Main Street and North Street and gave the Army the right to occupy the balance of the Terminal with certain autonomous rights to the Navy for occupancy of all the property north of Warehouse #5, including Pier #2 and Warehouses #6, #7, #8, #9 and #10, the Permit for which was previously granted by the Maritime Commission on December 16, 1941.

Pursuant to the transfer of the Terminal to the Army and Navy, the Maritime Commission terminated, effective midnight, June 15, 1942, its lease and modifications thereof with Transport, Trading and Terminal Corporation, covering the operation of the premises.

UNITED STATES MARITIME ADMINISTRATION

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 1942

Account	Amount	Department	No. of Vessels	No. of Vessels	No. of Vessels
		D.M.A.	D.M.A.	D.V.F.	D.V.F.
General funds with Treasurer of the United States:					
General funds					
Emergency ship construction fund					
Allocations from defense aid appropriations					
Total funds	\$ 4,998,174.70				
Securities deposited with Treasurer of the United States	\$ 1,552,753.00				
Accounts receivable - less reserve for collection losses	60,553,927.72				
Notes receivable - less reserve:					
Secured by mortgages on vessels:					
Construction loans, U.S.M.F.C. (prior to M.M. Act 1940)	38,094,863.50				
Ship sales, U.S.M.C. (M.M. Act 1938)	22,458,064.22				
Miscellaneous	17,010,542.70				
Miscellaneous securities	6,302.00				
Contracts for sale of vessels (accrued balances on estimated completions to June 30, 1942, on vessels under construction - Title V)	40,754,482.38				
Vessels under construction (Title VII) (estimated completions to June 30, 1942)	38,277,546.34				
(1) Vessels and floating equipment at book values:					
Liberty vessels (EC 2) completed and under charter by United States Maritime Commission as at June 30, 1942	5,989,849.32				
Stores, supplies and equipment	4,775,320.64				
Terminals at nominal value	1.00				
Housing, shipyards and other real estate properties, at appraised value	1,708,225.00				
Ground rent estate - Hop Island	1,750,000.00				
Deferred charges and prepaid expenses	410,174,066.24				
Total	\$ 1,071,794,071.66				
	\$ 38,277,546.34				

Note (1): Under authority of Executive Order No. 6784, issued February 7, 1942, the War Shipping Administrator by September 7, 1942, determined that the following records and public property was deemed necessary to the full exercise of his functions and duties prescribed by said Executive Order:

(1) All vessels now owned by the United States of America, represented by the United States Maritime Commission, and all records concerning the same or pertaining thereto, except (a) any vessel constructed pursuant to Title V or Title VII of the Merchant Marine Act 1936, as amended, which the United States Maritime Commission will have contracted to sell to an applicant upon its completion, and (b) any vessel constructed with funds made available to carry out the purposes of Public Law Number 11 - 77th Congress, for disposition by the Government of any country whose defense the President deems vital to the defense of the United States.

Accordingly, the books of the Maritime Commission were adjusted, effective March 1, 1942, to reflect the transfer of 62 vessels, valued at \$11,717,448.27 from the War Shipping Administrator and 20 vessels at \$29,781,548.76 from Emergency Ship Program to the books of the War Shipping Administration. The Statement of Assets and Liabilities as at June 30, 1942 of the War Shipping Administration includes the valuation of the vessels so transferred. The Control Account with War Shipping Administration carried on books of the Maritime Commission includes charges represented by these transfers. Control Account on books of War Shipping Administration includes credit to the Maritime Commission for these transfers.

UNITED STATES MARITIME COMMISSION

APPENDIX A

ASSETS AND LIABILITIES AS AT JUNE 30, 1942

<u>Liabilities</u>	<u>Long Range Program</u>	<u>Emergency Ship Program</u>	<u>Defense Aid Program</u>	<u>Total</u>
Accounts payable	\$	1,247,622,953.78	118,991,750.61	1,447,519,530.29
Deposits on sales and other contracts	7,639,637.91	72,000.00	80,904,815.90	7,911,677.91
<u>Reserve for payment of claims:</u>				
Claims under protection and indemnity insurance policies issued by former United States Shipping Board	125,000.00			
Claims under protection and indemnity insurance policies on vessels engaged in operation of American citizens from the war zone	57,097.94			
Unclaimed wages, salvage awards and unused passenger tickets	<u>116,953.11</u>			298,751.05
<u>Deferred credits:</u>				
American Mail Line, Ltd. credit to apply to construction of new ships, selection not presently made	1,019,483.04			1,019,483.04
<u>Excess of assets over liabilities</u>	<u>2,028,157,227.42</u>	<u>174,005,421.65</u>	<u>723,904,566.38</u>	<u>3,127,704,465.24</u>
<u>Total</u>	<u>3,285,738,863.20</u>	<u>174,517,182.00</u>	<u>804,899,782.48</u>	<u>4,584,444,057.53</u>
<u>Commitments:</u>				
Estimated liability for ship, plant and other facilities construction beyond June 30, 1942, based upon contracts and awards to June 30, 1942	3,576,291,299.20	174,517,182.00	393,948,430.00	4,144,756,911.20
Gross liability	<u>360,923,488.11</u>			<u>360,923,488.11</u>
Estimated amounts to be recovered from purchasers through sales of vessels	<u>3,215,367,810.47</u>	<u>174,517,182.00</u>	<u>393,948,430.00</u>	<u>4,173,833,422.47</u>
<u>Net liability</u>				<u>1,928,386,591.73</u>
<u>Contingent liabilities:</u>				
Claims pending in litigation, or asserted against the U.S. Maritime Commission as successor to its predecessor, the United States Shipping Board Merchant Fleet Corporation	5,427,580.35			5,427,580.35
Pending in the Court of Claims	<u>1,226,520.00</u>			<u>1,226,520.00</u>
Common law claims				
<u>Federal ship mortgage insurance funds:</u>				
Contracts (Balance due)	1,216,116.76			1,216,116.76
Commitments	<u>4,412,000.00</u>			<u>4,412,000.00</u>
<u>Total</u>	<u>5,628,116.76</u>			<u>5,628,116.76</u>

UNITED STATES MARITIME COMMISSION

APPENDIX A-1

SUMMARY OF INCOME AND EXPENSES AND CHARGES

APPLICABLE TO THE PERIOD JULY 1, 1941 TO JUNE 30, 1942

Construction Fund (69X0200)

Income:

Charter hire - net	\$ 4,171,628.73
Real estate and terminal revenues - net	450,845.00
Interest earned	1,967,103.79
Excess profits on construction contracts and sub-contracts	4,272,806.83
Miscellaneous	<u>58,202.96</u>
Total income	<u>10,920,587.31</u>

Expenses and Charges:

Operations of vessels (including "Spot" vessels expense and repairs) - net	11,260,051.01
Laid-up fleet expense - net	31,882.78
Expenses of United States Maritime Service and cadet training	9,130,299.70
Construction differential subsidies	58,487,881.28
Operating differential subsidies	4,069,329.37
Depreciation and revaluation of vessels - net	3,700,622.27
Expenses of requisitioned and seized foreign vessels	5,507,826.67
Miscellaneous charges	3,560,685.85
Defense features expenses	9,553,434.36
General administrative expenses:	
Salaries and wages	\$ 4,464,795.50
Fees and expenses for outside services	141,604.26
Traveling expense and transportation	261,754.71
Rent, heat, light and power	38,659.17
Communication expenses	185,460.02
Office supplies, stationery and printing	432,659.43
Miscellaneous	219,482.54
Maintenance of office equipment	3,792.19
Equipment	<u>895,800.00</u>
Total expenses and charges	<u>6,644,007.82</u>
	<u>111,946,021.11</u>

Excess of expenses and charges over revenue applicable to the period July 1, 1941 to June 30, 1942

\$ 101,025,433.80

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(APPENDIX B)

APPROPRIATIONS, TRANSFERS, COLLECTIONS, AND DISBURSEMENTS.

OCTOBER 26, 1936, TO JUNE 30, 1942

Sheet 1

	Oct. 26, 1936 to June 30, 1938	July 1, 1938 to June 30, 1939	July 1, 1939 to June 30, 1940	July 1, 1940 to June 30, 1941	July 1, 1941 to June 30, 1942	Total
Construction Fund, United States Maritime Commission, Act of June 29, 1936, Revolving Fund, and Miscellaneous allotments						
Collections:						
Construction-loan notes receivable	3,923,313.89	1,138,268.55	1,219,825.73	2,453,622.56	1,722,126.06	10,457,156.79
Ship-sales notes receivable	3,778,688.24	393,559.26	6,790,437.05	21,171,585.87	12,059,037.70	44,193,308.12
Miscellaneous notes receivable	878,845.86	627,586.94	496,462.94	46,270.12	101,479.24	955,411.11
Interest on notes receivable, interest on deferred payments of insurance premiums, etc.	336,597.21	36,337.99	321,293.42	5,548,040.15	11,158,115.91	18,312,887.89
Cash payments on sales of vessels	16,568,832.87	8,340,612.17	6,742,397.96	253,706.06	-0-	31,905,749.06
Sale of other assets	1,075,841.64	668,667.00	771,492.68	1,050,562.81	885,710.42	4,452,274.55
Charter hire revenue	489,734.03	293,295.77	792,116.01	1,838,561.28	1,042,533.19	4,456,240.28
Operation of vessels revenue	69,528.38	307,861.14	4,358,427.90	18,839,671.04	13,836,527.92	37,412,016.38
Real estate rentals	601,367.59	-0-	-0-	-0-	-0-	601,367.59
Insurance premiums, loss recoveries, etc.	-0-	-0-	-0-	-0-	-0-	6,538,188.94
Construction progress collections	-0-	6,413,901.00	4,229,976.14	81,878,579.95	63,241,939.60	155,764,396.69
Receipts in liquidation of receivables arising out of ocean-mail settle- ment agreements	2,437,428.97	253,051.36	664,829.41	3,058,235.26	2,944,131.58	9,257,776.58
Recapture of excess profits on construction contracts	52,632,992.49	29,421,140.93	33,741,328.89	157,206,109.10	135,657,224.79	407,658,796.20
Sale of tankers and vessels to U.S. Navy and U.S. War Department	3,596,804.59	3,026,642.50	3,779,645.16	4,603,660.09	7,226,751.08	22,233,503.42
Miscellaneous	18,188,465.16	10,158,332.48	6,070,389.47	578,197.71	-0-	34,995,384.82
Total Collections	681,142.33	3,391,210.01	703,252.50	6,455,776.39	9,004,575.14	20,235,986.37
Disbursements:	547,164.27	415,202.87	478,984.75	280,221.01	272,381.13	2,233,954.03
General administrative expenses	878,126.46	192,646.20	312,111.14	689,764.28	897,272.05	2,969,920.13
Operation of vessels expense	4,030,618.10	7,742,789.79	10,241,080.47	11,285,072.07	7,611,567.43	40,911,127.86
Inactive and laid-up vessels expenses (including repairs)	1,297,422.00	31,981,506.78	105,740,295.40	141,856,069.38	293,127,245.22	574,002,538.78
Real estate operations, repairs, and betterments	16,663,361.49	912,539.13	-0-	-0-	-0-	17,575,900.62
Insurance losses, returned premiums, etc.	-0-	2,705,426.12	3,421,149.01	4,119,165.26	36,369,829.50	46,615,569.89
Operating-differential subsidy payments	-0-	2,324,274.16	4,650,970.45	25,575,873.77	12,992,487.83	45,543,606.21
Construction progress payments	-0-	-0-	-0-	-0-	-0-	7,700,706.52
Foreign ocean-mail contract payments and settlements	-0-	-0-	-0-	-0-	-0-	29,721,181.46
United States Maritime Service, cadet training, and other seamen's training expenses	-0-	-0-	-0-	-0-	-0-	75,877,207.35
Payment to owners to cover vessels acquired for transfer to War and Navy Dept.	-0-	-0-	-0-	-0-	-0-	742,725.95
Charter hire expense	-0-	-0-	-0-	-0-	-0-	191,798.36
Payments for acquisition of vessels for U.S. Maritime Commission	-0-	-0-	-0-	-0-	-0-	3,175,000.00
Facilities contract payments	-0-	-0-	-0-	-0-	-0-	3,175,000.00
Transfers to other U.S. Maritime Commission appropriations	-0-	-0-	-0-	-0-	-0-	145,090,000.00
Agency agreements - operating expense	-0-	-0-	-0-	-0-	-0-	16,758,960.95
Partial deposit for requisitioned Danish vessels	-0-	-0-	-0-	-0-	-0-	125,000,000.00
Transfers to War Shipping Administration	-0-	-0-	-0-	-0-	-0-	4,283,500.00
Transfers to other government agencies	-0-	-0-	-0-	-0-	-0-	6,886,831.26
Transfers to Emergency Ship Construction Fund	-0-	-0-	-0-	-0-	-0-	1,230,394,378.09
Advances to contractors (Executive Order No. 9001)	2,479,672.89	2,830,791.61	611,951.32	1,726,558.26	782,930,021.26	1,230,394,378.09
Miscellaneous	48,362,777.29	65,681,391.65	136,009,829.67	197,410,358.22	782,930,021.26	1,230,394,378.09
Total Disbursements	48,362,777.29	65,681,391.65	136,009,829.67	197,410,358.22	782,930,021.26	1,230,394,378.09

(APPENDIX B - CONTINUED)

	Oct. 26, 1936 to July 1, 1938	July 1, 1938 to June 30, 1939	July 1, 1939 to June 30, 1940	July 1, 1940 to June 30, 1941	July 1, 1941 to June 30, 1942	Total
Construction Fund, United States Maritime Commission, act of June 29, 1936, Revolving Fund, and miscellaneous allotments - Continued						
Summary of "Construction fund" and miscellaneous allotments:						
Total appropriations - construction fund and miscellaneous allotments	105,104,689.51	4,100.00	100,009,000.00	144,505,500.00	2,360,650,000.00	2,710,273,289.51
Collections	55,632,992.49	25,421,140.93	33,741,328.89	157,206,109.10	135,657,224.79	407,658,796.20
Total appropriations, allotments, and collections	160,737,682.00	25,425,240.93	133,750,328.89	301,711,609.10	2,496,307,224.79	3,117,932,085.71
Total disbursements	48,362,777.29	65,681,391.65	136,009,829.67	197,410,358.22	782,990,021.26	1,230,394,378.09
Excess of receipts or disbursements	112,374,904.71	40,256,150.72*	2,239,500.78*	104,301,250.88	1,713,317,203.53	1,887,537,707.62
Balance available at beginning of year	-0-	-0-	72,118,753.99	69,859,253.21	174,160,904.09	1,887,537,707.62
Available funds at close of fiscal year:						
"Construction fund" and miscellaneous allotments	112,374,904.71	72,118,753.99	69,859,253.21	174,160,904.09	1,887,537,707.62	1,887,537,707.62
Federal ship mortgage insurance fund:						
Appropriations	-0-	500,000.00	-0-	-0-	-0-	500,000.00
Collections	-0-	490.00	11,988.77	7,813.26	12,450.33	32,702.36
Total appropriations and collections	-0-	500,490.00	11,988.77	7,813.26	12,450.33	532,702.36
Disbursements	-0-	-0-	-0-	17.34	-0-	17.34
Excess of receipts or disbursements	-0-	500,490.00	11,988.77	7,795.92	12,450.33	532,685.02
Balance available at beginning of year	-0-	-0-	500,450.00	512,438.77	520,234.69	532,685.02
Federal ship mortgage insurance fund available at close of fiscal year	-0-	500,450.00	512,438.77	520,234.69	532,685.02	532,685.02
Marine and war-risk insurance fund:						
Appropriations	-0-	-0-	-0-	-0-	-0-	40,000,000.00
Collections	-0-	-0-	-0-	-0-	762,159.69	762,159.69
Total appropriations and collections	-0-	-0-	-0-	-0-	762,159.69	40,762,159.69
Disbursements	-0-	-0-	-0-	43.75	5,143,973.37	5,144,017.12
Excess of receipts or disbursements	-0-	-0-	-0-	39,999,956.25	4,381,813.68*	35,618,142.57
Balance available at beginning of year	-0-	-0-	-0-	-0-	39,999,956.25	-0-
Balance	-0-	-0-	-0-	-0-	35,618,142.57	-0-
Transfer to War Shipping Administration	-0-	-0-	-0-	-0-	35,618,142.57	35,618,142.57
Balance available at close of fiscal year	-0-	-0-	-0-	-0-	-0-	-0-
State marine-school funds, fiscal years 1936, 1939, 1940, and 1941:						
Appropriations	-0-	-0-	-0-	-0-	-0-	544,025.70
Disbursements	-0-	-0-	-0-	-0-	402,653.00	402,653.00
Balance	-0-	-0-	-0-	-0-	141,372.70	141,372.70
Balance at close of fiscal year	-0-	-0-	-0-	-0-	141,372.70	141,372.70
Emergency ship construction - United States Maritime Commission:						
Appropriations	-0-	-0-	-0-	-0-	161,000,000.00	475,000,000.00
Disbursements	-0-	-0-	-0-	-0-	293,272,852.67	305,076,846.34
Excess of receipts or disbursements	-0-	-0-	-0-	-0-	132,727,147.33	-0-
Balance available at beginning of fiscal year	-0-	-0-	-0-	-0-	302,196,006.33	-0-
Emergency ship construction fund balance at close of fiscal year	-0-	-0-	-0-	-0-	169,922,153.66	169,922,153.66

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(APPENDIX B - CONTINUED)

	Oct. 26, 1936 to June 30, 1938	July 1, 1938 to June 30, 1939	July 1, 1939 to June 30, 1940	July 1, 1940 to June 30, 1941	July 1, 1941 to June 30, 1942	Total
Emergency Fund for the President - War (Allotment to United States Maritime Commission):						
Allotment			6,000,000.00		-0-	6,000,000.00
Disbursements			7,845.58	5,985,861.30	5,985,861.30	5,992,506.88
Excess of receipts or disbursements			5,992,354.42	-0-	5,992,354.42	6,493.12
Balance available at beginning of year						
Emergency fund for the President balance at close of fiscal year			5,992,354.42		6,493.12	6,493.12
Transfer appropriations						
Disbursements			15,006,937.50	41,669,909.99		56,676,847.49
Excess of receipts or disbursements			299,000.00	29,740,896.32		30,039,896.32
Balance available at beginning of year						
Working fund balance at close of fiscal year			14,707,937.50	11,929,013.67		26,636,951.17
Working fund - United States Maritime Commission - War Department:						
Transfer appropriations			14,707,937.50	-0-		14,707,937.50
Disbursements						
Excess of receipts or disbursements			800,000.00	12,270,039.14		13,070,039.14
Balance available at beginning of year			667,182.30	7,946,733.61		8,613,915.91
Working fund balance at close of fiscal year			132,817.70	4,323,305.53		4,456,123.23
Working fund - United States Maritime Commission - War Department:						
Transfer appropriations			132,817.70	-0-		132,817.70
Disbursements						
Excess of receipts or disbursements			132,817.70	4,456,123.23		4,588,940.93
Balance available at beginning of year						
Working fund balance at close of fiscal year						
Deposits, rents, national defense housing project (emergency fund for the President) United States Maritime Commission:						
Receipts						
Disbursements						
Balance at close of fiscal year						
Defense aid, vessels and other watercraft - Allotment to United States Maritime Commission:						
Allotments from defense and appropriations			507,756,800.00	317,226,200.00		824,983,000.00
Transfers to War Shipping Administration			-0-	212,813,825.54		212,813,825.54
Balance of allotments after transfers			507,756,800.00	104,412,374.46		612,169,174.46
Disbursements			3,228,624.57	240,094,128.67		243,322,753.24
Excess of receipts or disbursements			504,528,175.43	135,681,754.21*		640,209,929.64
Balance available at beginning of year			-0-	504,528,175.43		504,528,175.43
Balance at close of fiscal year			504,528,175.43	368,846,421.22		873,374,596.65
Defense aid facilities and equipment - Allotment to United States Maritime Commission						
Allotments from defense aid appropriations			50,000,000.00	15,000,000.00		65,000,000.00
Disbursements			4,518,389.30	47,426,545.88		51,944,935.18
Excess of receipts or disbursements			45,481,610.70	32,426,545.88*		77,908,156.58
Balance available at beginning of year			-0-	45,481,610.70		45,481,610.70
Balance at close of fiscal year			45,481,610.70	13,054,864.82		58,536,475.52

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(APPENDIX B - CONTINUED)

	Oct. 26, 1936 to June 30, 1938	July 1, 1938 to June 30, 1939	July 1, 1940 to June 30, 1941	July 1, 1941 to June 30, 1942	Total
Defense Aid, Agricultural, Industrial and other Commodities -					
Allotment to United States Maritime Commission:					
Allotments from defense aid appropriations					
Transfers to War Shipping Administration					
Balance of allotments after transfers					
Disbursements					
Balance at close of fiscal year					
Defense aid, testing, reconditioning, etc. of defense articles -					
Allotment to United States Maritime Commission:					
Allotments from defense aid appropriations					
Transfers to War Shipping Administration					
Balance of allotments after transfers					
Disbursements					
Excess of receipts or disbursements					
Balance available at beginning of fiscal year					
Balance at close of fiscal year					
Defense aid, services and expenses - Allotment to United States Maritime Commission:					
Allotments from defense aid appropriations					
Disbursements					
Excess of receipts or disbursements					
Balance available at beginning of fiscal year					
Transfer to Lend Lease administration of unused allotments					
Balance at close of fiscal year					
Defense aid, administrative expenses - Allotment to United States Maritime Commission:					
Allotments from defense aid appropriations					
Disbursements					
Excess of receipts over disbursements					
Balance available at beginning of fiscal year					
Balance at close of fiscal year					
Deposits, compensation for foreign merchant vessels					
Collections					
Summary of Available Funds on Deposit at Close of Fiscal Year:					
Construction fund, United States Maritime Commission, Act of June 29, 1936, revolving fund, and miscellaneous appropriations					
Federal ship mortgage insurance fund					
Marine and War-Risk insurance fund					
State Marine - school funds, fiscal years 1938, 1939, 1940, 1941 and 1942					
Emergency ship construction fund					
Emergency fund for the President - War (Allotment to U.S. Maritime Commission)					
Working fund - United States Maritime Commission - Navy Department					
Working fund - United States Maritime Commission - War Department					
Defense aid, allotments to United States Maritime Commission					
Deposits, compensation for foreign merchant vessels					
Deposits, rent, national defense housing project					
(Emergency fund for the President)					
Total of all funds available at close of fiscal years					
** Activities and available funds transferred to War Shipping Administration during Fiscal Year 1942.					

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14-7159

(APPENDIX C)

SUMMARY OF SHIP CONSTRUCTION PROGRAM - AS AT JUNE 30, 1942

	Ships Completed		Under Construction (Including Awards)		Total of all Vessels	
	No. of Vessels	Estimated Costs	No. of Vessels	Estimated Completion Costs	No. of Vessels	Estimated Completion Costs
		June 30, 1942		June 30, 1942		June 30, 1942
East Coast - Long Range Program	162	\$ 399,591,451	558	\$ 1,274,970,679	720	\$ 1,674,562,130
Defense Aid Program	96	2,232,500	251	326,694,752	347	329,027,252
For Other Governmental Agencies		2,036,905	62	151,439,088	62	151,439,088
Total East Coast	<u>258</u>	<u>401,823,921</u>	<u>871</u>	<u>1,723,104,519</u>	<u>1,129</u>	<u>2,155,028,470</u>
Gulf Coast - Long Range Program	20	47,623,745	221	536,934,000	241	604,557,745
Emergency Ship Program	5	10,000,000	64	128,000,000	69	138,000,000
Defense Aid Program	169	5,355,000	220	172,687,300	389	178,042,300
For Other Governmental Agencies	3	7,053,704	8	34,057,152	11	61,111,457
Total Gulf Coast	<u>197</u>	<u>70,032,449</u>	<u>513</u>	<u>911,679,053</u>	<u>710</u>	<u>981,711,502</u>
West Coast - Long Range Program	72	199,430,991	912	2,296,774,941	984	2,496,205,932
Emergency Ship Program	45	90,000,000	86	172,000,000	131	262,000,000
Defense Aid Program	40	140,000	75	11,656,521	115	11,796,521
For Other Governmental Agencies		-	91	182,689,596	91	182,689,596
Total West Coast	<u>157</u>	<u>249,570,991</u>	<u>1,164</u>	<u>2,653,121,058</u>	<u>1,321</u>	<u>2,912,691,649</u>
Great Lakes - Long Range Program	90	315,000	54	67,107,800	54	67,107,800
Defense Aid Program	90	126,604	42	30,095,625	132	30,410,525
Total Great Lakes	<u>180</u>	<u>441,604</u>	<u>96</u>	<u>97,203,425</u>	<u>186</u>	<u>97,518,425</u>
Procurement and Servicing Expense		20,578		250,182		270,760
Total - Long Range Program	254	606,645,787	1,745	4,195,787,420	1,999	4,802,433,207
Emergency Ship Program	50	100,000,000	150	300,000,000	200	400,000,000
Defense Aid Program	395	8,142,500	588	541,134,198	983	549,276,698
For Other Governmental Agencies	3	7,053,704	161	388,186,427	164	395,240,131
Total All Programs	<u>702</u>	<u>\$ 721,841,991</u>	<u>2,644</u>	<u>\$ 5,423,108,053</u>	<u>3,346</u>	<u>\$ 5,746,950,046</u>

Tonnages

	Ships Completed		Under Construction (Including Awards)		Total of all Vessels	
	No. of Vessels	Total Deadweight Tons	No. of Vessels	Total Deadweight Tons	No. of Vessels	Total Deadweight Tons
		June 30, 1942		June 30, 1942		June 30, 1942
Long Range Program	254	2,694,329	1,745	18,063,956	1,999	20,758,285
Emergency Ship Program	50	540,000	150	1,620,000	200	2,160,000
Defense Aid Program	395	32,400	588	2,608,400	983	2,640,800
For Other Governmental Agencies	3	10,000	161	1,001,020	164	1,011,020
Total Tonnage	<u>702</u>	<u>3,276,729</u>	<u>2,644</u>	<u>23,293,376</u>	<u>3,346</u>	<u>26,570,105(A)</u>

14-7159 Note: (A) No deadweight tonnages included for 700 small craft.

(APPENDIX C-1)

LARGE VESSELS BUILT FOR MARITIME COMMISSION, BRITISH AND PRIVATE ACCOUNTS - JULY 1, 1941 TO JUNE 30, 1942

IN UNITED STATES SHIPYARDS

Maritime	YEAR TOTAL		1941				1942				May		June					
	Ships	D.W.T.	Ships	D.W.T.	Ships	D.W.T.	Ships	D.W.T.	Ships	D.W.T.	Ships	D.W.T.	Ships	D.W.T.				
EC2	153	1,648,054	0	0	0	0	3	31,841	12	127,414	16	172,073	26	281,372	43	464,013	51	550,341
C-Type	40	366,553	6	55,686	4	36,296	3	28,217	3	28,175	2	17,000	1	11,100	2	19,066	2	18,868
C-F & C	9	85,082	1	8,850	1	9,000	1	18,937	1	10,000	0	0	0	0	0	0	1	9,875
Tanker	13	209,220	0	0	1	15,850	0	0	0	48,610	2	32,250	1	16,400	1	16,400	1	48,710
Total	215	2,309,609	7	64,536	4	41,753	8	74,385	6	61,146	5	47,154	6	58,175	20	221,323	46	499,479
British	38	384,600	0	0	0	0	1	10,100	2	20,200	2	21,000	3	30,300	4	40,400	6	60,600
Cargo	2	13,509	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tanker	30	452,760	4	60,775	4	60,830	1	11,800	5	70,900	0	0	6	94,685	2	16,900	2	29,400
One Carrier	1	18,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Total	33	484,269	4	60,775	5	70,289	1	11,800	5	70,900	1	13,000	6	94,685	2	16,900	2	29,400
Grand Total	286	3,178,478	11	125,311	9	112,042	9	86,185	8	75,296	12	138,254	9	92,175	26	289,549	57	619,779

(APPENDIX D)

CONSTRUCTION OF SHIPWAYS AND OTHER FACILITIES

AS AT JUNE 30, 1942

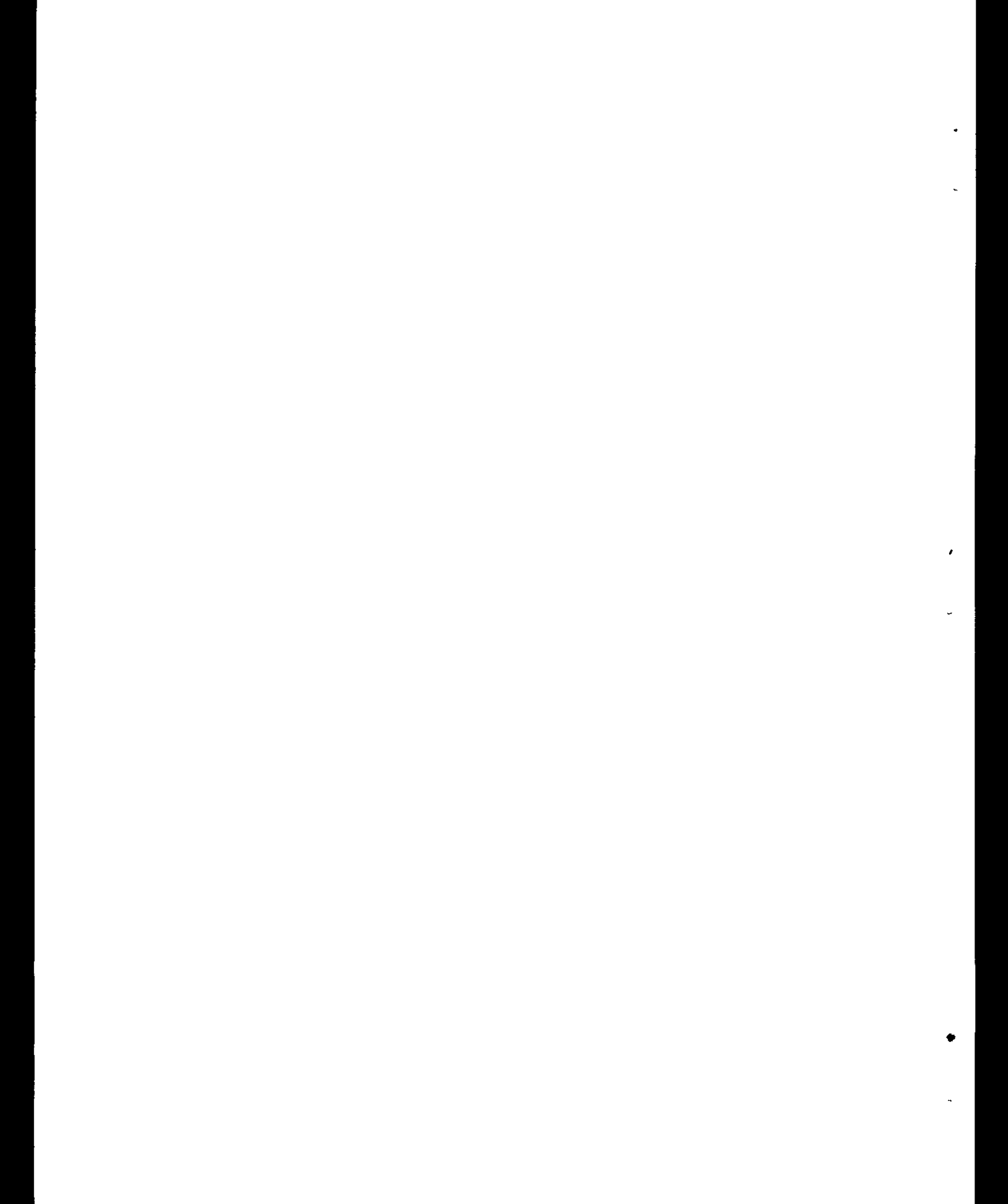
District	Long Range Program		Emergency Ship Program		Defense Aid Program		Total all Programs	
	No. of Shipways	Estimated Cost	No. of Shipways	Estimated Cost	No. of Shipways	Estimated Cost	No. of Shipways	Estimated Cost
East Coast	45	\$ 66,031,051	9	18,071,592	28	36,836,598	82	120,939,241
Gulf Coast	33	46,426,787	17	24,016,994	3	3,915,021	53	74,358,802
West Coast	71½	126,249,513	25	38,451,496	12	21,640,593	108½	186,341,602
Great Lakes		635,000						635,000
Total	149½	\$ 239,342,351	51	80,540,082	43	62,392,212	243½	382,274,645

1/ Includes cost of expansion of existing facilities and transportation totalling \$18,851,800

2/ Includes cost of expansion of existing facilities and transportation totalling \$8,195,638

2/ Includes transportation and provision for contingent liability in connection with cancelled contracts totalling \$15,267,340

4/ Cost of expansion of existing facilities.



(APPENDIX E)

SHIPBUILDING PROGRAM - SALE OF SHIPSLONG RANGE PROGRAMFISCAL YEAR 1942

<u>Purchaser</u>	<u>Type of Ship</u>	<u>No. of Ships</u>	<u>Sales Price</u>
<u>Completed:</u>			
Alcoa SS Co., Inc.	C-1 Cargo	5	\$ 5,999,919.46
American Export Line, Inc.	C-3 "	1	
	Special Cargo	4	7,621,942.66
American Mail Line, Ltd.	C-2 Cargo	2	3,177,390.74
American President Lines, Ltd.	C-3 Pass.& "	1	2,516,608.83
Bull SS Co., A. H.	C-1 Cargo	1	2,516,194.00
Grace Line, Inc.	C-2 "	2	3,311,782.97
Kaymar Tankers Inc.	Tanker	1	3,000,000.00
Lykes Bros. SS Co., Inc.	C-1 Cargo	3	
	C-2 "	1	4,883,889.74
Moore-McCormack Lines, Inc.	C-1 "	1	1,183,830.50
New York & Cuba Mail SS Co.	C-1 "	2	2,505,839.48
Pacific Atlantic SS Co.	C-1 "	2	4,963,843.00
Seas Shipping Co., Inc.	C-2 "	3	4,688,920.58
Socony Vacuum Oil Co.	Tanker	1	3,000,000.00
Standard Oil Co., of New Jersey	"	1	3,000,000.00
U. S. Lines Co.	C-1 Cargo	3	
	C-2 "	2	6,882,449.86
Waterman SS Co., Inc.	C-2 "	1	3,200,000.00
Total Sales of Ships Completed		37	<u>62,452,611.82</u>
<u>Under Construction:</u>			
Alcoa SS Co., Inc.	C-1 Cargo	6	8,048,856.00
American Export Line, Inc.	Special Cargo	6	11,316,000.00
American South African Line	C-2 Cargo	3	4,828,146.00
Barber Asphalt Co.	Tanker	1	3,122,000.00
Grace Line, Inc.	C-2 Cargo	5	8,046,910.00
Lykes Bros. SS Co., Inc.	C-1 "	4	
	C-2 "	4	11,720,804.00
Mississippi Shipping Co., Inc.	C-2 "	3	4,834,475.00
Moore-McCormack Lines, Inc.	C-1 "	6	
	C-2 "	6	17,581,206.00
Socony Vacuum Oil Co.	Tanker	2	6,244,000.00
Standard Oil Co., of New Jersey	"	5	15,610,000.00
U. S. Lines Co.	C-2 Cargo	3	4,648,355.00
Waterman SS Co., Inc.	C-2 "	5	16,000,000.00
Total Sales of Ships Under Construction		59	<u>112,000,752.00</u>
Total Sales of Ships Completed and Under Construction		96	\$ <u>174,453,363.82</u>

(Does not include transfers to other Government Agencies)

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(APPENDIX F)

VESSELS OVER 20 YEARS OF AGE ON WHICH AN OPERATING-DIFFERENTIAL
SUBSIDY HAS BEEN PAID DURING THE PERIOD FROM JULY 1, 1941 TO JUNE 30, 1942

<u>Name of Contractor</u>	<u>Vessel</u>	<u>Date, 20 Years of Age</u>	<u>Total No. of Vessels</u>
American Export Lines, Inc.	(Exminster)	May 16, 1939)	1
	(Capillo)	April 29, 1940)	
American Mail Line, Ltd.	(Coldbrook)	Nov. 29, 1939)	
	(Collingsworth)	Mar. 26, 1940)	6
	(Crown City)	Dec. 24, 1939)	
	(Satartia)	June 3, 1939)	
	(West Cusetta)	Jan. 18, 1941)	
	(Pres. Cleveland)	Jan. 31, 1941)	
	(Pres. Garfield)	July 5, 1941)	
American President Lines, Ltd.	(Pres. Grant)	April 22, 1941)	
	(Pres. Harrison)	Jan. 6, 1941)	7
	(Pres. Pierce)	Jan. 27, 1941)	
	(Pres. Taylor)	Mar. 6, 1941)	
	(Pres. Tyler)	Dec. 6, 1940)	
American South African Line, Inc.	(Challenger)	Oct. 3, 1938)	
	(Chas. H. Cramp)	Nov. 1, 1940)	4
	(Henry Grove)	Feb. 16, 1941)	
	(Sagadahoc)	July 9, 1938)	
	(American Press)	Feb. 27, 1940)	
	(Cardonia)	June 30, 1940)	
	(Chester Valley)	Dec. 30, 1939)	
	(Cripple Creek)	Oct. 20, 1939)	
	(Genevieve Lykes)	Sept. 14, 1939)	
	(Hybert)	Sept. 26, 1940)	
	(Liberator)	June 28, 1938)	
Lykes Bros. Steamship Co., Inc.	(Margaret Lykes)	Feb. 12, 1940)	15
	(Meanticut)	Mar. 25, 1941)	
	(Ruth Lykes)	Nov. 10, 1939)	
	(Scottsburg)	Nov. 28, 1939)	
	(Tillie Lykes)	April 29, 1940)	
	(Velma Lykes)	May 7, 1940)	
	(Volunteer)	Aug. 22, 1938)	
	(Winston Salem)	April 25, 1940)	

(APPENDIX F CONTINUED)

<u>Name of Contractor</u>	<u>Vessel</u>	<u>Date, 20 Years of Age</u>	<u>Total No. of Vessels</u>
Mississippi Shipping Co., Inc.	(Delmar	Oct. 1, 1940)	7
	(D-Irundo	Dec. 1, 1939)	
	(Delnorte	May 30, 1939)	
	(Delplata	Aug. 16, 1940)	
	(Delrio	Aug. 22, 1939)	
	(Delsud	July 29, 1939)	
	(Delvalle	Nov. 17, 1939)	
Moore-McCormack Lines, Inc.	(Collamer	Feb. 21, 1940)	6
	(City of Flint	Feb. 28, 1940)	
	(Mormacmar	Oct. 28, 1940)	
	(Mormacrey	Sept. 19, 1939)	
	(Mormacrio	Oct. 30, 1939)	
	(Mormacsul	March 19, 1940)	
New York & Cuba Mail S.S. Co.	(Agwistar	Feb. 14, 1939)	2
	(Panuco	Jan. 18, 1937)	
Seas Shipping Co.	(Algic	Aug. 25, 1940)	7
	(Greylock	Aug. 28, 1941)	
	(Pipestone County	July 18, 1939)	
	(Robin Adair	Jan. 9, 1940)	
	(Robin Goodfellow	Feb. 9, 1940)	
	(Robin Gray	Jan. 22, 1940)	
	(West Imboden	March 14, 1939)	
United States Lines Co.	(Artigas	April 30, 1940)	15
	(Capulin	June 30, 1940)	
	(City of Dalhart	Feb. 23, 1941)	
	(City of Elwood	March 18, 1941)	
	(Cold Harbor	Feb. 9, 1940)	
	(Jeff Davis	April 22, 1941)	
	(Lehigh	July 29, 1939)	
	(McKeesport	April 11, 1939)	
	(Potter	Dec. 20, 1940)	
	(Quaker City	Feb. 3, 1940)	
	(Tampa	Feb. 3, 1940)	
	(Vincent	Sept. 18, 1939)	
	(West Honaker	Dec. 22, 1940)	
(Wichita	Jan. 31, 1941)		
(Yomachichi	Oct. 16, 1939)		
Total			<u>70</u>

(APPENDIX G)

ABSTRACT OF FORMAL DECISIONS ENTERED JULY 1, 1941, TO JUNE 30, 1942.

American Union Transport, Inc. v. Italian Line, 2 U.S.M.C. 553. Complainant is a broker seeking reparation for brokerage and for alleged injury to its reputation as a broker, because of defendant carrier's refusal to book shipments upon its requests. Duties of defendant carrier under regulatory provisions of Shipping Act, 1916, not owed to complainant broker, as such. Complaint dismissed.

Alaskan Rates, 2 U.S.M.C. 558. (The report also embraces No. 572, Alaska Rate Investigation No. 2.) Rate base and fair rate of return for respondents, Alaska Steamship Company, Northland Transportation Company, Alaska Transportation Company and Santa Ana Steamship Company, and net income under proposed rates determined. Proposed rates found not to yield fair return as to certain respondents and not an excessive return as to others. Respondents' rate structures as a whole not shown to be unreasonable. Increases in rates on commodities transported prior to June 1940, at freight, n.o.s. rates, to the extent they exceed increases published in suspended schedules under item freight, n.o.s., found not justified and unlawful. Special rates to large shippers based on volume found unduly prejudicial and preferential. Complaint alleging prejudice to Tacoma and preference to Seattle not sustained. Services of certain respondents to so-called "irregular" ports for which no tariffs are filed found subject to Commission's jurisdiction and respondents required to file tariffs. Provisions of bills of lading, etc., affecting rates and services not effective unless incorporated in tariff. Respondent Alaska Steamship Company should cancel joint rail and water rates maintained with Alaska Railroad and in lieu thereof publish and file with the Commission water proportional rates. Common carrier status of certain respondents and carriers determined. Appropriate order entered.

Practices, Etc. of San Francisco Bay Area Terminals, 2 U.S.M.C. 588. Respondents, including State and municipal terminals, are "other persons" as defined in Shipping Act, 1916, as amended. Certain respondents are operating under agreements or working arrangements within the purview of section 15 of said act, without approval of the Commission. Practice of Encinal Terminals of collecting service charges from steamship lines on freight discharged at other terminals unauthorized by its tariff and unreasonable in violation of section 17 of said act. Encinal Terminals knowingly received information in violation of section 20 of said act. Practice of State and municipal terminals of making tariff changes without adequate notice unreasonable. Changes should not be made except upon 30 days' notice, unless good cause exists for shorter period. Respondents' rules, regulations and practices regarding free time unduly prejudicial and preferential and unreasonable in violation of sections 16 and 17 respectively, of said act. Reasonable regulation prescribed. Respondents' rates, rules, regulations, and practices relating to wharf demurrage and wharf storage unduly prejudicial and preferential and unreasonable in violation of sections 16 and 17 respectively, of said act. Reasonable regulation prescribed. Respondents should file their tariffs with the Commission in order that regulations prescribed may be enforced. Appropriate order entered.

Long Beach Lumber Co. Inc. v. Consolidated Lumber Co., 2 U.S.M.C. 611. Defendant, a wharf operator, found not to have refused delivery of lumber to complainant on January 6, 1941. Complaint dismissed.

(APPENDIX G - CONT'D)

Rates, Charges, and Practices of L. & A. Garcia and Co., 2 U.S.M.C. 615. By "brokerage" payments to shippers and by otherwise reducing freight charges, respondent allowed persons to obtain transportation for property at less than the regular rates by unjust and unfair means, and unduly preferred certain shippers and unduly prejudiced and discriminated against other persons shipping under similar circumstances, in violation of sections 16 and 17 of the Shipping Act, 1916, as amended. In not filing with the Commission as required, rates, charges, rules and regulations for and in connection with the transportation of property from the port of New York to Havana, Cuba, respondent knowingly and willfully violated the rules and regulations of the Commission prescribed in Section 19 Investigation, 1935, 1 U.S.S.B.B. 470.

Sugar Rates - Puerto Rico to Atlantic and Gulf Ports, 2 U.S.M.C. 620. Proposed increased rates on sugar from Puerto Rico to Atlantic and Gulf ports not shown unlawful. Order of suspension vacated and proceeding discontinued.

Surcharge - Matson Navigation Company, 2 U.S.M.C. 622. Surcharge of 35 percent on Pacific Coast/Hawaiian freight rates found justified.

Surcharge - U.S./Haiti and Mexico Services, 2 U.S.M.C. 625. Surcharge of 22 percent on freight rates for transportation between ports in the United States and ports in Haiti and East Coast of Mexico not excessive.

G. C. Schaefer v. Encinal Terminals, 2 U.S.M.C. 630. Respondent's use of its terminal facilities in its railroad pool car business, and its practices in connection therewith found not to be in violation of sections 16 and 17 of the Shipping Act, 1916. Complaint dismissed.

Lumber Rates - Atlantic and Gulf Ports to Puerto Rico, 2 U.S.M.C. 636. Proposed rates on lumber from United States ports on the Atlantic and Gulf of Mexico to Puerto Rico found not justified. Suspended schedules ordered canceled, without prejudice to the establishment of a surcharge based upon actual costs incurred as the result of war-time operation.

Alaskan Rates, 2 U.S.M.C. 639. (This report also embraces No. 572, Alaska Rate Investigation No. 2; and No. 611, Surcharge - Alaska Trade.) On further hearing, rate base and fair rate of return for respondents Alaska Steamship Company, Northland Transportation Company, and Alaska Transportation Company determined. Basic rate structures of Alaska Steamship Company and Northland Transportation Company found unreasonable. Surcharges on adjusted rates determined. Special rates to Navy Department and Siems-Drake Puget Sound Company found unduly prejudicial, and an unreasonable practice. Appropriate order entered.

Terminal Rates and Charges at Seattle of Alaska S.S. Co., 2 U.S.M.C. 660. Proposed increased terminal rates and charges at Seattle, Wash., of Alaska Steamship Company not shown unlawful. Order of suspension vacated, and proceeding discontinued.

(APPENDIX G - 1)

MAXIMUM FREIGHT RATES AND SURCHARGES AUTHORIZED
BY THE U.S. MARITIME COMMISSION UNDER THE SHIP WARRANTS ACT

<u>Trade</u>	<u>Commodity</u>	<u>Rate</u>	<u>Authorized</u>
Cuba to U. S. Atlantic and Gulf	Sugar	Ranging from 32 cents to 38 cents per 100 pounds <u>1/</u>	9/1-41
		<u>1/</u> Modified by Commission action of Dec. 4, reducing south side Cuba rates to South Atlantic and Gulf by 2 cents, and increasing same rates to north of Hatteras by 1 cent per 100 pounds.	
U. S. Pacific to Vladivostok	All	40 cents per cubic foot	10/14-41
U. S. Atlantic to Vladivostok	All	50 cents per cubic foot	10/14-41
Peru and Chile to Baltimore and New York	Copper and Lead	\$8.50 per ton of 2240 pounds	10/23-41
Australia to United States	Wool	\$3.04 per 100 pounds. Usual Differentials different varieties - customary absorptions in effect 3/8-40	10/17-41
East and North Coast of South America to U. S. North Atlantic and Gulf	Cocoa	\$1.10 per bag from base ports. Outport differentials in effect 4/1-41 <u>1/</u>	11/10-41
14-7159		<u>1/</u> Modified Dec. 4, eliminating Ilheos as base port.	

(APPENDIX G - 1 - CONT'D)

<u>Trade</u>	<u>Commodity</u>	<u>Rate</u>	<u>Authorized</u>
East and North Coast of South America to U. S. North Atlantic and Gulf	Castorseed	\$17.00 per 1,000 kilos from base ports. Outport differentials in effect 4/1-41 <u>1/</u>	11/10-41
Coastwise - For Hampton Roads or Philadelphia loading.	Bulk coal	<u>1/</u> Modified Dec. 4, eliminating Ceara and Maranham as base ports. Rates ranging from \$1.00 to \$1.60 per ton of 2240 pounds.	11/19-41
Coastwise - U. S. Gulf and U. S. Atlantic	Gasoline	40 cents per barrel <u>1/</u>	11/27-41
Havana to New York	Fruits and vegetables	<u>1/</u> Port and product differentials established 1/13-42. Specific rates authorized, representing approximately 10% increase.	12/11-41
Red Sea and Suez to U. S. North Atlantic	Chrome ore	\$22.50 per ton of 2240 pounds	12/11-41
Red Sea and Suez to U. S. North Atlantic	Cotton, Egyptian	50 cents per cubic foot	12/11-41
Tampa and Key West - Havana Peninsular and Occidental S. S. Co.	All	General Freight Increases	12/16-41
Between U. S. Pacific ports and Hawaiian Islands 14-7159	All	10% surcharge on existing rates	12/20-41

(APPENDIX G - 1 - CONT'D)

<u>Trade</u>	<u>Commodity</u>	<u>Rate</u>	<u>Authorized</u>
Between ports in the State of Washington and ports in Alaska and between ports in Alaska.	All	45% increase in rates. 1/	1/6-42
Alaska Steamship Co.		1/ Modified 3/31-42 restricting increase to 20% for traffic to and from Southeastern Alaska.	
Between U. S. Atlantic and Gulf ports and ports on the West Coast of South America and the West Coast of Central America and Mexico.	All	26% surcharge on existing rates	1/10-42
Between U. S. Atlantic and Gulf ports and ports in the West Indies, Caribbean Sea, East Coast of Central America and Panama, including the Canal Zone	All	22% surcharge on existing rates	1/10-42
Between Pacific Coast and Alaska, and between Alaskan ports. Northland Transportation Co.	All	45% surcharge on existing rates for 1/16-42 sailing of "Northland". 1/	1/15-42
		1/ Modified 1/20-42 to include 1/24-42 sailing of "North Sea." Modified 2/7-42 to include all future sailings. Modified 3/31-42 restricting surcharge to 20% for traffic to and from and between Southeastern Alaska ports.	
Puerto Rico to U. S. Atlantic and Gulf	Sugar	28 cents per 100 lbs. (Increase of 8 cents)	1/16-42

(APPENDIX G - 1 - CONT'D)

<u>Trade</u>	<u>Commodity</u>	<u>Rate</u>	<u>Authorized</u>
Ports in Brazil south of and including Victoria to U. S. Atlantic and Gulf. Brazil/United States Freight Conference.	All	Currently effective tariff rates and charges sanctioned as maxima for the trade.	1/20-42
Ports in Argentina, Uruguay and Paraguay to U. S. Atlantic and Gulf. River Plate/United States Conference.	All	Currently effective tariff rates and charges sanctioned as maxima for the trade.	1/20-42
Between U. S. Atlantic and Gulf and East Africa. Seas Shipping Co. and American South African Line	All	30% surcharge on rates which were in effect 9/1-40	1/20-42
Between U. S. Atlantic and Gulf and Australia, including New Caledonia	All	13% surcharge on rates which were in effect 9/1-40 and on wool rate of \$3.04 per 100 lbs.	1/20-42
Between Pacific Coast and Hawaii.	All	35% surcharge on existing rates	1/20-42
Caribbean area - Panama - U.S. Gulf - U. S. Atlantic - Halifax - Montreal - U.S. Pacific - Honolulu.	Petroleum products	Tanker rates for voyage charters ranging 15¢ per barrel to 70¢ per barrel with product differentials.	1/22-42
Between United States ports and ports in Haiti and on East Coast of Mexico 14-7159	All except iron and steel scrap	22% surcharge on rates which were in effect 9/1-40	1/29-42

(APPENDIX G - 1 - CONT'D)

<u>Trade</u>	<u>Commodity</u>	<u>Rate</u>	<u>Authorized</u>
U. S. Atlantic and Gulf to Persian Gulf	All	18% surcharge on rates which were in effect 9/1-40	1/29-42
U. S. Atlantic and Gulf to India and Ceylon	All	25% surcharge on rates which were in effect 9/1-40	1/30-42
India and Ceylon to U. S. Atlantic and Gulf	All	20% surcharge on rates which were in effect 9/1-40 from Calcutta to U. S. Atlantic & Gulf	1/30-42
Between U. S. Pacific Coast ports and ports in Australia, New Zealand, New Caledonia and other South Pacific Islands.	All	13% surcharge on rates which were in effect 9/1-40 and on wool rate of \$3.04 per 100 lbs.	2/10-42
Between U. S. Atlantic and Gulf ports and Puerto Rico and Virgin Islands	All except sugar from Puerto Rico	22% surcharge on existing rates	2/14-42
Puerto Rico to U. S. Atlantic and Gulf	Sugar	19% surcharge on existing rates	2/14-42
Between U. S. Atlantic and Gulf ports and Dominican Republic, Trinidad, Windward and Leeward Islands, British Guiana, Cuidad Boliver, Eastern Venezuela, Turks Island, Inagua and other islands in West Indies and Caribbean Sea.	All except Sugar from Cuba	22% surcharge on rates which were in effect 1/10-42	2/14-42

 Subsequent maximum Rates and Surcharges under the Ship Warrants Act authorized by the War Shipping Administrator.

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(APPENDIX H)

CLAIMS ARBITRATED OR SETTLED UNDER SUITS IN ADMIRALTY ACTFROM OCTOBER 16, 1941 TO JUNE 30, 1942PERSONAL INJURY

<u>VESSEL</u>	<u>CLAIMANT OR RESPONDENT</u>	<u>METHOD</u>	<u>AMOUNT PAID</u>	<u>AMOUNT RECEIVED</u>
SS ARGENTINA	Robert S. Hulsart	Settled	\$225 (Seaman died before payment-dropped for inability to secure administrator of estate)	
SS BRAZIL	Gustav Olander	Settled	\$ 500.-	
SS COLORADO	John A. Gallagher	Settled	75.-	
SS JOHN ERICSSON	Walter Ratka	Settled	75.-	
SS LOANTAKA	Henri Bjerregaard	Settled	120.-	
SS LOANTAKA	Joao De. A. Correia	Settled	Amt. Unknown	
SS LOANTAKA	G.S.T. Ljungaren	Settled	75.-	
SS MANHATTAN	Alexander Roverud	Settled	200.-	
ORIZABA	Michael J. McDevitt Mary E. McDevitt U. S. Lines	Settled	750.-	
SS PAN AMERICAN	John Manuel	Settled	Amt. Unknown	
SS WEST POINT	Edward J. Byrne		17.50	
SS WEST POINT	Solomon Schiessel		300.-	
SS WEST POINT	Alfred G. Borley		650.-	

(APPENDIX H - CONT'D - 2.)

CLAIMS ARBITRATED OR SETTLED UNDER SUITS IN ADMIRALTY ACT

FROM OCTOBER 16, 1941 TO JUNE 30, 1942

MISCELLANEOUS

<u>VESSEL</u>	<u>CLAIMANT OR RESPONDENT</u>	<u>NATURE</u>	<u>METHOD</u>	<u>AMOUNT PAID</u>	<u>AMOUNT RECEIVED</u>
SS INDEPENDENCE HALL	U.S.M.C. S.T.I.M. Stevedores	Stevedore damage	Settled		\$2320.49
PINK STAR	Charles Albert Parkinson	Loss of Personal Effects in sink- ing of vessel	Settled	\$62.50	

CLAIMS ARBITRATED OR SETTLED UNDER SUITS IN ADMIRALTY ACTFROM OCTOBER 16, 1941 TO JUNE 30, 1942CASES COVERED BY OUTSIDE PROTECTIVE AND INDEMNITY INSURANCE

<u>VESSEL</u>	<u>CLAIMANT</u>	<u>NATURE</u>	<u>METHOD</u>	<u>AMOUNT PAID</u>
SS ALGIC	Anthony Olszewski	Personal Injury	Settled	Unknown
SS ARTIGAS	Robert McElroy- Louise McElroy	Cargo Damage	Settled	Unknown
SS ARTIGAS	Loewengart & Co.	Cargo Damage	Settled	\$700
SS CAPILO	Chas. H. Anderson	Personal Injury	Settled	Unknown
SS CAPILO	Benjamin Lipp	Personal Injury	Settled	Unknown
SS CAPILO	James E. Whitehead	Personal Injury	Settled	Unknown
MS CITY OF DALHART	Bank of China	Breach of Con- tract	Settled	\$6,250
SS COLLINGSWORTH	Thomas Burke	Personal Injury	Settled	Unknown
SS INDEPENDENCE HALL	John Duffy	Personal Injury	Settled	Nothing
SS LEHIGH	Frank Johnson	Personal Injury	Settled	Unknown
SS LEHIGH	Warren S. Savage	Personal Injury	Settled	Unknown
SS LIBERTY	Ruckert Terminal Corp.	Suit to recover for compensation paid for personal injury to Dick J. Miles	Settled	\$4000
SS LIGHTNING	Walter E. Nolon	Personal Injury	Settled	\$50.00
MS MOKOTAM	Edward Ginley	Personal Injury	Settled	\$125.00
MORMACSUL	Ford Motor Co. Export, Inc.	Cargo Damage	Settled	Unknown
SS QUAKER CITY	Wm. S. Lobue	Personal Injury	Settled	Unknown
SS TAMPA	Robert Kennedy	Personal Injury	Settled	Unknown
MV WARD	Fred L. Zimmerman	Personal Injury	Settled	Nothing
WEST CALUMB	Simon Scahis	Personal Injury	Settled	Unknown

CLAIMS ARBITRATED OR SETTLED UNDER SUITS IN ADMIRALTY ACT

FROM OCTOBER 16, 1941 TO JUNE 30, 1942

CASES COVERED BY OUTSIDE PROTECTIVE AND INDEMNITY INSURANCE

<u>VESSEL</u>	<u>CLAIMANT</u>	<u>NATURE</u>	<u>METHOD</u>	<u>AMOUNT PAID</u>
SS WEST HONAKU	Andrew McMurray	Personal Injury	Settled	\$202.50
SS WEST KEENE	Wm. Modestowicz	Personal Injury	Settled	Unknown
SS WINONA COUNTY	Peter Ruda	Personal Injury	Settled	Unknown
YOMACHICHI	John A. Salick	Personal Injury	Settled	Unknown

STATEMENT SHOWING (ANNUALLY) FROM INCEPTION TOTAL OPERATING-DIFFERENTIAL SUBSIDY ACCRUED UNDER LONG-TERM AGREEMENTS WITH THE U. S. MARITIME COMMISSION, AMOUNTS AUTHORIZED OR REQUIRED TO BE DEPOSITED INTO THE STATUTORY CAPITAL AND SPECIAL RESERVE FUNDS, AND AMOUNTS DEPOSITED INTO AND WITHDRAWN FROM THE SAID FUNDS, ALL THROUGH DECEMBER 31, 1941 AND BASED ON AUDITED FIGURES EXCEPT WHERE OTHERWISE INDICATED

1 Name of Contractor	American Export Lines, Inc.		American Mail Line, Ltd.		American President Lines, Ltd.		American South African Lines, Inc.		Grace Line, Inc.						
	1938	1939	1940	1941	1940	1941	1938	1939	1940	1941					
2 Period of Agreement	January 21, 1938 to December 31, 1940	Calendar Years	April 1, 1940 to April 1, 1942	Calendar Years	September 25, 1938 to September 25, 1940	Calendar Years	April 11, 1940 to Dec. 31, 1942	Calendar Years	January 1, 1938 to December 31, 1941	Calendar Years					
3 Total subsidy accrued	\$ 1,035,168.17	1,369,418.00	1,707,241.45	972,928.51	204,549.45	505,897.28	2,662,073.22	3,203,200.57	2,733,643.77	82,501.63	283,196.68	808,974.29	1,023,859.64	1,363,841.27	1,006,675.59
4 Capital necessarily employed (in subsidized operations)	2,473,225.24	3,279,718.08	3,281,850.54	7,091,165.81	1,300,043.36	2,115,282.57	-0-	-0-	2,299,163.71	1,442,291.54	4,254,042.67	7,300,557.13	9,217,979.74	13,279,007.82	15,954,434.93
5 Total net profits from subsidy operations (x)	522,415.37	1,436,432.90	7,792,639.18	13,667,860.99	620,744.56	3,061,036.36	135,598.23*	4,907,686.81	8,721,088.24	1,016,560.25	3,085,210.60	890,082.27	1,527,358.53	2,347,717.86	5,730,785.61
6 Amount of net profits accrued to the Commission as recipient of excess profits - (cumulative)	137,546.43	691,776.98	4,111,827.62 (a)	5,384,756.13	-0-	-0-	67,779.12*	2,386,000.29 (b)	6,631,850.22	82,501.63 (b)	765,698.11	79,713.23	373,465.57	818,428.93 (b)	2,839,696.20
6x Additional charter hire accrued to the Commission - (cumulative)	-0-	-0-	-0-	-0-	245,370.12 (a)	1,670,125.17	-0-	-0-	-0-	-0-	82,333.18	-0-	8,055.89	147,946.24	240,753.81
7 Amount of net profits accrued to the contractor - (cumulative)	384,868.94	1,267,071.29	5,639,659.83	18,334,992.31	375,374.46	2,011,655.77	-0-	2,386,064.29	6,861,366.60	934,058.62	4,253,883.62	810,368.94	2,035,899.24	3,798,753.39	7,415,474.10
8 Amount of net profits paid as dividends to stockholders (y)	232,000.00	462,000.00	498,687.50	770,000.00	-0-	103,337.00	-0-	-0-	-0-	100,428.00	34,800.00	177,300.00	1,932,000.00	2,967,000.00	1,932,000.00
9 Amount of net profits accrued for account of:															
(a) Capital Reserve Fund	275,092.85	1,108,461.09	12,328.77	44,876.76	-0-	-0-	-0-	(c) 5,825,277.42	3,135,742.44	-0-	-0-	730,635.71	-0-	-0-	1,560,000.00
(b) Special Reserve Fund	-0-	-0-	7,664,454.13	12,958,744.41	245,370.12	1,530,521.55	-0-	-0-	6,164,757.05	872,331.09	3,177,622.07	159,420.40	587,504.67	889,926.73	4,042,480.55
10 Amount of deposits in Capital Reserve and Special Reserve Funds:															
(a) Net operating profits from subsidy operations	251,206.19	1,135,690.53	6,655,827.33	12,712,830.47	246,652.25 (b)	1,530,521.55	-0-	(d) 4,166,190.83 (d) 8,673,454.97	1,032,824.46	3,177,622.69 (c)	1890,294.92	569,062.56	891,104.17 (c)	5,660,595.70	
(b) Net proceeds from sale of other dis- position of vessels	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(e) 910,000.00	-0-	-0-	-0-	-0-	
(c) Depreciation accruals	428,982.00	521,232.96	1,474,230.00	1,465,575.25	-0-	-0-	-0-	1,255,000.00	500,000.00	1,270,000.00	697,665.96	-0-	-0-	(d) 5,132,277.04	
(d) Other	-0-	-0-	910,142.47	710,179.16	-0-	-0-	-0-	917,374.00	547,841.76	80,973.37	96,873.47	-0-	-0-	957,964.20	
(e) Other	-0-	-0-	(c) 12,328.72 (c)	44,876.76	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

Footnotes

- (a) American Export Lines, Inc. Represents total subsidy accrued through December 31, 1941.
- (b) With the consent of the Commission (in its action of January 26, 1940) deposits of excess earnings for the calendar years 1938 and 1939 were made in the Capital Reserve Fund rather than in the Special Reserve Fund.
- (c) American Mail Line, Ltd. During the period April 1, 1940 to December 31, 1941, this Contractor operated under a charter agreement with the Commission which agreement provides for "additional charter hire" based on 50 per cent of cumulative net voyage profit in excess of 10 per cent per annum of "capital employed" but makes no provision for recapture of "excess profits". Thus the amount reflected under item No. 6 represents cumulative "additional charter hire" accrued to the Commission through December 31, 1941.
- (d) Includes a portion of the Contractor's "allowable return" of 10 per cent per annum on "capital employed" to the extent of \$105,766.50 which amount was deposited into the Special Reserve Fund with the consent of the Commission (in its action of December 19, 1941).
- (e) American President Lines, Ltd. As there were no voyage terminations during the period October 1, 1938 (inception of permanent agreement) to December 31, 1938 all expense incurred during this period was, for accounting purposes, considered as a deferred charge to be taken into con- sideration on a cumulative basis as a part of the operating results for the calendar year 1939.
- (f) Represents 50 per cent of profits in excess of 10 per cent of "capital employed" cumulative to December 31, 1941.
- (g) This item includes \$357,940.93 representing that portion of net profit for the calendar year 1940 required for the purpose of meeting the deficiency in deposits with respect to depreciation under the Temporary Agreement as authorized by the sixth Addendum to that agreement.
- (h) The Commission (in its action of July 12, 1940) required that the Contractor agree to deposit in its Capital Reserve Fund amounts equal to all of its net earnings, before depreciation, less certain amounts to be paid on its funded indebtedness. The Commission (in its action of April 29, 1941) limited the foregoing to earnings through April 30, 1941, after which net earnings were required to be deposited in the Special Reserve Fund.
- (i) Includes payments to Reconstruction Finance Corporation on indebtedness to that corporation.

- (a) American South African Lines, Inc. During the period involved the Contractor operated vessels under two individual ship charter party agreements, the operating results of which were required to be accounted for under the permanent agreement.
- (b) Represents total subsidy accrued through December 31, 1941.
- (c) This deposit is composed of:
 - (1) \$500,000.00 representing General Funds of the Contractor, deposited in the Capital Reserve Fund as required by the Commission (in its action of November 1, 1940).
 - (2) \$410,000.00 representing profits from unsubsidized operations deposited in the Capital Reserve Fund as required by the Commission (in its action of December 26, 1940).
- (d) During the period involved this Contractor operated vessels under various individual ship charter party agreements, the operating results of which were required to be accounted for under the permanent agreement.
- (e) Represents 50 per cent of net profit in excess of 10 per cent of "capital employed", cumulative to December 31, 1941.
- (f) Includes the Contractor's "allowable return" of 10 per cent per annum on "capital employed" in the amount of \$730,868.46 for the calendar year 1938, and a portion of the "allowable return" to the extent of \$1,500,000.00 for the calendar year 1941, deposited into the Capital Reserve Fund with the consent of the Commission (in its action of December 29, 1938 with respect to the calendar year 1938, and November 28, 1941 with respect to the calendar year 1941).
- (g) Includes \$2,002,844.41 representing proceeds from the sale of unsubsidized vessels deposited in Capital Reserve Fund with the consent of the Commission (in its actions of March 12, 1940 and June 14, 1940).
- (h) Reflects total net profit before "additional charter hire" in instances where Contractors operated vessels under charter party agreements with the Commission.
- (i) Reflects dividends paid to stockholders from both subsidized and unsubsidized net profits.
- (j) Indicates that the financial data reflected hereunder was obtained from statements submitted by the Contractors under the provisions of General Order No. 31 and are unaudited by the Commission.

(APPENDIX I - CONT'D)

1 Name of Contractor 2 Period of Agreement	Lykes Bros. Steamship Co., Inc. January 1, 1928 to December 31, 1949				Mississippi Shipping Company, Inc. January 1, 1928 to December 31, 1949				Hoore-McCormack Lines, Inc. October 31, 1928 to June 30, 1951				New York and Cuba Mail Steamship Company January 1, 1928 to December 31, 1949			
	1928	1929	1930	(2) 1941	1928	1929	1930	(2) 1941	1928	1929	1930	(2) 1941	1928	1929	1930	(2) 1941
3 Total subsidy accrued	1,714,445.35	1,339,672.93	1,106,247.26	1,451,684.91	326,007.92	410,928.78	513,347.17	445,625.48	25,286.46	940,467.93	1,008,003.11	1,332,100.49	323,219.47	410,047.56	501,887.72	455,532.77
4 Capital necessarily employed (in subsidized operations)	3,274,378.79	4,692,210.34	7,941,299.98	15,777,248.21	2,101,528.28	2,709,343.83	3,277,531.38	4,454,239.55	17,340.70	879,071.16	4,522,021.11	8,443,441.48	1,063,434.05	2,790,421.86	1,982,989.47	3,821,328.36
5 Total net profits from subsidy operations (x)	318,306.95	1,183,670.42	4,032,607.42	8,777,996.30	891,115.50	801,907.79	1,900,078.11	3,172,941.24	74,071.05	1,277,835.98	7,011,111.48	16,751,600.00	32,790,074.95	530,287.95	930,015.21	870,436.89
6 Amount of net profits accrued to the Commission as recapture of excess profits (surplusive)	34,565.46*	322,644.03	2,341,877.74	5,252,259.45	326,007.92	629,792.13	1,256,113.93	2,017,939.41	70,060.41*	125,869.33	2,973,171.12	5,329,471.30	11,776,212.78	55,770.31	423,586.02	1,068,130.54
6x Additional charter hire accrued to the Commission (cumulative)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	438,498.56	2,147,441.50	5,329,471.30	-0-	-0-	15,290.83	15,290.83
7 Amount of net profits accrued to the contractor (cumulative)	318,306.95	1,179,333.54	3,992,707.25	9,500,530.90	565,107.52	1,123,085.16	2,397,447.47	5,124,813.23	-0-	-0-	1,147,140.36	774,111.70	411,766.97	908,277.64	1,594,562.01	-0-
8 Amount of net profits paid as dividends to stockholders (y)	340,000.00	490,000.00	875,000.00	1,080,000.00	225,000.00	255,000.00	402,000.00	405,000.00	-0-	-0-	53,371.30	774,111.70	-0-	125,000.00	-0-	-0-
9 Amount of net profits accrued for account of:																
(a) Legal Reserve Fund	2,542.64	2,285.78	1,656,990.67	3,999,245.05	337,481.43	21,842.08	20,579.84	15,124.18	-0-	-0-	17,810.47	-0-	-0-	298,489.09	710,419.43	488,301.05
(b) Special Reserve Fund	-0-	709,590.56	4,038,467.42	7,220,241.54	337,481.43	563,101.13	1,552,345.13	2,157,897.05	-0-	765,288.22	4,412,244.13	12,741,440.64	-0-	-0-	-0-	-0-
(c) Net proceeds from sale or other disposition of vessels	382,782.74	359,983.21	8,362,332.84	2,726,012.54	-0-	-0-	807,648.41	1,334,157.73	-0-	-0-	(4)4,704,804.21	2,896,407.71	-0-	-0-	-0-	1,509,978.72
(d) Depreciation accruals	193,381.28	128,913.71	196,439.67	543,753.06	329,032.60	215,472.33	127,162.06	165,355.38	(e) 375,954.98	(f) 619,905.15	503,111.14	557,711.07	545,407.73	434,554.66	514,857.45	367,066.54
(e) Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
10 Amount of withdrawals from the Capital Reserve and Special Reserve Funds:																
(a) Mortgage payments	-0-	-0-	-0-	104,152.00	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
(b) Down payments on vessels	-0-	-0-	-0-	8,665,029.55	-0-	-0-	370,429.00	433,888.96	-0-	-0-	1,360,340.00	9,150,426.00	-0-	-0-	-0-	667,895.84
(c) Dividends	-0-	-0-	-0-	9,451,579.33	-0-	-0-	837,728.64	433,888.96	-0-	-0-	3,292,111.95	3,370,065.35	-0-	-0-	-0-	307,100.08
(d) Transfers from Special Reserve to Capital Reserve Fund	-0-	-0-	-0-	3,954,646.65	-0-	-0-	400,000.00	286,880.15	-0-	-0-	4,913,306.00	-0-	-0-	-0-	-0-	375,000.00
(e) Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

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Footnotes

Hoore-McCormack Lines, Inc. (Cont'd)
(c) Represents balance of net profit remaining for calendar year 1939 under Operating-Differential Subsidy Agreement of September 30, 1938 after deducting therefrom unearned depreciation for the period October 1, 1928 to December 31, 1938, required to be deposited in the Capital Reserve Fund in accordance with article 31 of the agreement.

(d) Includes \$55,250.00 representing the proceeds from the sale of an unsubsidized vessel deposited in the Capital Reserve Fund as required by the Commission (in its action of October 30, 1939).

(e) Includes \$361,487.49 representing depreciation on unsubsidized vessels deposited in the Capital Reserve Fund but not authorized for deposits by the Commission. This item has been treated as an over-deposit in our audit of this Contractor's accounts for the calendar year 1939.

(f) Includes \$3,444,983.30 representing depreciation on vessels deposited in the Capital Reserve Fund but not authorized for deposits by the Commission. This item has been treated as an over-deposit in our audit of this Contractor's accounts for the calendar year 1939.

(g) This payment was made from funds deposited in connection with this Contractor's obligation under the so-called Temporary Agreement, which deposit is not reflected in this statement.

New York and Cuba Mail Steamship Company
(b) Represents 50 per cent of net profit in excess of 10 per cent per annum of "capital employed" cumulative through December 31, 1941.

(c) Reflects total net profit before "additional charter hire" in instances where Contractors operated vessels under charter party agreements with the Commission.

(d) Reflects dividends paid to stockholders from both subsidized and unsubsidized net profits.

(e) Indicates that the financial data reflected thereunder was obtained from statements submitted by the Contractors under the provisions of General Order No. 31 and are unaudited by the Commission.

Lykes Bros. Steamship Co., Inc.
(a) Represents interest accrued on securities carried in the statutory reserve funds and deposited in the Capital Reserve Fund in accordance with Section 607 (4) (d) of the Merchant Marine Act, 1936.

(b) Represents earnings from unsubsidized operations deposited in the Capital Reserve Fund as required by the Commission (in its action of December 27, 1940).

(c) Includes \$338,257.60 representing profits otherwise available for distribution as dividends deposited in the Capital Reserve Fund with the consent of the Commission (in its action of December 29, 1941).

(d) Represents earnings from unsubsidized operations deposited in the Capital Reserve Fund as required by the Commission (in its action of November 6, 1941 and December 29, 1941).

Mississippi Shipping Company, Inc.
(a) Represents total subsidy accrued through December 31, 1941.

(b) Represents interest accrued on securities carried in the statutory reserve funds and deposited in the Capital Reserve Fund in accordance with Section 607 (4) (d) Merchant Marine Act, 1936.

Hoore-McCormack Lines, Inc.
(a) Excluding the so-called Temporary Agreement, during the period October 1, 1928 (the inception of the 1st permanent agreement) to December 31, 1941, this Contractor operated under the Operating-Differential Subsidy Agreement of September 30, 1938, (the American Republics Line) and the Operating-Differential Subsidy Agreement of June 24, 1939, (the American Republics Line) in addition to 7 charter party agreements. As of January 18, 1940, all agreements then in existence were consolidated.

(b) Represents total subsidy accrued, through December 31, 1941 excluding subsidy accruing under charter party agreements executed under the provisions of Section 705 of the Act which agreements make no provision for recapture of excess profits prior to the execution of the Consolidated Agreement of January 18, 1940.

(APPENDIX I - CONT'D)

1 Name of Contractor	The Oceanic Steamship Company				Seas Shipping Company, Inc.				(a) United States Lines Company											
	Period of Agreement		Calendar Years		Calendar Years		Calendar Years		Calendar Years		Calendar Years		Calendar Years							
2	January 1, 1928 to December 31, 1942	1928	1929	(2) 1940	(2) 1941	October 14, 1928 to November 15, 1951	1928	1929	1940	1941	Operating-Differential Subsidy Agreement	Charter Party Agreement	Charter Party Agreement	Charter Party Agreement						
3	Total subsidy accrued	\$ 528,516.73	632,424.98	712,287.26	583,407.03	195,628.05	389,734.79	522,575.12	2,455,579.29	2,500,338.26	1,052,315.36	-0-	66,405.57	110,054.04	88,721.04	256,343.81	657,332.42	66,888.81		
4	Capital necessarily employed (in subsidized operations)	6,853,956.98	7,919,196.10	8,171,288.34	8,875,584.30	100,815.92	1,083,041.84	931,423.72	2,895,434.32	8,247,584.04	11,288,823.73	7,867,979.09	5,279,294.29	123,698.08	12,946.27	164,412.01	1,471,421.13	2,290,596.12	1,172,304.55	
5	Total net profits from subsidy operations (X)	640,058.61	1,167,511.42	368,857.62	1,779,327.30	56,864.34*	28,608.15	2,832,460.58	6,274,584.12	1,780,465.51	3,043,650.62	132,917.17	28,940.21*	220,311.13	42,356.95	984,415.79	803,907.87	4,598,304.33	1,089,495.52	
6	Amount of net profits accrued to the Commission as recapture of excess profits - (cumulative)	22,668.54*	165,142.37	58,993.23*	386,891.20	33,472.96*	73,320.97*	585,362.84	1,107,937.96	477,853.55	1,440,237.08	1,113,286.31	834,861.49	-0-	-0-	-0-	-0-	-0-	66,888.81	
6x	Additional charter hire accrued to the Commission (cumulative)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
7	Amount of net profits accrued to the contractor - (cumulative)	640,058.61	1,167,457.66	2,176,457.65	3,568,893.75	-0-	-0-	-0-	2,218,841.55	7,970,850.55	1,202,611.96	3,283,878.45	3,843,736.99	4,092,231.60	102,722.72	141,677.44	642,105.93	457,867.93	2,871,549.90	1,022,606.71
8	Amount of net profits paid as dividends to stockholders (Y)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	125,506.00	194,935.30	389,870.60	397,891.35	930,232.63	-0-	-0-	-0-	-0-	-0-	
9	Amount of net profits accrued for account of:																			
9 (a)	Capital Reserve Fund	635,560.41	797,231.52	493,283.06	2,368,133.40	122,629.77	-0-	2,377,149.93	818,970.39	-0-	-0-	3,231.13	36,895.01	-0-	-0-	-0-	-0-	-0-	-0-	
9 (b)	Special Reserve Fund	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (c)	Amount of deposits in Capital Reserve and Special Reserve Funds:																			
9 (a) (1)	Net operating profits from subsidy operations	635,560.41	1,180,280.19	493,414.21	1,689,669.00	-0-	-0-	2,739,318.21	5,917,519.79	955,707.10	1,909,906.17	3,231.13	36,895.01	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (2)	Net operating profits from other operations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (3)	Net proceeds from sale or other disposition of vessels	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (4)	Depreciation accruals	785,069.97	813,856.73	813,742.67	813,906.35	28,346.41	288,338.15	-0-	1,154,812.50	2,531,564.36	281,544.36	3,835,651.21	223,201.87	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (5)	Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	59,433.84	126,217.11	1,182,277.01	38,633.26	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (6)	Amount of withdrawals from the Capital Reserve and Special Reserve Funds:																			
9 (a) (6) (a)	Mortgage payments	583,875.00	2,046,375.00	1,460,250.00	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (6) (b)	Down payments on Vessels	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (6) (c)	Dividends	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,705,000.00	3,130,415.77	2,250,000.00	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (6) (d)	Transfer from Special Reserve to Capital Reserve Fund	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
9 (a) (6) (e)	Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

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Footnotes

United States Lines

- (a) Represents 50 per cent of net profit in excess of 10 per cent per annum of "capital employed" cumulative through December 31, 1941.
- (b) Represents the Contractor's "allowable return" of 10 per cent per annum of "capital employed" otherwise available for distribution as dividends, deposited in Capital Reserve Fund with the consent of the Commission (in its action of December 29, 1938).
- (c) In addition to "excess profits", this item includes (1) \$906,699.79 representing the Contractor's "allowable return" of 10 per cent per annum of "capital employed" otherwise available for distribution as dividends, deposited in the Capital Reserve Fund with the consent of the Commission (in its action of December 12, 1939) and (2) \$5,311.91 representing interest on the deposits in the Capital Reserve Fund and retained in that fund in accordance with the provisions of General Order No. 31, Supplement No. 1.
- (d) This item is composed of (1) \$491,556.23 representing the Contractor's "allowable return" of 10 per cent per annum of "capital employed" otherwise available for distribution as dividends, deposited in the Capital Reserve Fund with the consent of the Commission (in its action of March 13, 1941) and (2) \$1,857.98 representing interest on the deposits in the Capital Reserve Fund and retained in those funds in accordance with the provisions of General Order No. 31, Supplement No. 1.
- (e) In addition to "excess profits" this item includes (1) \$956,555.45 representing the Contractor's "allowable return" of 10 per cent per annum of "capital employed" otherwise available for distribution as dividends, deposited in the Capital Reserve Fund with the consent of the Commission (in its action of March 12, 1942) and (2) \$4,674.72 representing interest on the deposits in the Capital Reserve Fund and retained in those funds in accordance with the provisions of General Order No. 31, Supplement No. 1.
- (f) Represents earnings from unsubsidized operations deposited in the Capital Reserve Fund with the consent of the Commission (in its action of March 12, 1942).
- (g) Represents total subsidy accrued through December 31, 1941.
- (h) Represents "excess profits" deposited in the Capital Reserve Fund, rather than the Special Reserve Fund, as required by the Commission (in its action of December 27, 1940 and January 8, 1941).
- (i) Represents "excess profits" deposited in Capital Reserve Fund, rather than the Special Reserve Fund, as required by the Commission (in its action of August 5, 1941 and September 19, 1941).
- (j) Represents net profit from unsubsidized operations required to be deposited in accordance with Article 33(a) of the permanent agreement.
- (k) Reflects total net profit before "additional charter hire" in instances where Contractors operated vessels under charter party agreements with the Commission.
- (l) Reflects dividends paid to stockholders from both subsidized and unsubsidized net profits.
- (m) Indicates that the financial data reflected thereunder was obtained from statements submitted by the Contractor under the provisions of General Order No. 31 and are unaudited by the Commission.

(APPENDIX J)

REVENUES AND EXPENSES OF TERMINAL OPERATIONS

FOR FISCAL YEAR ENDING JUNE 30, 1942

Terminal	Revenues		Maintenance, Operations and Administrative Expenses		Net Revenues	
	Fiscal Year 1940	Fiscal Year 1941	Fiscal Year 1940	Fiscal Year 1941	Fiscal Year 1940	Fiscal Year 1941
Boston	\$ 150,878.38	184,148.04	(1) 100,108.01	109,938.85	59,224.64	48,996.46
Brooklyn	(2) 44,364.36	-	-	16,101.75	-	-
Hoboken	201,386.44	228,949.25	270,348.95	149,322.35	188,402.47	151,372.20
Philadelphia	234,544.37	270,552.47	309,599.01	61,543.30	54,840.98	52,787.70
Norfolk	123,585.14	245,786.16	(3) 167,042.14	138,490.74	84,100.96	63,570.93
Total	\$ 754,758.69	929,435.92	847,098.11	475,396.99	386,569.05	316,727.29

* Red

- (1) Boston Terminal returned to War Department as of March 1, 1942.
- (2) Brooklyn Terminal returned to War Department as of February 1, 1940.
- (3) Norfolk Terminal transferred to War Department under Permit as of June 16, 1942. Revenue based on a rental of 3 1/2% of gross revenue, period July 1, 1941 to December 31, 1941 - 70% of net revenue, period January 1, 1942 to June 15, 1942.
- (4) Red figure denotes deficit.

Note: Maintenance, operation and administrative expenses do not include the administrative expenses of the Washington Office.

14-7159

November 30, 1942
Terminals Section