

Annual Report of the

**FEDERAL MARITIME BOARD
and
MARITIME ADMINISTRATION**

1954



UNITED STATES DEPARTMENT OF COMMERCE

UNITED STATES DEPARTMENT OF COMMERCE

SINCLAIR WEEKS, *Secretary*

Washington, D. C.

FEDERAL MARITIME BOARD

LOUIS S. ROTHSCHILD, *Chairman*

Vacancy

G. JOSEPH MINETTI, *Member*

A. J. WILLIAMS, *Secretary*

MARITIME ADMINISTRATION

LOUIS S. ROTHSCHILD, *Maritime Administrator*

WALTER C. FORD, *Deputy Maritime Administrator*

Letters of Transmittal

UNITED STATES DEPARTMENT OF COMMERCE,
FEDERAL MARITIME BOARD,
MARITIME ADMINISTRATION,
Washington 25, D. C., November 10, 1954.

To: The Secretary of Commerce.

FROM: Chairman, Federal Maritime Board, and Maritime Administrator.

SUBJECT: Annual Report for fiscal year 1954.

I am submitting herewith the report of the Federal Maritime Board and Maritime Administration covering their activities for the fiscal year ended June 30, 1954.


LOUIS S. ROTHSCHILD.

SECRETARY OF COMMERCE,
Washington 25, D. C.

To the Congress:

I have the honor to present the annual report of the Federal Maritime Board and Maritime Administration of the Department of Commerce for fiscal year 1954.


Secretary of Commerce.

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FISCAL YEAR ACTIVITIES

Introduction

A shipbuilding program of great potential employment for United States shipyards, experiments in merchant ship and propulsion machinery design, significant developments in defense planning which will affect both the active and reserve merchant fleets, plus improvements in management and efficiency within the agency, characterized the past year's efforts of the Federal Maritime Board and the Maritime Administration. These activities were directed toward the prompt and effective discharge of the agencies' responsibilities and duties under the maritime laws, the purpose of which is to further the development and maintenance of an adequate and well-balanced American merchant marine, to promote the commerce of the United States and to aid in the national defense.

In carrying out their programs in the past year, the Federal Maritime Board-Maritime Administration had several major objectives clearly before them. Among them were:

1. Minimum Federal participation in the merchant marine—to meet national security needs and to stay within the overall fiscal policy of the President.
2. Expanded private ownership and operation of the merchant marine.
3. Encouragement of private initiative in the development of shipping and the solving of maritime problems.
4. Economical, efficient, and effective Government administration of the Nation's maritime laws.

Careful study and planning have gone into developing a realistic maritime program which will remain sound on a long-term basis, and on which shipbuilders and operators can confidently base their plans. A major phase of this was the report on *Maritime Subsidy Policy* in the preparation of which Maritime Administration staff members collaborated and which was completed and released by the Under Secretary of Commerce for Transportation in May 1954. Important conclusions and recommendations included these: That the basic philosophy of subsidy aid—the parity concept—is sound; that it is essential that the maximum amount of private financial interest be available; that the Congress authorize the sale of Government ship mortgages and the establishment of a construction revolving fund; that construction of 60 ships a year would maintain sufficient shipbuilding industry to provide a base for mobilization requirements; that about 80 percent of the merchant fleet will reach the end of its 20-year life in a 3-year period in the 1960's; that tramp shipping requires operating aid; that construction-differential subsidies should

be determined for major types of ships instead of individual vessels; and others which are discussed farther on.

Several major steps toward the solution of these problems have already been taken. Foremost is the inauguration of a ship construction program, largest in our peacetime history, the major share of which will be privately financed. The start of such a program will go a long way toward the preservation of shipbuilding resources and skills so important to national defense, providing employment for nearly 36,000 shipyard workers.

This includes building tankers under a trade-in arrangement, building tankers for the Department of the Navy, and building several passenger-cargo ships under subsidy for private operators. Experiments will be undertaken to determine the feasibility of increasing the defense potential of hundreds of laid-up Liberty ships, by installing advanced propulsion machinery for increased speed and modifying their hulls for increased sea efficiency. In this phase American industry is giving its full cooperation. Improved cargo handling devices will also be installed on these ships in an effort to cut the time ships spend in port, which represents 60 percent of operating time and a potential saving to the industry of millions of dollars. Such a saving should in turn cut the Nation's operating subsidy bill. An emergency ship repair program will be undertaken, designed to repair and modernize more than 200 ships in the reserve fleets capable of serving as military auxiliaries.

In the Korean conflict construction began on 35 modern, fast, dry-cargo ships known as *Mariners*. This program is rapidly being completed. Of the five not yet delivered, one will be completed in August, three were sold and are being converted for private operation, and one is being converted for the Department of the Navy. The first steps have been taken toward the sale of more *Mariners* to private operators. Others have had to be laid up as defense needs declined.

New legislation was sought liberalizing Government insurance of mortgage loans, designed to encourage private lending institutions to furnish capital for ship construction. Such legislation will permit insurance of up to 90 percent of most ship's mortgages. The existing law did not provide the necessary stimulus to private lenders.

In the past few years lucrative cargoes in United States trade have drifted to foreign-flag lines. It was concluded that if American ships carried 50 percent of American cargoes, many of their troubles would be overcome. With this in mind Congressional support was given to permanent legislation to assure United States-flag privately operated merchant ships of at least 50 percent participation in Government cargoes.

The progress made in establishing specific operating-differential subsidy rates indicates that this work will be completely current by the end of calendar year 1955. This will clear up a situation in which the Government was up to 6 years behind in meeting its subsidy obligations to the shipping industry. Operating subsidy contracts were

awarded to two companies not previously subsidized. One subsidy contract expired and was not extended.

During the year, under a modification of policy, Liberty-type tankers were approved for transfer to the flag of Liberia, Panama, or Honduras. Increasing pressure developed to approve transfers foreign of Liberty dry-cargo ships and a determination in that respect was under consideration at the close of the fiscal year.

Substantial economies were effected as a result of a complete review of Federal merchant marine training programs. After study of the officer training program, including those of the States, it was decided to continue the United States Merchant Marine Academy. But the vocational, or upgrade, phases of the Federal maritime training program were discontinued after considering value to the Government and the existence of similar training in private schools.

In our reserve fleets of merchant ships the Government has a national defense asset estimated at nearly \$8 billion. In recognition of this value, a new electrolytic method of underwater hull preservation has been completed at four fleets and is being extended to the others. This method is estimated conservatively to save \$3 million annually over traditional methods when completed.

A number of increases in freight rates and passenger fares were filed by off-shore domestic carriers, with increased operating costs largely responsible. A falling off of cargo offerings resulted in abandonment or consolidation of services by a number of carriers.

There can be no doubt that the merchant fleet is a vital arm of defense—as proved in two world wars—to support and supply military forces and to bring in essential raw materials. The major interests of the Federal Government in the private merchant marine lies in its national defense characteristics. The Government's participation should be centered in the Nation's needs for defense planning and mobilization readiness. To further these aims it is important that the country have merchant ships of modern design gainfully employed under private ownership. A merchant ship in active service is far more valuable—as a unit of an operating organization—than one in layup with boilers cold and machinery partly dismantled. It is the Government's responsibility to help maintain such a fleet, with a minimum of participation in costs.

Aid to Shipping

Construction-differential subsidy

The situation with respect to the sales prices of the S. S. *Independence* and S. S. *Constitution* to American Export Lines was substantially unchanged, except that payments of operating subsidy were authorized as long as there was still owing to the company approximately \$7,000,000, the amount of the Comptroller General's excep-

tion to the construction-differential allowance. The construction-differential allowances with respect to the reconstruction of three ships of American President Lines, Ltd., three for Moore-McCormack Lines, Inc., and 10 for Mississippi Shipping Co., Inc., were redetermined by the Federal Maritime Board and accepted by the operators concerned. The total allowance applicable to the 16 ships was reduced by \$472,000. The redetermined allowances applicable to reconditioning of four combination ships of American Export Lines, Inc., were pending before the Board at the close of the fiscal year. The Board approved minimum sales prices for Mariner ships, which vary according to the construction contract date and whether the ships will be used as cargo or combination ships. These prices range from \$4,120,000 to \$5,072,000.

The application of Moore-McCormack Lines for a construction-differential on construction of two combination ships to replace the Good Neighbor Fleet was approved in principle by the Board. Funds were appropriated by the Congress to pay construction-differential allowances on these ships and it was expected that a contract would be executed for their construction during fiscal year 1955. The application of Grace Line Inc., for construction-differential aid in construction of two combination ships was approved in principle shortly after the close of the fiscal year. Funds were requested to pay the construction-differential and it was expected that contracts for construction also would be executed in fiscal year 1955. Negotiations were under way with American President Lines for the purchase of four Mariners and the construction of two combination ships for operation in its round-the-world service, pursuant to requirements of its operating subsidy contract. Legislation was proposed by the Maritime Administration which would enable the Government to sell to the American President Lines the S. S. *President Cleveland* and S. S. *President Wilson*, under charter in its trans-Pacific service.

The application of Colonial Steamship Co. previously filed for mortgage aid in construction of six tankers was dismissed by the Board because no funds were available. An application of Maine Steamship Corp. for mortgage aid in connection with construction of four tankers was filed and was dismissed by the Board also because of lack of funds. Further consideration was given by the Board to Mississippi Shipping Co.'s contractual obligation to build an additional combination ship for its South American service. The ship-owner, although originally in favor of building an additional ship, is now of the opinion that present requirements of the trade do not warrant the construction.

The Texas Co. and Sinclair Refining Co. each applied for authority to trade in two old tankers and construct one new tanker pursuant to section 510 of the Merchant Marine Act of 1936, as amended. The Esso Shipping Co. applied for authority to trade in three old tankers and construct one new tanker, with a national defense allowance on the new tanker for speed in excess of commercial requirements. These applications were in process at the close of the

fiscal year. A supplemental appropriation of funds was requested to take care of the tanker turn-in-and-build program and to pay for excess speed as a national defense cost.

The Sword Line, Inc., filed an application for the construction of two trainships under section 509 of the 1936 act for use in coastwise operation and Mr. Joseph E. Sheedy and associates advised by letter of a desire to file an application under the same provision for construction of two trailer ships for coastwise operation. In both cases the applicant was informed that there was no appropriation for construction under section 509, and it was suggested that consideration be given to the use of insurance mortgage aid under title XI.

The Department of State dispensed with all foreign cost representatives in September 1953, which resulted in a complete cessation of collection of necessary foreign shipbuilding cost data. After 5 months it was possible to reinstate one man in London, permitting resumption of limited data collection.

Operating-differential subsidy

Two operating subsidy contracts were awarded to companies not previously subsidized, Bloomfield Steamship Co. on Trade Route No. 21, and Gulf & South American Steamship Co., Inc. (jointly owned by Lykes Bros. Steamship Co., Inc., and Grace Line Inc.), on Trade Route No. 31. In addition, an operating subsidy was granted to United States Lines Co. for operation of freighter ships on Trade Route No. 8. In regard to the application of American President Lines, Ltd. for a subsidy on Trade Route No. 17, the examiner's report was rendered but oral argument before the Board was not scheduled. A recommendation to the Board with respect to the application of South Atlantic Steamship Co. for an operating subsidy on Trade Route No. 11 was pending, and applications of American Export Lines, Inc., Lykes Bros. Steamship Co., Inc., and Grace Line Inc., with respect to expansion of their subsidized services on Trade Route Nos. 10, 22, and 25, respectively, were still pending at the close of the fiscal year.

The operating-differential subsidy contract of the New York and Cuba Mail Steamship Co. expired December 31, 1953, and the company, which prior to that date was acquired by new owners, concluded that it would not request an extension. Pursuant to section 605 (b) of the 1936 act, the Board found it to be in the public interest and issued formal orders to grant operating-differential subsidies for the operation of the S. S. *Argentina* and S. S. *Brazil* by Moore-McCormack Lines, Inc., on Trade Route No. 1 and for the operation of the S. S. *Santa Rosa* and S. S. *Santa Paula* by Grace Line Inc., on Trade Route No. 4 for one additional year from July 1, 1954 (all four ships being over 20 years old).

Excellent progress was made in clearing up the backlog of operating-differential rates applicable to the post-war period. There were 447 rates computed during the fiscal year. Of 1,090 rates applicable to calendar years 1947-52, exclusive of protection and indemnity insur-

ance, all but 125 were calculated. With regard to 179 rates required for protection and indemnity insurance, it was expected that, as a result of the Board's approval of revised procedures, their computation would be rapid. As of June 30, 1954, \$209,117,664 net advance subsidy payments (subsidy less recapture) had been made. This amount represented payment on account from the date of post-war resumption of subsidized operations through calendar year 1953. A summary of operating subsidy contracts is given in appendix A.

Construction reserve funds

On June 30, 1954, balances in 12 construction reserve funds of 12 nonsubsidized ship owners or operators totaled \$2,451,954 compared with \$4,674,655 on June 30, 1953, in 18 funds of 16 operating owners. Deposits in the funds amounted to \$1,528,066 and withdrawals totaled \$3,750,767. The latter included \$2,410,000 for tanker construction, \$709,584 for conversion of C-4's to ore carriers, and \$631,183 withdrawn by one depositor, with respect to which the Internal Revenue Service was notified for tax purposes.

In order to aid subsidized operators in building up their statutory reserve funds for new construction, the Maritime Administrator may authorize voluntary deposits on a tax deferred basis. Applications for making voluntary deposits were received from American Mail Line, Ltd., Farrell Lines, Inc., Lykes Bros. Steamship Co., Inc., Mississippi Shipping Co., Inc., The Oceanic Steamship Co., and Pacific Argentine Brazil Line, Inc., but processing was deferred pending revision of the voluntary deposit formulae.

Ship mortgage aid

One application was approved to insure under title XI of the 1936 act a mortgage loan not to exceed \$2,500,000, granted by the National Bank of Detroit to the Sand Products Corp., Detroit, Mich., for the reconstruction and conversion of a ship for operation on the Great Lakes. The owners of three tuna clippers under mortgage insurance, in the original amount of \$250,000 each, reduced their total outstanding indebtedness to \$279,000. During the fiscal year, mortgage insurance premium receipts of \$3,117 increased the Federal ship mortgage fund to \$29,025.

Trade routes

The review of foreign trade routes required under the Merchant Marine Act of 1936 continued during the year. A review was begun of United States-flag minimum and maximum sailing requirements on all United States foreign trade routes previously determined to be essential. In addition, studies were undertaken with regard to other trade routes which might be essential. In accordance with a new procedure, trade route reviews on an abridged basis were made on Route Nos. 8, 11, 15-A, 15-B, 18, 22, 24, and 31, and work on fifteen other routes was nearing completion. Detailed reports on minimum and maximum sailing requirements were completed on all routes on which subsidized services were maintained.

Reports on the extent of foreign-flag cargo and passenger competition encountered during calendar year 1952 by the subsidized operators were completed. Preliminary reports were completed concerning the extent of competition encountered during calendar year 1953. In these reviews ship itineraries and sailing frequencies were analyzed, as well as traffic carryings of individual American-flag and foreign-flag lines that operate outbound and inbound on each service.

During the year, 4,841 tentative, revised, and final sailing schedules of subsidized ships were approved. This also required analysis of specific requests of subsidized lines regarding excess sailings and special permissions.

Traffic

In compliance with provisions of Public Resolution 17, 73d Congress, the Maritime Administration advised the Export-Import Bank on shipping arrangements of exports financed under loan credits of the bank involving 16 countries. In view of measures taken by Brazil to amend certain regulations affecting American ships, waivers were granted to Brazilian ships to participate in movements under several credits of the bank. Similar arrangements were made with other borrowing nations on the understanding that United States ships receive parity of opportunity in trade with the recipient nation. Overall, these arrangements reserved substantial traffic to United States ships while allowing participation of other nations.

During the year United States-flag participation in our overall commerce continued to decline. On January 23, 1954, the Commission on Foreign Economic Policy recommended to the President (Randall report) the repeal of existing cargo preference measures. In response to this report a Department of Commerce study and shipping circles both pointed out the adverse result if preference measures were repealed without adequate substitute, and bills were introduced in Congress to continue existing 50 percent provisions relative to United States-financed movements. A review of foreign-aid movements for a period of nearly 5 years indicated that the United States-flag participation, including aid cargo purchased in off-shore areas with United States funds, was approximately 35 percent, showing that the programs were providing nearly twice as much traffic for foreign ships.

During the year there were 20 new registrations of freight forwarders under General Order 70; 14 firms were deleted at their own request; 10 new branches were registered and 22 branches deleted.

Ship Operations

General agency activities

Activity under the general agency program included: (a) Selection of ships to meet military requirements; (b) determination of ships

to be removed from operation; (c) resolution of policy matters and problems in liquidating the former large-scale operation of ships; and (d) deactivation, repair, and return of ships to reserve fleet status. The declining general agency program involved the employment of 48 general agents for the operation of 141 ships at the commencement of the year and 26 at the end of the year.

The administration of general agency agreements included :

1. Constant evaluation of the operating performance and efficiency of general agents and institution of measures to increase efficiency and economy of operation of general agency ships.

2. Special studies of ship casualties to determine contributing factors and evaluate operating procedures in relation thereto.

3. Maintenance of operating cost results of voyages performed for the Military Sea Transportation Service, and of stripping costs on ships withdrawn from operation.

4. Negotiation of a final settlement with the Foreign Operations Administration for shipping services rendered in the carriage of rehabilitation cargoes.

Ship condition and operating performance data were maintained in order to have an accurate record of condition and potential performance of operating and deactivated ships. Extensive studies were conducted on the operating performance of Mariner ships to determine features that should be incorporated into the design of future ships. Sixty-three Maritime Administration-owned ships were in the custody of other government agencies, including State maritime academies.

Charters

The need for the operation of Government-owned ships under bareboat charter also continued to decline during fiscal year 1954, from 49 to 32. Twenty-four of these were in offshore trades and eight in the Philippine interisland service. In accordance with Public Law 591, 81st Congress, an annual review was made as of June 30, 1953, of bareboat charters made under the authority of the Merchant Ship Sales Act of 1946, as amended. It was found that conditions existed justifying the continuance of charters in effect.

Three Mariner-type ships were chartered for trans-Pacific service until three Mariner ships purchased by the charterer are delivered from the construction yards and enter service. All ships previously chartered in Great Lakes and ferry services under Public Law 101, 77th Congress, were redelivered. One ship of the Good Neighbor Fleet was withdrawn from service and the charter of the other two ships in the Good Neighbor Fleet was extended for a period of 1 year.

Grain storage

Under the 1953 grain storage program, the last ship was loaded with grain and returned to reserve fleet anchorage October 3, 1953. The 1954 grain storage program was initiated by the Department of Agriculture's request dated February 12, 1954. Additional requests have resulted in the Maritime Administration's making a total

of 317 ships available for the storage of grain. When the loading of these ships is completed in the fall of 1954, approximately 72,000,000 bushels of surplus wheat will have been stored in reserve fleet ships. These ships were in the Hudson River, James River, Olympia, and Astoria Reserve Fleets.

Ship custody

At the close of the fiscal year there were 2,067 ships in the reserve fleets. During the year 217 ships were withdrawn and 352 taken into the fleets, for a net increase of 135 ships. The major activity was withdrawal and re-entry of ships for grain storage. The following is a tabulation of ships in the fleets on June 30, 1954:

Astoria, Oreg.....	197	Mobile, Ala.....	321
Beaumont, Tex.....	200	Olympia, Wash.....	122
Hudson River, N. Y.....	158	Suisun Bay, Calif.....	351
James River, Va.....	392	Wilmington, N. C.....	326

Administrative and supply functions, transportation of personnel and materials, security patrol, and guard service comprised a few of the service activities which supported the ship preservation program. The basic lay-up and preservation of ships in the reserve fleets reached 88 percent of completion. The greater part of manpower available was applied to basic work on ships returned since the Korean emergency. Only 33 percent of the year's workload of recurring preservation was completed because of the necessity to concentrate manpower on the more critical basic work.

By June 30, 1954, the program for cathodic protection of the underwater surfaces of hulls had reached completion at the Hudson, James, Wilmington, and Suisun Bay fleets. In those fleets, protection was provided for 1,227 ships. In the cathodic method, an electric current is passed between "anode beds" and the hulls of the ships. The current passing to the plates of the ships negates rusting and pitting that would result from electrochemical processes if some form of protection were not employed. Conservative estimates indicate that the employment of cathodic protection will effect savings of approximately \$3,000,000 per year over traditional methods of underwater protection of ships on the nearly 2,100 ships in the reserve fleets. The reserve fleets are a national defense asset whose value has been estimated at nearly \$8 billion.

Shipbuilding and Repair

New construction

At the beginning of fiscal year 1954, 25 ships were being constructed under Maritime Administration contracts, all of the Mariner type. By the end of the fiscal year, 20 of these ships had successfully undertaken trials and were accepted for delivery.

Work on the S. S. *Evergreen Mariner*, at the Bethlehem-Pacific Coast Steel Corp. at San Francisco, was ordered suspended and a new contract was awarded for conversion to a Navy Cargo Ship, Attack (AKA). A sales contract was entered into with Pacific Far East Lines for the purchase of three Mariner ships at the Bethlehem-Pacific Coast Steel Corp. Extensive changes were ordered to suit these ships for the buyer's particular needs and consequently delivery was not expected before the last half of fiscal year 1955. The remaining ship of the 35 Mariners contracted for was scheduled for delivery in August 1954.

At the request of the Department of the Navy a contract was awarded to the Ingalls Shipbuilding Corp., Pascagoula, Miss., for construction for Navy account of two refrigerated stores ships.

The progress of construction on ships under Maritime Administration contracts as of June 30, 1954, is given in the following table:

Type	Name	Builder	Keel laid	Estimated delivery
C4-S-1a...	Silver Mariner.....	New York Shipbuilding Corp., Camden, N. J.	May 18, 1953	Aug. 11, 1954
C4-S-1b...	Evergreen Mariner....	Bethlehem-Pacific Coast Steel Corp., San Francisco, Calif.	Feb. 16, 1953	May 10, 1955
C4-S-1f...	Golden Bear.....	do.....	Sept. 15, 1953	Dec. 23, 1954
C4-S-1f...	Sooner Mariner.....	do.....	Jan. 11, 1954	Mar. 1, 1955
C4-S-1f...	Grand Canyon Mariner.....	do.....	July 6, 1954	June 15, 1955
R3-S-4a...	Navy AF-58.....	Ingalls Shipbuilding Corp., Pascagoula, Miss.	Mar. 15, 1954	June 3, 1955
R3-S-4a...	Navy AF-59.....	do.....	June 7, 1954	July 15, 1955

Summaries of all ship construction are in appendixes B, C, and D.

Conversions

Work under contracts previously awarded to Gibbs & Cox, Inc., for plans and specifications for future conversion of the partially completed S. S. *Monterey* and the completed S. S. *United States* to troop transports was near completion. Work on plans and specifications for future conversion of Mariners to Navy (AKA) Attack Cargo Ships and (APA) Attack Troop Transports by Bethlehem Steel Co., Shipbuilding Division, Quincy, Mass., was completed. The Maritime Administration acted as the Navy Department's agent in these projects for Navy account.

Under the provisions of Public Law 856, 81st Congress, three ships had been sold to the Wisconsin-Michigan Steamship Co. for conversion. The conversion of one of these was completed previously. The conversion of the second to a bulk carrier was completed during fiscal year 1954. The third ship was being converted to a passenger-package freight carrier.

Building proposals

Preliminary plans and specifications were received from Grace Line Inc., for construction of two ships to replace the overage ships *Santa*

Rosa and *Santa Paula*, but mutual agreement had not been reached on the technical features of the design. An application was received together with plans and specifications from Grace Line Inc., for aid in construction of three ore carriers. Data were reviewed and an estimate of cost was furnished.

Preliminary plans and specifications were previously received from Moore-McCormack Lines, Inc., for construction of two combination passenger-cargo ships to replace three Government-owned ships operated by them. Technical adjustments were being made and it was expected that initiation of construction during fiscal year 1955 would depend only on financial arrangements.

A program was initiated for modernization of Liberty ships, which comprise 85 percent of the reserve fleet, by hull modifications and new engines. The present reciprocating engines will be replaced by conventional steam turbines, geared diesels, and two types of gas turbine units, intended to increase speed to 15 knots. It is proposed to initiate conversion of four Liberty ships during fiscal year 1955 and to include arrangements for faster cargo handling on two of these ships by additions to the standard cargo gear on one ship and by replacement of standard cargo gear on the second ship with experimental gear of novel design. This experimentation, if successful, will provide a production type for rapid conversion under mobilization conditions.

Technical developments

In the Liberty ship conversion program the effect of additional length and a sharper bow will be evaluated from actual comparable ships in service. Although repowered to increase speed to 15 knots, one conversion will retain its hull unchanged whereas the others will be 25 feet longer and with sharper bow. Analysis of performance records of these ships is expected to yield ship designs of better "sea-keeping" qualities. The Maritime Administration considered it necessary to develop high efficiency propulsion plants and invited private industry to participate in the development of gas turbine units for installation in one or two Liberty ships. Eleven proposals were received covering the three basic types of gas turbines. These proposals were being analyzed at the close of the fiscal year and it was anticipated that the ultimate installation and operational experience obtained will materially assist the marine industry. The cargo handling gear proposed for the conversion program will enable objective evaluation of old and new types of gear urgently needed by the whole shipping industry.

The Maritime Administration continued to foster development of improved ship design practices through participation of its staff members on advisory councils of the principal interdepartmental and professional society research organizations. These groups were successfully attacking such problems as metallurgy, fabrication, and design of structural ship steel components; shipboard cargo handling improvements; and hull and propeller design.

The Maritime Administration continued to sponsor, in cooperation with the Department of Defense, two research and development studies with respect to cargo handling, one with the University of California at Los Angeles and the other under the National Research Council. Contacts were made with the Atomic Energy Commission with a view to eventual use of atomic energy for ship propulsion.

Section 505 (b) of the Merchant Marine Act 1936, as amended, states that profit limitation shall not apply to contracts or subcontracts for scientific equipment used for communication and navigation, nor to contracts under which the United States pays only for national defense features. No contracts or subcontracts were made in either category during fiscal year 1954.

Inspections were conducted at manufacturers' plants on outfitting equipment for new ship construction, equipment for reserve fleet and training ships, and ship operations totaling \$1,400,000. Also 200,000 gallons of paint were inspected for new ship construction and reserve fleet ships.

Ship repair

The *Cornhusker Mariner* dragged anchor in a typhoon and grounded at Pusan, Korea, on July 7, 1953. On August 17, 1953, under deteriorating weather conditions the stern section broke and was cut free, was beached in the inner harbor, and later was towed to Japan and drydocked. A survey was made and estimates of cost were prepared both for reconstruction and for salvage and dismantling if not reconstructed. After considerable study it was determined to dismantle the stern section. All usable machinery and equipment were removed for shipment to the United States. The forward section, which remained fast on the rocks, was stripped of all salvageable parts and sold for scrap. A damage survey and specifications for repair of the S. S. *San Mateo Victory*, grounded in Korean waters, were prepared, assistance in salvage operations was given, and permanent repairs in Japan were supervised.

Estimates of cost and time for repairing 205 auxiliary military type ships in the reserve fleets were prepared for the emergency ship repair program. Testimony on the cost and desirability of the program was submitted to the Congress.

Repair inspections totalling 2,685 were made on 276 ships under operating subsidy agreements to verify subsidized repairs. Full condition surveys were made on 155 of these ships to record their condition when changes of status under subsidy agreements were made. Subsidy repair summaries submitted by 16 subsidized operators were reviewed for eligibility for subsidy. Of the total of more than \$37 million, nearly \$10 million was determined to be ineligible for aid. Four hundred and thirty inspections were made to verify repairs on ships under general agency for Maritime Administration account and 188 surveys were made to determine proper maintenance.

Statistics and Special Studies

Special studies and periodic reports

The Maritime Administration staff provided substantial assistance to the Under Secretary of Commerce for Transportation in a report on *Maritime Subsidy Policy*, which dealt with such things as: (1) Defense and commercial requirements for shipping and shipbuilding; (2) rising cost of maritime subsidy; and (3) need for a long-range shipbuilding program. The Interdepartmental Statistical Committee, comprised of outstanding Government statisticians, was reconvened under the chairmanship of the Statistics and Special Studies Office to prepare, if possible, a procedure employing acceptable statistical techniques to be used in the determination of construction-differential subsidy rates.

A greatly increased number of periodic and special reports were prepared, including those in appendixes B, C, E, and F. Many of these were for use in hearings before a subcommittee of the Senate Committee on Interstate and Foreign Commerce; others, for the Planning Board for Ocean Shipping, N. A. T. O.; and one, *Merchant Ships Built in the United States and Other Countries, 1946-53*, was placed on sale by the Department of Commerce. A study of the *Current Status of Graduates from Kings Point and State Maritime Academies* was made for the Maritime Administrator.

Ship, cargo, and labor data

For the first time the collection and processing of ship operations reports covering the inbound and outbound movements of United States and foreign-flag ships in the foreign trade of the United States reached virtual currency. All 30,439 reports for calendar year 1953 were completed in 5 months after the end of the year, as compared with 9 months for 1952, 12 months for 1951, and 15 months for 1950. In addition, about 6,000 such reports for 1954 were processed. It is estimated that substantial savings were achieved as a result of more efficient procedures adopted.

Calculations of foreign competition data for operating-differential subsidy purposes were made for 42 and 44 subsidized services in calendar years 1952 and 1953, respectively. In addition, there were prepared 22 tables and tabulations showing cargo tonnage movements into and from the United States.

Seafaring employment on United States-flag ships of over 1,000 gross tons showed a continued decline from 72,700 to 63,850 on June 30, 1954, indicating that the post-World War II low of 61,000 jobs available, prior to Korea, will be reached during fiscal year 1955. With active seafaring union membership reported in excess of 100,000, unemployment has become a major problem, particularly for licensed deck, engine, and radio officers. Employment in private shipyards slowly and consistently declined during fiscal year 1954 from 127,100 to 106,000. Because of a lack of new shipbuilding orders and a

dwindling operating merchant fleet, yards equipped to construct or repair seagoing ships were facing a critical period. Favorable congressional action on pending shipping legislation will not materially stop this downward trend for 6 months or more.

Labor-management relations

During January 1954 leaders of A. F. of L., C. I. O., and independent seafaring unions conferred in Washington to develop proposals for common action relative to their economic problems. A committee was elected to meet with representative shipowners in stabilizing maritime issues. Collective bargaining during this period focused on working conditions, and expansion of welfare and pension plans; wages, and overtime increases played a subordinate part. Labor disputes were confined to relatively minor sporadic strikes with the exception of a stormy east coast situation where more than 30,000 members of the International Longshoremen's Association went on strike for 5 days during October 1953 and 28 days during March-April 1954.

The American Federation of Labor expelled the International Longshoremen's Association on the grounds that "it failed to purge itself of criminal elements and corrupt practices" and organized a rival union. The National Labor Relations Board subsequently conducted two inclusive representation elections. Until one of the two rival longshore unions is designated as collective bargaining agent, continued unrest may prevail. With the establishment of the New York-New Jersey Waterfront Commission and the efforts of the American Federation of Labor to "clean house," racketeering and crime in that area should be considerably reduced.

Ship Sales and Transfers

Ship sales

The decision of the Court of Claims in the Bull Line case indicated that charges for "desirable features" on approximately 1,500 ships sold were subject to possible adjustment. It now appears that this figure may be considerably reduced to approximately 650 ships. All qualified cases had been processed. Additional adjustments may be due, depending largely on the outcome of litigation. Regarding ships sold on which the Maritime Administration granted allowances for conversion and class repairs, the certified evidence of performance of these obligations had been processed on all but one ship, which was still undergoing conversion.

During the year 12 ships were sold for scrapping and one for operation under the authority of the Merchant Marine Acts of 1920 and 1936. The monetary return for these ships was \$515,996. Ten ships were returned to former owners under Public Law 305, 78th Congress, resulting in a return of \$638,531 to the Government.

Investigation of ship purchasers

The Circuit Court of Appeals upheld a favorable decision of the District Court in connection with forfeiture proceedings instituted previously by the Department of Justice against one tanker, and proceeding on similar premises, 21 additional ships were seized by the Department of Justice. In addition, nine individuals and eight corporations were indicted and awaiting trial. One group of corporations in a settlement with the Government agreed to surrender 19 ships, to pay the Government \$4,000,000, and to dismiss all claims against the Government arising out of purchase of the ships. In addition, a \$120,000 fine was assessed on the basis of a plea of *nolo contendere* by certain of the individuals and corporations, and others were awaiting trial.

Six investigations were conducted to determine whether certain purchasers of ships under the Merchant Ship Sales Act of 1946, as amended, were qualified as United States citizens. Because of the corporate affiliations of certain purchasing companies, these involved the investigation of 13 different corporations owning 16 ships and 4 operating corporations connected with them. It was determined that one corporation owning two ships should be called to the attention of the Department of Justice for possible civil and criminal action.

Transfers to foreign ownership and/or registry

Appendix G lists applications approved pursuant to sections 9 and 37 of the Shipping Act, 1916, as amended, for transfers to foreign ownership and/or registry of ships owned by United States citizens. Of the total approved, 568 were ships of less than 1,000 gross tons, such as tugs, barges, fishing ships, and pleasure craft. The remaining 78 ships were of 1,000 gross tons and over.

The Maritime Administration policy on transfers was modified December 15, 1953, to permit, under certain terms and conditions, United States-flag privately owned Liberty-type tankers to be transferred to the flag of Liberia, Panama, or Honduras, with ownership remaining directly or indirectly in United States citizens. Under the modified policy 25 tankers were approved for transfer. Approval was given to a proposal of a United States shipowner to construct in the United States for United States-flag operation, a trailer ship of 800,000-bale cubic capacity and about 21 knots speed, in consideration of approval of the transfer of equivalent tonnage to foreign ownership and registry.

During the year, 12 applications for approval of the transfer to alien ownership and/or registry of United States-citizen-owned ships were denied. All were of 1,000 gross tons or over. In view of changed economic conditions and other factors, however, several of the cases were subsequently approved.

In the latter part of the fiscal year an increasing number of applications were filed for approval to transfer ships to foreign ownership and registry, chiefly Liberty dry-cargo ships which heretofore have not been permitted to be transferred foreign. Eighty applications in

that category were received, but no policy determination was made with respect to permitting the transfers and all applications were held in abeyance.

A number of violations of sections 9 and 37 of the Shipping Act, 1916, as amended, were referred for legal action. Forty-three were subsequently mitigated by the Maritime Administrator but in the majority of the cases, involving principally small pleasure craft, no fine was imposed as the violations were determined to have been unintentional.

Charters to aliens

From July 1, 1953, to March 5, 1954, approval was given to 322 single-voyage charters of privately owned tankers to persons not citizens of the United States. On the latter date a revised order was adopted whereby tankers were permitted, with certain exceptions, to be chartered to noncitizens for a period of 6 months without action by the Maritime Administration. Approval was also granted for four charters of privately owned ships to aliens for periods in excess of 1 year.

Maritime Training

Maritime academies

A thorough survey was made of the need for Federal participation in merchant marine training in the light of currently decreasing manpower requirements of the industry and with consideration of the State maritime schools. As a result of the survey it was concluded that the United States Merchant Marine Academy, Kings Point, N. Y., should be continued.

During the fiscal year 826 cadet-midshipmen, including 18 Filipinos and 5 Latin-American cadets, were in training on the average in the United States Merchant Marine Cadet Corps at the Academy. During the year 242 cadet-midshipmen successfully completed the 4-year course of instruction. With the exception of 18 Filipino graduates, all received merchant marine officers' licenses, issued by the United States Coast Guard, as third mates or third assistant engineers of ocean ships. They also received the bachelor of science degree and commissions as ensigns in the United States Naval Reserve and the United States Maritime Service.

The Eleventh Congressional Board of Visitors made its annual inspection of the Academy at Kings Point on May 8, 1954. The following Senators and Representatives served as members: Senators Andrew W. Schoepel, Kansas; Irving M. Ives, New York; A. S. Mike Mouroney, Oklahoma; John W. Bricker, Ohio (ex officio); and Representatives Stuyvesant Wainwright, II, New York; Eugene J. Keogh, New York; John J. Allen, Jr., California; Timothy P. Sheehan, Illinois; Edward J. Hart, New Jersey; and Alvin F. Weichel, Ohio (ex

officio). The Board made a number of specific recommendations, among them: (1) That legislation be enacted setting up the Academy as a permanent institution; and (2) That the budget for Kings Point be stabilized at an amount which would permit graduation of 100 deck and 100 engineer officers annually. In conclusion, the Board placed on record its full support of the program at Kings Point and commended the Superintendent, his staff, and the Regiment of Cadet-Midshipmen for their performance.

In March 1954, the seventh meeting of the Academic Advisory Board was held at the Academy. The Board was composed of: Dr. George Stuart Benson, president, Harding College; Prof. John E. Burchard, dean of humanities and social studies, Massachusetts Institute of Technology; Vice Adm. Wilfrid N. Derby, USCG (Ret.), former superintendent, U. S. Coast Guard Academy; Vice Adm. Harry W. Hill, USN (Ret.), former superintendent, U. S. Naval Academy; Dr. Martin A. Mason, dean of engineering, George Washington University; Dr. Frank Hugh Sparks, president, Wabash College; and Mr. E. E. Wilson, assistant to the Chancellor, Vanderbilt University. The Board recommended that more control regarding admission be vested in the Academy and suggested a study of existing requirements to see whether higher standards might not be established without seriously affecting availability of desirable applicants. The Board felt that responsibility for the training of adequate and competent officers to man merchant ships must be maintained at the Federal level, and stated that it believed the United States Merchant Marine Academy to be an educational establishment without peer in its field.

The State Maritime Academies at Vallejo, Calif., Castine, Maine, and Hyannis, Mass., and the New York State Maritime College, Fort Schuyler, N. Y., had an average of 667 cadet-midshipmen in training in Federal pay status during the fiscal year and 213 officers, 41 of whom were over quota and not in a pay status, were graduated. These graduates also received merchant marine officers' licenses as third mates and third assistant engineers, the bachelor of science degree, and commissions as ensigns in the United States Naval Reserve and the United States Maritime Service. The cadet-midshipmen of all four institutions were given annual training cruises. The former Army hospital ship *Comfort* was acquired by the Maine Maritime Academy as a training ship and renamed the *State of Maine*.

United States Maritime Service

Also as a result of the survey mentioned above, it was determined that the vocational phases of the Federal maritime training program should be discontinued, considering value to the Government and the fact that similar training was available in private schools. Accordingly, the training stations at Alameda, Calif., and Sheepshead Bay, N. Y., were closed on January 31 and February 28, 1954, respectively. The loran-radar school closed on March 31, 1954. The closed schools will be maintained in a reserve status for emergencies.

In the first part of the fiscal year, the United States Maritime Service continued its upgrading, refresher, and specialist courses at

the two training schools. The Sheepshead Bay training station continued its emphasis on the training of active licensed personnel in the handling of high-speed machinery of the new Mariner-class ships. During the year, 22 instructors, 10 of them from the Merchant Marine Academy, completed observation trips aboard Mariner ships in preparation for teaching subjects regarding that type of ship. In the first part of the year, the training stations graduated 1,267 and 669 men, respectively, and the loran-radar school issued completion certificates to 293 men.

The United States Maritime Service Institute at Sheepshead Bay, which conducted educational and technical correspondence courses for men at sea in deck, engine, and basic radio subjects, was closed April 30, 1954. The right to conduct such courses, including textbooks and course materials, was sold to a group of independent tanker unions. They accepted responsibility for completing the courses of seamen currently enrolled without extra cost to the Government. During that part of the fiscal year in which the Institute was open 1,299 courses were completed.

Seamen awards and services

During the fiscal year 6,031 decorations, medals, and awards were made to merchant seamen and 235 Certificates of Substantially Continuous Service were issued. The issuance of such awards and certificates was discontinued as of June 30, 1953, either because the basic laws had expired or because of the length of time since the end of World War II. Comprehensive information on absentee voting for members of the merchant marine and franked postcard applications for absentee ballots were circulated to shipping commissioners, steamship owners, operators and agents, maritime unions, and seamen's institutes.

Property and Supply

Shipyards

The maintenance and security program was continued at the four Government-owned reserve shipyards at Wilmington, N. C., Richmond and Alameda, Calif., and Vancouver, Wash. At the North Carolina shipyard the lease of approximately 50 acres of open land to the North Carolina State Ports Authority was continued, and commercial terminal operations were carried on at this facility by the State. The Babcock & Wilcox Co. served notice of cancellation, effective August 1954, of its lease covering the fabrication building and certain open areas of the shipyard. During the year a lease was made with the Diamond Construction Co. for the use of certain open land, water frontage, and railroad trackage for the construction of concrete piles and the trans-shipment of concrete aggregates being used in the construction of an Army ammunition marine loading terminal. Portions of this shipyard were used under permit by the Departments of the Army and Navy for reserve training.

At the Richmond shipyard licenses and permits were continued for housing the Contra Costa Junior College pending construction of its permanent campus, for berthing Military Sea Transportation Service ships, to the Travis Air Force Base for installation of a radio transmitter, and to the American Red Cross and the Public Housing Administration for storage of administrative equipment. These provided that the Maritime Administration be reimbursed for utilities used and that the Contra Costa Junior College maintain buildings used by it.

At the Alameda shipyard the lease for berthing the S. S. *Mariposa* and storage of its equipment was terminated by the Matson Steamship Co. and the ship and equipment removed. At the request of the Coast and Geodetic Survey one of its ships has been permitted to berth at the shipyard for a period of approximately one year.

At the Vancouver shipyard permits to the Bonneville Power Administration and the Department of the Air Force were continued, the Air Force permit covering a major part of the shipyard land and 35 buildings. The Maritime Administration was reimbursed for utilities used and the permittees assumed maintenance and security of the property within their control.

The redesign of the North Carolina shipyard into a six-way yard for building the T-5 tanker, C-4 cargo (Mariner type), and other ships was completed. The plans and specifications will be held for use in any future reactivation of this shipyard and for Government construction of additional shipyards necessary during any future mobilization period.

The Maritime Administration continued to make available by lease to defense contractors and related industries vital machine tools and metal-working equipment from reserve shipyards. This program, in addition to filling an important need, has resulted in receipt by the Government of several hundred thousand dollars.

Terminals

On June 30, 1954, custody of the Boston, Mass., and Philadelphia, Pa., marine terminals was returned to the Department of the Army after having been utilized for commercial terminal operations under permits granted to the Maritime Administration by the Army in 1922. The Hoboken, N. J., terminal continued under long-term lease to the Port of New York Authority. The Authority commenced construction of a major general cargo pier with a one-story transit shed, depressed railroad tracks in the center of the shed, and an apron railroad track. Although the major portion of the Norfolk Terminal was occupied by the Departments of the Army and the Navy, they cooperated in maintaining some movement of commercial cargoes.

Warehouses

The Maritime Administration continued the operation of five Government-owned warehouses at Hoboken, N. J.; Baltimore, Md.; Norfolk, Va.; New Orleans, La.; and Richmond, Calif.; and in addition, a sub-warehouse at Vancouver, Wash. A sub-warehouse at Wilming-

ton, N. C., was used to store inactive materials. The move of the Hoboken Warehouse to the Navy's reserve shipyard at Kearny, N. J., was completed.

The warehouses provided storage of marine equipment required in emergencies for the reactivation, construction, repair, and operation of ships. During the year warehouse inventories of marine equipment and supplies decreased from \$47,342,000 to \$42,411,000. This decrease was made possible by re-examination of requirements for retention of certain warehouse stocks which culminated in the disposal of several million dollars worth.

Reserve training stations

During the year maritime training stations at Alameda, Calif., and Sheepshead Bay, N. Y., were placed in a laid-up status. Subsequently, a sizable portion of the Sheepshead Bay station, comprising approximately 35 acres of land and the buildings and structures thereon, was reported to the General Services Administration as excess to the needs of the Maritime Administration. A revokable permit was granted to the city of St. Petersburg, Fla., covering use of the St. Petersburg Reserve Training Station for health and welfare purposes. The San Mateo Cadet School, Calif., was declared excess to the needs of the Maritime Administration with provisions for maintaining the integrity of the installation and for its return in the event of national emergency.

Port development

In cooperation with the Department of the Army, Board of Engineers for Rivers and Harbors, studies were completed on the following port series volumes: Port Series No. 1, The Ports of Northern New England, and Port Series No. 4, The Ports of Southern New England. The following volumes were in process: Port Series No. 5, The Port of New York, and Port Series No. 6, The Port of Albany.

During the year a major revision of the overall inventory and study of capacities of the ports of the United States was completed and forwarded to the Office of Defense Mobilization for distribution to other Federal agencies. An interim report on the steps necessary for keeping small ports alive for utilization during national emergencies was completed.

Material control, inventory, and disposal

There were 215 ship and related inventories accomplished and inventory certificates for consumable stores were processed in the amount of \$251,265 as accounts receivable and \$108,918 as accounts payable. Certificates of overages and shortages were processed in the amount of \$831,998 as accounts receivable and \$1,114,935 as accounts payable. Inventory certificates processed in connection with general agency operations and other inventories totalled 196.

At the beginning of the year there was \$419,014 worth of material for determination as to disposition. During the year \$11,808,020 was reported from off-site locations and warehouses to be identified, segre-

gated, and processed for utilization, retention, or disposal. Of this there remained \$456,791 at the close of the period.

Excess personal property with a reported acquisition cost of \$18,429,875 was disposed of by the Maritime Administration. Personal property (excluding sunken ships) with a reported cost of \$8,534,255 was sold or transferred to other Government agencies with exchange of funds. This brought a return of \$1,133,977. Sunken ships, all of which were constructive total losses, with a reported original cost of \$7,490,545, were disposed of with a recovery of \$12,273. Transfers were made to other Government agencies of property with a reported cost of \$1,298,725 without exchange of funds, property with a reported cost of \$1,079,299 was donated to educational institutions and public bodies, and property valued at \$27,051 was abandoned or destroyed.

Purchasing

Procurement of allowance list outfitting equipment was completed for the last five Mariner ships. Procurement was completed for equipment and material required for the cathodic protection of laid-up ships at the Suisun Bay Reserve Fleet, Astoria Reserve Fleet, and Olympia Reserve Fleet. Purchasing was continued for material, supplies, equipment, and services required in the repair, maintenance, and operation of the reserve fleets, reserve shipyards, terminals, training stations and training ships, and for administrative offices.

Records management

Progress was made in the disposition of unrequired records and files. The volume of records disposed of totaled 20,000 cubic feet, releasing 2,000 filing cabinets and 14,400 square feet of space.

Administrative Management

Program and defense planning

A planning committee was established by agreement between the Secretary of the Navy and the Maritime Administrator and submitted two interim reports on: (1) The size of the operating merchant marine required as a defense nucleus; and (2) the size, character, and readiness of the national defense reserve fleet for full mobilization requirements. The Maritime Administrator directed that a long-range ship replacement program be developed for each American-flag operator. The staff was directed to prepare company-by-company replacement programs and to develop recommendations on incentives necessary to have operators commence their fleet replacement in fiscal year 1956.

The mobilization readiness program, covering construction of ocean-going ships and construction of shipyards for mobilization, was revised. This planning included developing material and manpower requirements, scheduling machinery and electrical components, and

determining productive capacity of industry. Field surveys were undertaken to locate potential shipyard sites. Planning covered requirements for construction of new shipyards, expansion of existing shipyards, and reactivation of reserve shipyards. There were substantial deficiencies in long lead-time tools for outfitting shipyards and in the availability of long lead-time components for new ships, particularly power plants (steam turbines and reduction gears). These deficiencies and estimates covering plate, steel castings, and heavy and light forgings were submitted to the Office of Defense Mobilization. Plans also included ship repair and material requirements in connection with reactivation of ships, defensively equipping merchant ships for war requirements, operating equipment for all United States-flag ships in a national emergency, and procurement planning.

Recommendations for approval were made to the Office of Defense Mobilization on eight applications for accelerated tax amortization under the Internal Revenue Code, covering building or reconversion of ships. These applications totaled almost \$30 million. One application for a guaranteed loan of \$24,000,000 under the Defense Production Act of 1950 was recommended for approval.

Personnel

Louis S. Rothschild was appointed member of the Federal Maritime Board and designated chairman on July 1, 1953, for the remainder of the term of the former chairman, which expires June 30, 1956. On July 10, 1953, E. C. Upton, Jr., was appointed member of the board for 4 years, ending June 30, 1957. R. W. Williams, member, resigned effective May 14, 1954.

Although there was an increase of 324 in the number of reserve fleet personnel, the trend throughout the Maritime Administration continued in the direction of reduction in number of employees. There was a net decrease in total personnel of 305, or approximately 8 percent. The major declines occurred in administrative employees and uniformed maritime service personnel. As the result of a classification survey, a realignment of the ranks and ratings of uniformed administrative personnel at the United States Merchant Marine Academy was completed. Significant annual savings in expenditures resulted.

Organization and methods

A major reorganization of the Maritime Administration was effected on September 3, 1953. The most significant change was consolidation of the National Shipping Authority and the Office of Subsidy and Government Aid. Changes at later dates included transfer of the Division of Ship Repair and Maintenance to the Office of Ship Construction and Repair, and abolition of the Division of Claims with transfer of its remaining workload to the Office of the Comptroller.

Steps were directed at elimination of unnecessary correspondence files, streamlined routing of correspondence, elimination of superfluous copies of correspondence, and prompt follow-up on replies. Continued progress was made in the survey of reporting requirements.

An additional 97 reports were eliminated, with consequent reduction in man-hours required, including those resulting from the closing of maritime service training stations.

Internal audits

The internal audit function was moved to the Office of Chairman-Maritime Administrator from the Office of the Comptroller, where the principal efforts of the staff had been directed toward development of fiscal procedures. After the transfer, nine comprehensive internal audits were completed and reports submitted. The nine reports covered 14 of 44 identifiable organizational components of the Federal Maritime Board-Maritime Administration and contained some 60 recommendations either adopted or desirable to increase efficiency. In addition, five unscheduled projects of importance were undertaken, one of which involved technical assistance to the Commission on Organization of the Executive Branch of the Government.

Safety

One safety project undertaken was the bulk handling of oil at the reserve fleets to counteract the incidence of disabling injuries due to handling of drums. A second was expansion of the ship-crossing program, also at the reserve fleets, to reduce the number of slips and falls. Through the medium of films and supervisor meetings, an extensive educational program was launched at all industrial operations on the self-analysis of accident reports for cause. The incidence of disabling injuries among employees, exclusive of those on shipboard, was approximately 12 in each million hours worked, compared with 10 during fiscal year 1953.

Finance

Accounting

On June 30, 1954, all regular accounting work was being performed on a current basis. Complete and accurate financial statements which present the financial position of the Maritime Administration and the results of its operations in conformity with accepted accounting practices were being prepared on schedule.

Matters involving only 19 of the 206 War Shipping Administration agents remained to be resolved on June 30, 1954, and included determinations to be made with respect to claims and counterclaims relating to agency compensation, watchmen's overtime, and trading outside warranty (insurance) limits which may result in additional recoveries to the Government. Of the original 48 general agents operating ships for the National Shipping Authority, 24 had re-delivered all assigned ships, and satisfactory progress was being made in liquidating their accounts.

Auditing

The principal normal audit workloads result from operating-differential subsidy agreements, bareboat-charter agreements, construction contracts, and general agency agreements. Prime construction contracts and related subcontracts were being audited on a current basis, as were all current general agency ship operations. Considerable progress was made in reducing the audit workload on bareboat-charter operations to 115 unaccomplished audits.

Audits in connection with operating-differential subsidy agreements were receiving first priority. Audits of subsidizable expenses recorded by subsidized operators progressed to the point where soon such audits should be completed within 9 months of the close of the calendar year under review. Reviews of subsidy financial accountings submitted by subsidized operators will receive major attention in the future. Progress in the audit of bareboat-charter agreements has freed capable members of the field staff to perform subsidy audits.

During the fiscal year, 230 audits were added and 328 were completed, thus reducing the workload to 230 at June 30, 1954. A total of \$1,400,000 was determined as additional recapture due the Government as a result of audits completed.

The amounts on deposit in reserve funds of subsidized operators at the beginning of the fiscal year totaled \$90,525,453 in the capital reserve fund and \$73,567,577 in the special reserve fund, and at the end of the year, \$108,468,952 and \$86,551,497, respectively. The amounts on deposit June 30, 1954, by operators were as shown in appendix H.

Insurance

All work was completed for implementation of the stand-by war risk insurance program authorized by title XII, Merchant Marine Act, 1936, as amended. The last phase was providing for war risk cargo insurance to be effective on the outbreak of war and on the condition that adequate coverage is not obtainable in the commercial market on reasonable terms and conditions.

During the fiscal year, 97 war risk hull binders, 96 war risk protection and indemnity binders, and 89 war risk second seamen's (crew life and personal effects) binders were issued. Binding fees totaling \$18,550 were received and \$5,088 was paid in fees and expenses to the underwriting agent.

The three Mariner ships under contract of sale to the Pacific Far East Line were covered by war risk builder's risk insurance. One of the ships was launched and commercial underwriters were offered and accepted coverage of the ship. A contract to furnish insurance against protection and indemnity risks covering ships allocated to National Shipping Authority general agents was awarded to the Continental Insurance Co. (Marine Office of America), New York. The low bid was \$1.95 per gross registered ton.

During fiscal year 1954, \$3,475,000 was recovered from underwriters under the recapture provisions of wartime agreements. On June 30 underwriters held \$5,106,856 in their reserves for unsettled claims.

Under its self-insurance program the Maritime Administration continued to assume marine and war risk hull insurance and second seamen's insurance on its Government-owned ships, as well as builder's risk insurance on the Mariner ships. Losses paid to date under the Mariner program were less than \$100,000. Had they not been self-insured, the total marine builder's risk insurance premium would have amounted to an estimated \$1,000,000. The Maritime Administration continued to underwrite casualty insurance required under a contract between the Department of the Army and a transportation contractor, which could not be obtained in the domestic market. The Department of the Army will reimburse the Maritime Administration for any losses incurred. On June 30, 1954, second seamen's insurance was in effect on 53 Department of the Navy contract-operated tankers.

In accordance with its insurance compliance responsibilities, the Maritime Administration approved original insurance or renewals thereof obtained in commercial markets by mortgagors, charterers, and subsidized operators, in the following amounts:

Kind of insurance	Amount	Percentage American	Percentage foreign
Marine hull.....	\$1, 247, 793, 702	39	61
Marine protection and indemnity.....	1, 246, 047, 745	41	59
War risk hull.....	2, 406, 595, 349	3	97
War risk protection and indemnity.....	1, 943, 186, 867	3	97

Claims

The number of unlitigated claims in favor of and against the Government, nearly all of which arose from the wartime activities of the former United States Maritime Commission and War Shipping Administration, was reduced during fiscal year 1954 from 1,396 claims (with a claimed value of \$18,680,862) to 1,118 claims (with a claimed value of \$19,094,531). The total claimed value increased because of new claims received. Claims settled in favor of the Government represented a recovery of 95 percent; claims against the Government, 20.5 percent. In addition, there were 1,100 claims with the Department of Justice for litigation on which \$348,938,335 had been asserted. Appendix I shows the claims on hand June 30, 1954, and claims settled under the Suits in Admiralty Act.

Legal Activities

Legislation

The Congress considered a further revision of title XI, Ship Mortgage Insurance, Merchant Marine Act, 1936, as amended, designed to

promote private financing of new ship construction. The 50-50 cargo preference provisions carried in temporary legislation were combined into a permanent law.

Congressional action was taken on legislation to promote construction of modern tankers and to establish a defense reserve of usable tankers turned in against the cost of construction. An appropriation was requested estimated to provide for trade in of 20 old tankers and construction of 10 new tankers. Legislation and an appropriation were provided for the repair of a number of defense-type ships in the reserve fleet which would be needed in the event of full mobilization.

The World War II authority to requisition immobilized and other foreign-flag ships was continued in operation, to be effective during any national emergency. An important post-World War II activity was ended by repeal of laws authorizing the return to former owners of fishing ships, Great Lakes ships, and ships of 1,000 gross tons or less owned by the United States and determined to be surplus to its needs.

Legislation was proposed or enacted to authorize sale of two passenger ships to the present charterer for use in the trans-Pacific trade, to sell certain ships to Brazil, to sell or charter not more than eight ships to Korea, to authorize charter for another year of ships currently under charter pursuant to the Philippine Rehabilitation Act, and to continue the waiver of coastwise laws to permit Canadian ships to operate in Alaska trades. Authority in the Merchant Ship Sales Act, 1946, to provide for charter of passenger ships in the foreign trade was amended to authorize charter of passenger ships in the domestic trade. An amendment to the Ship Mortgage Act of 1920 authorized simplified enforcement of defaulted mortgages on foreign ships by resort to admiralty procedure in lieu of civil procedure.

The detention benefits of the War Claims Act of 1948 were extended to merchant seamen who were captured by the Germans during World War II. Legislation designed to protect ships and crews seized on the high seas within disputed jurisdiction was enacted in the interest of American-flag fishing ships and others.

All of the above were enacted into law, most of them shortly after the end of the fiscal year. A bill providing for the establishment of the Merchant Marine Academy on a permanent basis passed the House of Representatives but was not acted on by the Senate.

Contracts

Innumerable contracts, addenda, bonds, and other documents were drafted and executed, including: operating-differential subsidy agreements with United States Lines, Gulf and South American Steamship Co., and Bloomfield Steamship Co.; construction contracts on behalf of the Navy Department for two refrigerated stores ships and an attack cargo ship; sales contract for three Mariner ships purchased by Pacific Far East Line, Inc., and bareboat charter of three Mariner ships to the company for operation pending conversation of those purchased; and Cargo War Risk Insurance Policy.

Approximately 44 cases of violations under sections 9 and 37 of the Shipping Act, 1916, (involving ship transfers) were considered, and legal work was performed with respect to the transfer to foreign ownership of certain older ships in connection with the construction in American shipyards of new and larger high-speed tankers. In connection with Maritime Administration ship mortgages, 27 transfers of ships or interests therein were effected and documents prepared for recording in the proper countries, and 26 satisfactions of mortgage were issued releasing the Government's interest in ships of various nationalities.

Legal opinions were furnished in connection with problems currently arising such as general agency ship operations and ship construction, bareboat chartering, and subsidy contracts. Other legal work included the preparation of special reports, concerning just compensation for Danish ships used by the Government during World War II, required in connection with proposed legislation for the payment of \$14,700,000 to the Danish owners in addition to \$30,000,000 already paid under final settlement agreements and decree of the Court of Claims.

Claims and renegotiation

Important legal opinions were rendered on liability for the expenses of security watchmen under former War Shipping Administration charters; the remedy of foreclosure of ship mortgages as compared with forfeiture; the right to tax credits under section 306 of the Internal Revenue Code; and the effect of acquiescence of the right to arbitration and modification of a bid as creating a contract voidable by the Government although not by the contractor.

The test case of *California Eastern Line, Inc., v. Chairman, United States Maritime Commission*, in which the question of whether the so-called "Red Sea Charter" is renegotiable as a contract with an American citizen, was resolved against the United States. The Court of Appeals held that it lacked jurisdiction to review the decision of the Tax Court. The matter was before the Solicitor General to decide whether to apply for a writ of certiorari to the Supreme Court of the United States, which the Maritime Administration strongly urged. In *Dresser Operations, Inc., v. United States*, the Court of Claims granted the Government's motion to dismiss on the ground that the plaintiff had failed to exhaust administrative remedies and present its issues to the Tax Court. The Tax Court in *Ebco Manufacturing Co. v. Secretary of Commerce* affirmed an administrative determination of excessive profits in the amount of \$100,000 in favor of the United States.

General litigation

A tremendous increase in litigation arising out of the Merchant Ship Sales Act of 1946 developed. There were pending approximately 134 ship sales cases and nine charter cases in various stages.

On strong recommendation of the Maritime Administration, the Solicitor General of the United States filed writs of certiorari to the

Supreme Court in *Southeastern Oil, Florida, Inc. v. United States*; *Paco Tankers, Inc., v. United States* and *Norton Clapp v. United States*, all of which were decided against the Government by the Court of Claims. In the *Southeastern Oil, Florida, Inc.* and *Paco Tankers* cases, the Government was held liable for the expenses of slotting and strapping tankers sold under the Merchant Ship Sales Act of 1946 and for the unamortized cost of repair from the date specified in the sales contract up to the class date. These questions were involved in 66 separate suits filed after the decision in the two cases. The *Clapp* case involved the authority of the Maritime Administration to impose a condition for the payment of money on its approval of transfer of slips to foreign flag and registry.

In the fireproofing cases, of which there were approximately 40 pending, the decision in *Southeastern Oil of Delaware, Inc. v. United States* and *Paco Tankers, Inc. v. United States* in favor of the plaintiffs that fireproofing was a class obligation, became final by failure to appeal. Most of the claims involved in the case were settled by consent judgment in amounts aggregating approximately \$2,000,000. In *A. H. Bull v. United States* the Court of Claims decided the question of liability for desirable features against the Government, and on the Government's failure to appeal, claims for refunds were in the course of administrative settlement.

Two achievements were settlement of *United States Lines Co. v. United States*, which involved the validity of the construction-differential subsidy contract and sales price of the superliner *S. S. United States*, and settlement of forfeiture proceedings against the Niarchos affiliated companies for violation of sections 9 and 37, Shipping Act, 1916, as amended. In the former, the company agreed to pay \$4,000,000 in addition to the sales price of the ship in consideration of the Government's dismissal of the suit and release of accrued subsidy funds. In the latter, the Niarchos affiliates agreed to return 19 ships seized or about to be seized, to satisfy \$6,000,000 of mortgage liens on five of the ships, and to pay \$4,000,000 as an adjustment of earnings of the ships during the period of operation.

Another victory for the Government resulted from the decision of the Appellate Division of the Supreme Court of New York in *Bethlehem Steel Co., Inc. v. Joseph*. It was held that the cost of materials furnished the prime contractor under a time and material repair contract was not subject to the New York City sales tax, which in this case amounted to almost \$500,000 plus interest and penalties.

Several just compensation claims were concluded by judgment or administrative settlement. In *A. H. Bull Steamship Co. v. United States*, the Court of Appeals for the Second Circuit dismissed the complaint of the owner of the ship *Mary*, chartered under Public Law 101, 77th Congress, on the ground that the claim for additional charter hire and value under General Orders 8 and 9 was without merit since those orders applied only to ships chartered under Section 902, Merchant Marine Act, 1936. In *Smith Douglas Co. v. United States*, in which the Court of Claims awarded \$290,000 for

the *International*, as against \$545,985 claimed, the plaintiff applied for a writ of certiorari to the Supreme Court and the Solicitor General decided to file a cross writ of certiorari. Other just compensation cases decided were *De La Rama Steamship Co. v. United States*, in which the 2-1 decision of the Court of Appeals for the Second Circuit was adverse to the Government; and *Richer et al. v. United States*, in which the Court of Claims awarded just compensation of \$25,000, as against \$148,203 claimed. In seven other cases judgment was entered on stipulation of settlement in an aggregate amount of \$4,106,884, as against \$7,402,138 claimed.

Miscellaneous litigation was decided in favor of the Government or settled, resulting in recovery by the Government of more than \$500,000.

Regulation

An appeal by American President Lines from the decision of the District Court, granting the Government's motion for summary judgment in the suit brought by American President Lines to review the Federal Maritime Board's award of subsidy to Pacific Far East Line and Pacific Transport Lines, was dismissed at the request of the appellant. In *Jordan River Lines et al. v. United States*, brought in the District Court for the District of Columbia to review a board order awarding subsidy to Bloomfield Steamship Co. without a separate hearing to Jordan River Lines, requested under section 805 (a), Merchant Marine Act, 1936, the suit was withdrawn on request of the plaintiff after the Government filed a motion for summary judgment. Pending at the close of the fiscal year was a suit of American President Lines, in the District Court for the District of Columbia to challenge the validity of the Board's definition of "capital necessarily employed" for subsidy purposes.

Of great importance was the decision of the Court of Appeals for the District of Columbia in *Isbrandtsen Co., Inc. v. United States*, which held that a dual rate system proposed by the Japan-Atlantic and Gulf Freight Conference was an agreement requiring Board approval. The Court further held that the Board's order granting a hearing but denying a request for postponement or suspension of the effectiveness of the rates pending hearing was reviewable by the Court of Appeals. The petitions of the Board and the Japan-Atlantic and Gulf Freight Conference for a writ of certiorari to the Supreme Court were denied.

In *Isbrandtsen Co., Inc. v. Japan-Atlantic and Gulf Freight Conference and Secretary of Agriculture v. Japan-Atlantic and Gulf Freight Conference*, both instituted in the District Court of the District of Columbia to review the Board's decision in docket No. 724 regarding investigation of the contract-non-contract rates of the North Atlantic Continental Freight Conference, the motion of the Board to dismiss the petitions was granted. *Baltimore & Ohio Railroad Co. v. United States* involved review of a Board order requiring railroads operating terminals in the port of Philadelphia to increase

the free time afforded shippers. The Court of Appeals for the Third Circuit sustained the order as a proper application of section 17, Shipping Act, 1916.

In *Piazza v. West Coast Line Inc. et al.*, brought in the District Courts for the Southern District of New York and the Northern District of Illinois, the suit was dismissed on the ground that a Board order denying reparations could be challenged only in United States Circuit Courts of Appeals. On appeal of the decision of the District Court for the Southern District of New York, the Court of Appeals for the Second Circuit upheld the decision of the court below dismissing the complaint. The appellant filed a petition for a writ of certiorari which was pending before the Supreme Court.

Admiralty, insurance, and labor law

One of the most important cases arising out of War Shipping Administration in World War II involved the collision of the MV *General Fleischer* and the S.S. *Ayuroca*, which was the subject of a series of suits. Settlement was made of a great variety of ship damage, cargo loss, and general average claims involving more than \$1,500,000.

In *Aaron et al. v. Bay Ridge Operating Co., Inc.*, and *Addison et al. v. Huron Stevedoring Corp.*, overtime-on-overtime test cases, the Supreme Court denied the appellants' petition for a writ of certiorari to review the decision of the Court of Appeals of the Second Circuit. As a result, steps were under contemplation for dismissal of pending overtime-on-overtime suits in the District Courts of New York, Philadelphia, New Jersey, etc. In Baltimore, the complaints in 17 separate suits were dismissed on stipulation of settlement for \$1,900 and \$600 court costs, as against a potential liability variously estimated from \$2,000,000 to \$5,000,000.

Regulatory Activities

The slackening of cargo offerings in the face of continued high operating costs resulted in a number of carriers abandoning services or consolidating with other carriers. This was true with respect to both foreign-flag and United States-flag operators. This trend was expected to continue.

In spite of this, many trades continued to be over-tonnaged, which intensified the struggle between carriers for freight and was the cause of sharp competitive practices on the part of some. The rate wars in the Japanese homeward trades were still in effect at the end of the year, while the threat of other rate wars continues.

Conference and other agreements

Among agreements approved were rate-fixing or conference agreements covering the trades from North Atlantic ports to Israel and from Great Lakes ports to Scandinavian and Baltic ports, and three

joint service agreements between foreign-flag carriers. A number of conferences modified their agreements and adopted rules to assure that brokerage is not paid indiscriminately but only for a service rendered and under proper circumstances.

The Trans-Pacific Freight Conference of Japan and the North Atlantic Continental Freight Conference filed statements announcing their intention to establish contract rate systems. The Board, after considering the protests and petitions filed, ordered that the Conferences hold their proposed contract rate systems in abeyance until further direction and that the protests and comments of the Departments of Justice and Agriculture and Isbrandtsen Co., Inc., be set for hearing.

Freight rates—foreign

Rate filings totalled 21,573 and covered freight and passengers in the foreign trade of the United States. These filings were examined for ambiguities in tariff descriptions and classifications, which lead to improper rate applications, and for potentially discriminatory rates and conditions and other unlawful practices. Two formal investigations were recommended, on the Board's own motion, into alleged misbilling practices in apparent violation of law. In addition, informal investigation was made in other instances and corrective steps were taken.

Freight rates—United States Territories and possessions

Three new carriers filed tariffs covering the Atlantic and Gulf/Puerto Rican Trade; two filed tariffs covering the Pacific/Alaskan Trade; and one filed a tariff covering the Puerto Rican/Virgin Islands Trade.

The conference carriers in the trade between Pacific Coast ports and Puerto Rico increased their freight rates approximately 12½ percent. Two Alaskan carriers filed increases of 10 percent and the Board authorized a 7½ percent increase in such rates pending an investigation of their whole rate structure. Increases in passenger fares were made by a number of carriers in the Puerto Rican, Hawaiian, and Alaskan trades. Increased operating costs were cited as reasons for these increases.

Terminals

Twenty-two informal complaints relative to free time, wharf demurrage, and terminal charges were handled. Several of these resulted from the strike of dock workers in New York during March. Voluntary action of most lines in waiving all but the first period demurrage charges prevented the filing of a far greater number of complaints.

Freight forwarders

Certificates of registration were issued to 122 new registrants and certificates of 72 registrants were cancelled. A joint list of ocean freight forwarders registered pursuant to General Orders 70 and 72 was published. Forwarders have been called upon to furnish in-

formation concerning their billing practices and this information has been reviewed for compliance with General Order 72. In part, as a consequence of the Board decision in docket 657, *Agreements and Practices Re: Brokerage*, most ocean carriers in the United States foreign trade were paying brokerage.

Proceedings Before Hearing Examiners

Final decisions of the Federal Maritime Board and Maritime Administrator

Docket No. 707—*Huber Manufacturing Co. v. N. V. Stoomvaart Maatschappij "Nederland", et al.* Rates on road rollers and accessories from United States to Indonesia found not to be unduly prejudicial or unjustly discriminatory. Complainant, having suffered no damage, not entitled to reparation under sections 16 and 17, Shipping Act, 1916.

Docket No. 711—*In the Matter of Increased Freight Rates and Passenger Fares as Proposed by Alaska Steamship Co.* Proceeding concerned the lawfulness of rate increases for transportation between Seattle, Tacoma and Alaskan ports, which became effective in June, 1951. Due to substantial increases in operating costs since the rates complained of became effective, and failure of protestants to support their complaints, the Board, upon motion of respondent carriers, dismissed the proceeding by order of November 23, 1953.

Docket No. 720—*Intercostal Steamship Freight Association et al. v. Northwest Marine Terminal Association et al.* Assessment of tariff charge against the ship in connection with lumber transportation found to be an unjust and unreasonable practice in violation of section 17, Shipping Act, 1916. A cease and desist order entered and case remanded to examiner for consideration of reparation. Petition for rehearing and reconsideration denied.

Docket No. 721—*The Territory of Alaska v. Alaska Steamship Co. and Coastwise Line.* Proceeding concerned the lawfulness of a 15 percent surcharge put into effect by respondent carriers on March 1, 1952. Dismissed for the reasons stated above in connection with Docket No. 711.

Docket No. 724—*Contract Rates—North Atlantic Continental Freight Conference et al.* Differential of 10 percent between contract and noncontract rates for a dual rate exclusive patronage system on general cargo in liner service not arbitrary or unreasonable or unjustly discriminatory, and not in violation of the Shipping Act, 1916, under the circumstances disclosed by the record in this case.

Docket No. 737—*Galveston Chamber of Commerce et al. v. Saguenay Terminals, Ltd. et al.* Respondent found not to be a common carrier in the operation of its ships in the trades from British Guiana to United States Atlantic and Gulf ports, and therefore not subject to regulation under the Shipping Act, 1916, as to that operation.

Docket No. S-8—*In the Matter of Minimum Wage, Minimum Manning and Reasonable Working Conditions on Subsidized Vessels.* Proceeding was instituted by the U. S. Maritime Commission on September 30, 1947, for the purpose of determining whether changes should be made in minimum wages, etc., and incorporated in operating-differential subsidy contracts. On December 11, 1953, the Board, having considered the positions taken by the various parties, and the facts that no conclusion had been reached by its predecessor and that the record was stale, discontinued the proceeding without prejudice.

Docket No. S-23—*Lykes Bros. Steamship Co., Inc.—Application for Increase in Maximum Number of Subsidized Sailings on Line D (Lykes Orient Line), Trade Route No. 22.* Section 605 (c) of Merchant Marine Act, 1936, does not bar granting of application of Lykes Bros. for an increase in number of subsidized

sailings in its Line D service on Trade Route No. 22 (except as to calls at Indonesia/Malaya); and effect thereof would not be to give undue advantage or be unduly prejudicial as between citizens of United States. However, 605 (c) does bar granting of increase in maximum number of calls at Indonesia/Malaya, as present service by ships of United States registry not found inadequate.

Docket S-34—*Bloomfield Steamship Co.—Application for Operating-Differential Subsidy (Trade Route No. 13, Service 1, and Trade Route No. 21, Service 5)*. Upon reargument, the Board reversed that part of its decision in prior report of June 30, 1953, to the effect that the service already provided by ships of United States registry on Trade Route 13, Service 1, is inadequate, and that additional ships should be operated thereon to accomplish the purposes and policies of the Merchant Marine Act, 1936. Held that the provisions of Section 605 (c) of the act do interpose a bar to the granting of an operating-differential subsidy contract covering the operation of cargo ships on Trade Route 13, Service 1. Adopted previous findings that existing service on Trade Route 21, Service 5, is inadequate, and that additional ships should be operated thereon; and that 605 (c) does not bar granting application of Bloomfield for an operating-differential subsidy contract covering Trade Route 21, Service 5.

Docket No. S-36—*American President Lines, Ltd.—Application for Permission Under Section 805 (a) M. M. A., 1936, as Amended*. Granted permission authorizing certain persons to serve on Board of Directors of American President Lines, Ltd., and for holding company or affiliate of American President Lines to maintain certain relationships with concern that owns or charters ships in the domestic intercoastal or coastwise service. Such permission will not result in unfair competition to any person, firm, or corporation operating exclusively in coastwise or intercoastal service; and will not be prejudicial to objects and policy of Merchant Marine Act, 1936, as amended.

Docket No. S-38—*Isbrandtsen Co., Inc. v. American Export Lines, Inc.* Isbrandtsen not found to operate as a common carrier by water exclusively employing ships registered under the laws of the United States on Trade Route 18 from and to United States ports. Participation of American Export Lines, Inc., with other common carriers by water in Cotton Freight Agreements for exclusive carriage of Egyptian cotton from Egypt to India and Pakistan not found to be unjustly discriminatory or unfair within the meaning of section 810, Merchant Marine Act, 1936, or of section II-18(b) of Export's operating-differential subsidy agreement. Export not shown to have failed to cooperate with other United States-flag lines in violation of section II-3 of its subsidy agreement. Participation by Export in Cotton Freight Agreements without approval of United States found not in violation of section II-18(c) of its subsidy agreement. Reopened upon petition and remanded to examiner for further hearing upon certain specified issues.

Docket No. S-39—*Farrell Lines, Inc.—Determination of Final Subsidy Rates for 1949*. Case covered subsidy rate for subsistence of officers and crews of C2 and C3 cargo ships operated by Farrell Lines, Inc., on Trade Route No. 15A. After preliminary report, remanded to examiner for further proceedings to afford parties an opportunity to obtain and offer further evidence. Further data was received by the staff of the Board and Maritime Administration upon which the differential rate in dispute was recomputed. Farrell Lines agreed to the rate as recomputed, and the proceedings were discontinued.

Docket No. S-40—*American President Lines, Ltd.—Determination of Final Subsidy Rates for 1949 and 1950*. Principle of including repatriation as an item of foreign wage costs with respect to operating-differential subsidy wage rates for Trade Route No. 29 and Round-the-World Service of American President Lines, Ltd., for the years 1949 and 1950 found to be authorized by law and to be fair and reasonable and in the public interest. The computation of Norwegian repatriation costs, with certain exceptions, and wage costs for the year 1950 of combination ships operated under the Panamanian flag in these services, found to be fair and reasonable and in the public interest.

Docket No. S-43—*American Export Lines, Inc.—Application for Extension of Waiver under Section 804 of the Merchant Marine Act, 1936, as Amended (Italian*

Line). Neither special circumstances nor good cause shown to justify waiver of provisions of section 804, Merchant Marine Act, 1936, to permit American Export Lines, Inc., to act as agent in this country for passenger combination ships of Italian Line.

In addition, a number of final orders were issued without report, including orders discontinuing proceedings in eight cases.

Recommended decisions of hearing examiners ¹

Docket No. 736—*Stockton Port District et al. v. Waterman Steamship Corp. et al.* Refusal to accept cargo at and to establish rates from Stockton, Calif., for transportation to Puerto Rico found unfair, unjustly discriminatory, unduly prejudicial, and in violation of conference agreement.

Docket No. S-17 (Sub. 1)—*American President Lines, Ltd.—Application for Extension of Existing Authority to Operate without Subsidy on Trade Route No. 17, Service C-2, and Docket No. S-33—American President Lines, Ltd.—Application for Operating-Differential Subsidy, Trade Route No. 17, Service C-2 (Consolidated Report)*. In respect to present and proposed operations of American President Lines, Ltd., on Service C-2 of Trade Route No. 17 (United States Atlantic ports/Malaya-Indonesia), the Board/Maritime Administrator should find: 1. Present operation is an existing service within section 605 (c), Merchant Marine Act, 1936. 2. Operating-differential subsidy would not give undue advantage or be unduly prejudicial as between citizens of the United States. 3. Grandfather rights under section 805 (a) of the Act do not obtain for the proposed intercoastal service. 4. Westbound intercoastal service should be limited to the carriage of refrigerated cargo. 5. Transportation of general cargo eastbound in the intercoastal service should be continued, subject to revocation for cause shown. 6. Calls should be permitted at a second Philippine outport inbound. 7. Calls should not be permitted at a second California port eastbound except upon prior approval. 8. Carriage of cargo from Atlantic Coast ports and California to Guam should be permitted.

Docket S-45—*Grace Line Inc.—Application for Renewal of Waivers under Section 804 of Merchant Marine Act, 1936*. Special circumstances and good cause justifying continuance of waivers under section 804, Merchant Marine Act, 1936, with respect to solicitation of cargo and passengers not shown.

Decisions of examiners in six other cases which were decided by the Board or Maritime Administrator are reported under the preceding section. They are Docket Nos. 707, 737, S-23, S-38, S-40, and S-43.

Pending proceedings

Docket No. 703—*Trans-Pacific Freight Conference of Japan and Japan-Atlantic Coast Freight Conference*. Proceeding was instituted by order of the Board as an investigation into utilization of the contract rate system by Trans-Pacific Freight Conference of Japan and Japan-Atlantic Coast Freight Conference when these respondents notified the Board of their intentions to reinstate the contract/noncontract rate system.

Docket No. 723—*City of Portland, Oreg. et al. v. Pacific Westbound Conference et al.* Complaint alleged unlawful diversion of traffic from Pacific Northwest ports to California ports by virtue of respondents' rate equalization practices.

Docket No. 725—*The Secretary of Agriculture v. North Atlantic Continental Freight Conference, et al.* Secretary of Agriculture alleged that respondents' proposed exclusive patronage contract/noncontract system, to apply in connection with shipments from North Atlantic ports of the United States to ports in Belgium, the Netherlands, and Germany, violates sections 14, 15, 16, and 17, Shipping Act, 1916.

Docket No. 726—*Isbrandtsen Co., Inc. v. States Marine Corp. of Delaware et al.* Complaint alleged that respondents' freight charges on shipments of cotton from

¹ These decisions were subject to review by the Federal Maritime Board or the Maritime Administrator.

Gulf ports of the United States to ports in Japan, under the contract/noncontract rate system, are in violation of the Shipping Act, 1916.

Docket No. 730—*In the Matter of the Statement of Japan-Atlantic and Gulf Freight Conference filed under General Order 76.* Investigation to determine whether Conference's statement regarding its contract/noncontract rate system complies with requirements of General Order 76, and whether institution of the proposed rates is lawful under the Shipping Act, 1916.

Docket No. 732—*H. Kempner v. Lykes Bros. Steamship Co., Inc. et al. (Gulf-Mediterranean Ports Conference)*; Docket No. 733—*H. Kempner v. Lykes Bros. Steamship Co., Inc., et al. (Far East Conference)*; Docket No. 734—*Galveston Cotton Co. v. Lykes Bros. Steamship Co., Inc. et al. (Far East Conference)*; Docket No. 735—*Texas Cotton Industries v. Lykes Bros. Steamship Co., Inc., et al.* Proceedings involved the lawfulness of respondents' use of the contract/noncontract rate system.

Docket No. 738—*Rates, Charges, and Practices in Connection with the Movement of Rabbitskins from Australia to the United States.* Investigation concerning transportation of rabbitskins from Australia to the United States at less than applicable rates or charges, appearing to be in violation of section 16, Shipping Act, 1916.

Docket No. 741—*Misclassification of Tissue Paper as Newsprint Paper.* Investigation to determine whether certain shippers and forwarders knowingly and wilfully, directly or indirectly, by means of false classification or by other unjust or unfair device or means obtained or attempted to obtain transportation by water for tissue paper at less than the rate or charges which would otherwise be applicable, in violation of section 16, Shipping Act, 1916.

Docket No. 742—*Issuance of Rule Governing Loading at New York.* Petition for investigation by Board for purpose of determining whether it has jurisdiction to regulate practice of loading and unloading freight on piers at New York; if so, to prescribe rules and regulations governing such practices.

Docket No. 743—*In the Matter of the Statement of Trans-Pacific Freight Conference of Japan filed under General Order 76.* Investigation to determine whether Conference's statement regarding its contract/noncontract rate system complies with the requirements of General Order 76, whether the proposed dual rate system violates the Shipping Act, 1916, and whether the spread or differential is arbitrary and unreasonable.

Docket No. 744—*Terminal Rate Structure—Pacific Northwest Ports.* Petition filed by Northwest Marine Terminal Association requesting Board to approve a rate making formula for calculating charges for wharfing services.

Docket No. 745—*Tollage Charges—Port of New Orleans.* Petition for Board to investigate proposed increase in Wharf-tollage charges at New Orleans.

Docket No. 746—*Willy Bruns v. Compagnie Generale Transatlantique, et al.* Complaint alleging that respondents' failure to admit complaint to Pacific Coast European Conference is unlawful in violation of Shipping Act, 1916.

Docket No. 746 (Sub. 1)—*Compagnie Generale Transatlantique v. Willy Bruns.* Complaint alleging that respondent made false representations that it intended to operate as a common carrier, and that respondent, acting in the dual capacity of carrier and importer or consignee, knowingly and wilfully attempted to grant and obtain transportation of citrus fruit from Los Angeles, Calif., to European ports at rates or charges less than those which would otherwise be applicable, by means of offering and agreeing to pay or allowing direct or indirect rebates to exporters and importers of citrus fruit, in violation of section 16, Shipping Act, 1916.

Docket No. 747—*Increased Rates—Alaska Steamship Co.—Coastwise Line.* Investigation into lawfulness under the Shipping Act, 1916, of increased rates of Alaska Steamship Co. and Coastwise Line between California and Pacific Northwest ports and Alaskan ports.

Docket No. 749—*Freight Rates—Coastwise Line.* Investigation into lawfulness under the Shipping Act, 1916, of increased freight rates of Coastwise Line between California and Pacific Northwest ports and Alaskan ports.

Docket No. 751—*In the Matter of the Statement of the Member Lines of the North Atlantic Continental Freight Conference filed under General Order 76.* Investigation concerning the lawfulness and propriety under the Shipping Act, 1916, of Conference's contract/noncontract rate system.

Docket No. 752—*In the Matter of the Unlawful Practice of Atlantic & Gulf/West Coast of South America Conference and East Coast of Colombia Conference re F. O. B. Shipments.* Petition of Isbrandtsen Co., Inc., requesting Board to order conferences to cease and desist from forcing, by threats, etc., American exporters to Colombia not to ship goods by Isbrandtsen even though the importers in Colombia designate that line as the carrier.

Docket No. 753—*Palantic Steamship Co., Inc., v. Northwest Marine Terminal Association and Shaffer Terminals, Inc.* Proceeding involved the lawfulness under the Shipping Act, 1916, of certain terminal charges assessed at Tacoma, Wash., against an intercoastal carrier of eastbound lumber.

Docket No. 754—*Gulf Shippside Storage Corporation v. Cunard Steamship Co., Ltd.,* and Docket No. 757—*Gulf Shippside Storage Corporation v. Thos. & Ino. Brocklebank Ltd.* Complaints alleged that respondents practice of absorbing certain costs of loading railroad cars on commodities stored at one certain warehouse and refusing to make similar absorptions on goods stored at and loaded from complainant's warehouse is in violation of Shipping Act, 1916.

Docket No. 755—*In the Matter of the Unlawful Practices of New York Freight Bureau (Hong Kong) Conference in Reference to F. O. B. Shipments.* Petition of Isbrandtsen Co., Inc., requesting Board to order Conference to cease and desist from coercing and forcing, by threats, etc., exporters from Hong Kong not to ship goods by Isbrandtsen when F. O. B. buyers and consignees designate that line as the carrier.

Docket No. 756—*Rice Millers Association v. Gulf and South Atlantic—Cuban Outports Conference.* Complaint alleged that conference agreement is detrimental to commerce of United States in contravention of section 15, Shipping Act, 1916.

Docket No. 758—*American Union Transport, Inc. v. River Plate & Brazil Conferences.* Complaint alleged that refusal of conference members to pay brokerage on shipments of locomotives to Brazil is in violation of section 15, Shipping Act, 1916, and the antitrust laws. Reparation is sought.

Docket Nos. S-27, S-27 (Sub. 1), S-27 (Sub. 2), S-27 (Sub. 3), and S-27 (Sub. 4)—*Investigation of Pooling and Sailing Agreements Nos. 7549, 7616, 7792 and 7796.* Investigations on the Board's motion into the question of whether the various agreements create relationships between subsidized United States-flag lines and foreign-flag lines which eliminate or diminish competition among their signatories; and if so, whether the Board should consider such elimination or diminution of competition in computing the amount of operating-differential subsidy to be granted to such United States-flag lines signatory to such agreements.

Docket No. S-35—*Application of South Atlantic Steamship Line for Waiver under Section 804 of Merchant Marine Act 1936.* Request of South Atlantic Steamship Line for permission under section 804, for its affiliated companies to render services to certain foreign-flag lines in event it is awarded an operating-differential subsidy contract.

Docket No. S-44—*American Export Lines, Inc.—Application for Increase of Subsidized Voyages.* Investigation under section 605 (c), Merchant Marine Act, 1936, of application of American Export Lines, Inc., for an increase in the number of subsidized voyages on Lines A, B, and C, Trade Route No. 10 (U. S. North Atlantic/Mediterranean and Black Sea).

Docket No. S-46—*Grace Line Inc.—Application for Extension of Service.* Investigation under section 605 (c), Merchant Marine Act, 1936, of application of Grace Line Inc. for extension of its present service on Trade Route No. 25 (U. S. Pacific ports—West Coasts of Mexico, Central America, and South America) to include certain ports within the area of Trade Route No. 23 (U. S. Pacific ports—Caribbean ports) and for increase in number of ships and minimum and

maximum subsidized sailings on the proposed extended service, from a minimum of 18 to 30, and from a maximum of 26 to 36.

Docket No. S-46 (Sub. 1)—*Redescription of Essential Foreign Trade Route No. 25*. Application of Grace Line Inc. for a redescription of Essential Foreign Trade Route No. 25, under section 211 (a), Merchant Marine Act, 1936.

Docket S-50—*Pacific Far East Line, Inc.—Application under Section 805 (a), Merchant Marine Act, 1936*. Investigation of application of Pacific Far East Line, Inc., seeking written permission of the Board/Maritime Administrator under section 805 (a), Merchant Marine Act, 1936, (1) to act as General Agent for Coastwise Line's Pacific coastwise and Alaskan services, or for such services operated in combination with Coastwise Line's service between United States Pacific Coast ports and British Columbia; and (2) to charter to Coastwise Line ships owned or chartered by Pacific Far East Line, Inc., for operation by Coastwise Line from United States Pacific Northwest and/or British Columbia ports to California.

Other pending cases (Docket Nos. 720, 736, S-17 (Sub. 1), S-33, S-38, and S-45) are referred to above under final or recommended decisions.

International Maritime Affairs

The Maritime Administration reaffirmed its position on ratification of the Intergovernmental Maritime Consultative Organization and supported the position of the State Department at a meeting called by the United Kingdom of the signatories of the Convention that every effort should be made for ratification and establishment of this international maritime organization. At the request of the Department of State the Maritime Administration participated in preparation of the United States position on the problem of pollution of sea water by oil. A member of the staff was assigned to attend a meeting of the International Cargo Handling Association held in Naples in May, and after the meeting to inspect new installations at European ports which would be of interest to the program on improvement of cargo handling. The Maritime Administrator served as the United States representative to the Planning Board for Ocean Shipping of the North Atlantic Treaty Organization.

Close liaison was maintained with the Department of State on complaints regarding discriminatory actions of foreign governments against American-flag shipping. When feasible, Export-Import Bank waiver arrangements were utilized to influence the removal of foreign discriminations. A study of recent complaints revealed that a substantial number were related to currency issues; namely, the shortage of dollars in foreign areas.

The Maritime Administration continued its participation in the technical assistance program of the Foreign Operations Administration, implementing a program on port training with the cooperation of various port authorities. In collaboration with the Department of State, negotiations were continued with foreign countries on the settlement of war claims. The Maritime Administration also collaborated with the Department of State and other agencies looking to a sale of coastwise tonnage under recommendations of the Joint United States-Brazil Economic Commission to improve shipping of the two nations.

FINANCIAL STATEMENTS

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION

DEPARTMENT OF COMMERCE

Balance Sheet—June 30, 1954 and 1953

ASSETS	JUNE 30		LIABILITIES	JUNE 30	
	1954	1953		1954	1953
CASH:			ACCOUNTS PAYABLE AND OTHER LIABILITIES:		
In U. S. Treasury	\$149,733,797	\$128,848,670	Accrued estimated operating differential subsidies, less		
In other depositories	2,825,747	9,035,214	estimated recapturable subsidies totaling \$101,763,492,		
On hand and in transit	353,418	830,715	1954, \$107,931,093, 1953 (note 6)	\$125,281,557	\$107,907,516
	152,912,962	138,764,599	Advances from other U. S. Government agencies	42,531,575	34,043,118
NOTES AND MORTGAGES RECEIVABLE (note 2):			Amounts due shipbuilders for construction of vessels	25,438,266	37,866,075
Domestic firms	211,453,871	231,568,406	Other accounts payable and accrued accounts	13,008,568	21,522,805
Foreign governments and nationals	109,289,838	124,148,165	Deposits by contractors, amounts related to uncon-		
Accrued interest	3,581,132	3,164,614	summated transactions, and other unallocated col-		
	324,324,861	358,881,185	lections	2,485,009	2,916,001
ACCOUNTS RECEIVABLE (note 2):			Amount withheld from purchaser of ship pending		
Domestic firms	28,438,628	25,021,159	settlement of controversial sale		1,679,171
U. S. Government agencies	6,764,433	33,279,284	Amounts withheld from employees for purchase of		
Foreign governments and nationals	1,980,220	2,247,685	savings bonds and payment of taxes	514,068	616,496
	37,183,281	60,548,128	Miscellaneous deferred credits	25,158	85,340
AGENTS' ADVANCES TO BRANCH HOUSES, SUB-AGENTS, AND OTHERS	426,897	1,748,150		209,284,201	208,636,522
CAPITAL STOCK IN AMERICAN PRESIDENT LINES, LTD.		66,305	NET UNTERMINATED VOYAGE REVENUES (unterminated		
MATERIALS AND SUPPLIES (note 3)	45,503,316	51,013,837	voyage revenues, less untermimated voyage expenses		
VESSELS OWNED (at cost or assigned amounts) (note 4)	4,632,427,245	4,453,650,102	totaling \$2,422,117, 1954; \$4,869,209, 1953)	362,769	5,477,623
VESSELS UNDER CONSTRUCTION	21,641,867	162,291,163	RESERVES:		
			For estimated claims in connection with vessels sold		
			under the Merchant Ship Sales Act, 1946	10,891,745	12,500,000
			For estimated liability under assumed insurable risks on		
			operated vessels	1,076,076	1,616,764
			For estimated expense of restoring vessels to the reserve		
			fleet	354,331	1,196,724
				12,322,152	15,313,488
			EQUITY OF THE UNITED STATES GOVERNMENT (exhibit 3) ...	5,178,007,568	5,178,032,317

LAND AND SITE DEVELOPMENT, STRUCTURES AND EQUIPMENT: (at cost, estimated cost, or assigned amounts) (note 4) (schedule 1)

Reserve shipyards.....	82,719,706	77,994,090	
Marine terminals.....	32,978,337	31,990,960	
Maritime Services training facilities.....	31,567,245	43,001,820	
Reserve fleet sites.....	15,421,745	15,461,201	
Warehouses.....	3,751,125	3,693,752	
Administrative offices.....	1,864,477	2,417,878	
	<hr/>	<hr/>	
Construction in progress.....	168,303,095	174,559,601	
	6,937,394	-----	
	<hr/>	<hr/>	
	175,240,029	174,559,701	
	<hr/>	<hr/>	
OTHER ASSETS:			
<i>S. S. Cornhusker Mariner</i> (note 5).....	9,185,000	-----	
Deferred charges and other miscellaneous items.....	564,100	1,064,293	
Advances to other U. S. Government agencies.....	436,953	741,536	
Treasury deposits subject to refund or application to operations of future periods.....	130,149	2,131,051	
	<hr/>	<hr/>	
	10,316,202	3,937,780	
	<hr/>	<hr/>	
	\$5,399,976,690	\$5,405,459,950	
	<hr/>	<hr/>	

\$5,399,976,690 \$5,405,459,950

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

**FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE**

Statement of Operations for the Years Ended June 30, 1954 and 1953

	YEAR ENDED JUNE 30	
	1954	1953
CURRENT YEAR OPERATIONS:		
Operating activities:		
Revenues and reimbursements:		
Operations of National Shipping Authority.....	\$60,166,044	\$122,894,617
Chartering of vessels to others (exclusive of those included in operations of National Shipping Authority).....	3,327,853	4,491,539
Operation of marine terminals.....	888,241	904,073
Maintenance of reserve fleet vessels (reimbursement for care and custody of vessels owned by other Government agencies).....	8,182	5,640
Training of Maritime Service officers and seamen.....	224,704	238,888
Operation of warehouses.....	83,414	36,001
Maintenance of reserve shipyards.....	438,211	407,076
Total revenues and reimbursements.....	65,086,709	129,037,834
Costs and expenses:		
Operations of National Shipping Authority.....	48,903,411	93,408,220
Chartering of vessels to others (exclusive of those included in operations of National Shipping Authority).....	565,475	(a)
Operation of marine terminals.....	209,664	505,666
Maintenance of reserve fleet vessels.....	5,509,423	5,071,671
Training of Maritime Service officers and seamen.....	3,975,799	4,485,811
Operation of warehouses.....	689,883	871,899
Maintenance of reserve shipyards.....	560,953	823,834
Total costs and expenses.....	60,414,608	105,167,103
Net costs and expenses (-income):		
Operations of National Shipping Authority (schedule 2).....	-11,262,633	-29,436,397
Chartering of vessels to others (exclusive of those included in operations of National Shipping Authority).....	-2,762,378	-4,491,539
Operation of marine terminals.....	-678,577	-398,405
Maintenance of reserve fleet vessels.....	5,501,241	5,066,031
Training of Maritime Service officers and seamen.....	3,751,035	4,186,923
Operation of warehouses.....	656,469	835,898
Maintenance of reserve shipyards.....	122,742	416,758
Total net costs and expenses (-income).....	-4,672,101	-23,870,731
Direct subsidies and cost of national defense features:		
Estimated operating-differential subsidies (note 6).....	96,244,954	108,865,895
Adjustment of estimated recapturable subsidies.....	4,589,428	-36,502,875
Construction-differential subsidies (note 8).....	100,834,382	72,363,020
Cost of national defense features.....	5,538,417	-852,695
	109,182,744	71,510,325
Excess of recorded cost of vessels sold over proceeds of sales, and vessels lost and abandoned.....	8,449,129	2,188,241
Administrative expenses—amount allocated to N. S. A. excluded.....	7,349,525	8,567,346
Other income and adjustments (-income):		
Interest earned on notes and accounts receivable.....	-12,162,878	-13,487,159
Inventory and other property adjustments.....	-1,276,188	-887,712
Loss on sale of materials and supplies.....	4,890,786	1,051,548
Loss on sale of fixed assets other than vessels.....	264,510	-----
Net income from sale of capital stock of American President Lines, Ltd.....	-160,697	-6,527,833
Net income from War Risk Insurance Program.....	-39,632	-86,238
Miscellaneous.....	598,053	-1,132,067(a)
	-7,885,956	-21,069,461
Net cost of current year operations (note 4).....	112,423,341	37,325,720
ADJUSTMENTS APPLICABLE TO PRIOR YEARS:		
Net charges arising from adjustments and settlements related principally to World War II activities.....	8,256,868	19,208,011
Participation in profits of World War II insurance syndicates.....	-3,475,000	-2,765,031
	4,781,868	16,442,980
NET COST OF OPERATIONS (NOTE 4).....	\$117,205,209	\$53,768,700

(a) Other chartering expenses were included in Miscellaneous Expenses in prior years.

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

**FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE**

**Statement of Equity of the United States Government for the Years Ended
June 30, 1954 and 1953**

	YEAR ENDED JUNE 30	
	1954	1953
BALANCE, BEGINNING OF YEAR.....	\$5, 178, 032, 317	\$5, 188, 863, 258
ADDITIONS:		
Funds appropriated by the Congress (funds for fiscal year 1954 exclude \$325,000 appropriated in 1953 which was continued available in 1954 and transferred to the Department of Commerce and include \$100,000 allocated by the Department of Commerce for terminal leave expenses. Funds for fiscal year 1953 exclude \$1,200,000 appropriated in 1952 which was continued available for obligation in fiscal year 1953).....	163, 145, 000	178, 865, 050
Leasehold improvements to Hoboken Terminal by the Port of New York Authority \$6,038,488, less recorded cost of building demolished \$1,900.....	6, 036, 588	-----
Expenditures from funds appropriated to Secretary of the Treasury for liquidation of obligations incurred against funds of the War Shipping Administration prior to January 1, 1947.....	5, 265, 282	3, 700, 172
Vessel construction costs paid from funds advanced by the Department of the Navy.....	-----	6, 098, 757
Recorded value of <i>S. S. Bladen</i> transferred from the Department of the Navy in 1954 and <i>S. S. Pot. Joe P. Martinez</i> in 1953.....	4, 115, 343	2, 511, 877
Increase in capitalized value of vessels owned as result of final determination of costs.....	-----	3, 870, 302
Leasehold improvements to Wilmington, North Carolina Reserve Shipyard by the North Carolina State Ports Authority \$4,280,953, less recorded cost of railroad tracks removed \$316,250.....	3, 964, 703	-----
Proceeds from sale of vessels declared surplus by the Department of the Army.....	638, 022	-----
Equipment received from other U. S. Government agencies.....	402, 315	-----
Expenditures from "Payment of Certified Claims" account of the U. S. Treasury.....	457, 644	1, 487, 678
Funds allocated from the Department of State for the training of Philippine cadets, less balance of fiscal year 1952 allocation returned in 1954 \$4,474.....	25, 295	132, 553
Contributions received toward construction of a Chapel at the United States Merchant Marine Academy, Kings Point, New York.....	12, 056	26, 128
Miscellaneous.....	-----	73, 881
	184, 062, 248	197, 771, 398
	5, 362, 094, 565	5, 386, 634, 656
REDUCTIONS:		
Net cost of operations (exhibit 2).....	117, 205, 209	53, 768, 700
Payments into the General Fund of the U. S. Treasury, less \$1,695,848 in 1953 refunded in 1954.....	64, 485, 184	92, 015, 709
Materials and supplies transferred to State and U. S. Government agencies (net).....	2, 155, 323	1, 520, 251
Recorded cost of Fort Trumbull, Connecticut, Maritime Training School transferred to the Department of the Navy.....	-----	2, 161, 069
Recorded cost (-adjustment of cost) of vessels transferred to the Department of the Navy.....	-923, 889	43, 471, 238
Inventories of materials and supplies used in Grain Storage Program for U. S. Department of Agriculture, Production and Marketing Administration, exclusive of expenditures of \$4,109,083 in 1954 and \$336,632 in 1953 which were reimbursed.....	670, 846	77, 373
Accounts receivable from foreign governments transferred to the Department of State.....	246, 987	14, 375, 677
Unexpended appropriations transferred to the "Payment of Certified Claims" account of the U. S. Treasury less \$130,149 in 1954 subject to refund in 1955 and \$428,900 in 1953 refunded in 1954.....	244, 555	765, 398
Uncollectible accounts receivable (-adjustment of) transferred to the General Accounting Office.....	-6, 218	447, 024
	184, 086, 997	208, 602, 339
BALANCE, CLOSE OF YEAR.....	\$5, 178, 007, 568	\$5, 178, 032, 317

**FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE**

**Statement of Sources and Application of Funds for the Year Ended
June 30, 1954**

SOURCES:		
Funds appropriated by the Congress.....		\$163, 145, 000
Funds provided by the Secretary of the Treasury for liquidation of obligations incurred against funds of the War Shipping Administration prior to January 1, 1947.....		5, 265, 282
Proceeds from sale of vessels declared surplus by the Department of the Army.....		638, 022
Proceeds from sale of vessels owned.....		595, 071
Funds provided from the "Payment of Certified Claims" account of the U. S. Treasury.....		457, 644
Proceeds from the sale of capital stock of American President Lines, Ltd.....		225, 912
Funds provided by the Department of State for the training of Philippine cadets.....		25, 295
Contributions received for construction of chapel.....		12, 056
Proceeds from sale of fixed assets other than vessels.....		11, 743
Proceeds from receivables transferred to General Accounting Office.....		6, 218
Decrease in working capital during the year (per summary below).....		47, 952, 619
Total funds provided.....		\$218, 334, 862
APPLICATION:		
Net cost of operations (per Statement of Operations).....	\$117, 205, 209	
Add net income from sale of capital stock of American President Lines, Ltd.....	160, 607	
Loss on sale of vessels and vessels abandoned.....	-8, 449, 129	
Loss on sale of fixed assets other than vessels.....	--264, 510	
		\$108, 652, 177
Payments into the General Funds of the U. S. Treasury.....		64, 485, 184
Expenditures for vessels owned and under construction.....		39, 613, 948
Materials and supplies transferred to State and other U. S. Government agencies (net).....		2, 155, 323
Expenditures for Land and Site Development, Structures and Equipment including construction in progress.....		2, 256, 842
Inventories of materials and supplies used in the Grain Storage Program for the U. S. Department of Agriculture, Production and Marketing Administration, exclusive of expenditures of \$4,109,083, which were reimbursed.....		679, 846
Accounts receivable from foreign Governments transferred to the Department of State.....		246, 987
Lapsed appropriations transferred to "Payment of Certified Claims" account of the U. S. Treasury, less \$130,149 subject to refund.....		244, 555
Total funds applied.....		\$218, 334, 862

Summary of Changes in Working Capital

	YEAR ENDED JUNE 30		CHANGES IN WORKING CAPITAL	
	1954	1953	Increase	Decrease
ASSETS:				
Cash.....	\$152, 912, 962	\$138, 764, 599	\$14, 148, 363	
Notes and mortgages receivable.....	324, 324, 891	353, 881, 185		\$34, 556, 294
Accounts receivable and agents' advances.....	37, 610, 178	62, 296, 278		24, 685, 100
Materials and supplies.....	45, 503, 316	51, 013, 837		5, 510, 521
Other assets less S. S. <i>Corahusker Mariner</i>	1, 131, 202	3, 937, 780		2, 806, 578
Total.....	561, 482, 549	614, 893, 679		
LIABILITIES:				
Accounts payable and other liabilities.....	209, 284, 201	206, 636, 522		2, 647, 679
Net unterminating voyage revenues.....	362, 769	5, 477, 623	5, 114, 854	
Reserves.....	12, 322, 152	15, 313, 488	2, 991, 336	
Total.....	221, 969, 122	227, 427, 633		
Working capital.....	339, 513, 427	337, 466, 046		
Decrease in working capital.....			47, 952, 619	
			\$70, 207, 172	\$70, 207, 172

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION DEPARTMENT OF COMMERCE

Notes to Financial Statements—June 30, 1954 and 1953

1. The balance sheets and the statements of operations include transactions recorded in the accounts of certain steamship companies which operated vessels for the Administration under General Agency agreements.

2. No provision for loss has been made in connection with any notes or accounts receivable which may prove to be uncollectible. Accounts receivable from domestic firms and individuals and foreign nationals included \$6,415,809 at June 30, 1954, and \$6,974,935 at June 30, 1953, which had been referred to the Department of Justice for collection. Notes receivable from domestic firms included \$435,466 at June 30, 1954, and \$453,966 at June 30, 1953, which had been referred to the Department of Justice for collection. Notes and mortgages receivable at June 30, 1954, also included the following amounts with respect to mortgages which had been declared in default on or before that date:

	No. of vessels	Mortgage balance	Accrued interest
Domestic.....	24	\$13,938,082	\$604,743
Foreign.....	6	1,744,413	415,720
Total.....	30	\$15,682,495	\$1,020,463

3. Inventories of materials and supplies are valued at stock catalog prices which represent cost or estimated cost to the Administration. No consideration was given to the physical condition of the inventories in establishing these prices.

4. In accordance with generally accepted accounting practices of noncorporate Federal agencies the financial statements do not include an allowance for depreciation of vessels or other tangible fixed assets. With respect to sales of fixed assets this practice results in larger recorded losses, and with respect to other current year operations, the recorded net costs and expenses are less than would have been the case had depreciation been recognized in the accounts.

5. The *Cornhusker Mariner* ran aground in Korean waters during a typhoon in July 1953 and while salvage and dismantling operations have been in progress the total loss from the disaster is not yet known.

6. The net operating-differential subsidies payable to each subsidized operator are determinable only after the completion of a 19-year contract period. The estimated recapturable amount of \$101,763,492 at June 30, 1954, and \$107,931,093 at June 30, 1953, therefore, will be revised subsequently in the light of operating revenues or losses during the later years of the contracts. The amount payable at June 30, 1954, includes operating-differential subsidies of \$6,700,000 withheld from payment to an operator until final determination of construction-differential subsidy in connection with the sales price of two vessels and \$3,000,000 for the calendar years 1948, 1949, and 1950, under an agreement whereby such "holdback" would be made to cover any amounts that may be found due the United States as the result of the redetermination of the construction-differential subsidy allowance granted in connection with the reconstruction of several vessels. The provisions for estimated operating-differential subsidies of \$96,244,954 for the year ended June 30, 1954, and \$108,865,895 for the year ended June 30, 1953, include adjustments of approximately \$12,000,000 and \$19,000,000, respectively, applicable to prior fiscal years.

7. The Maritime Administration was contingently liable under agreements insuring mortgages payable to a lending institution totaling \$278,167 at June 30, 1954, and \$370,833 at June 30, 1953. An application was approved prior to June 30, 1954, to insure a mortgage loan not to exceed \$2,500,000, however, no advances had been made to the mortgagor under this loan as of June 30, 1954.

8. Construction-differential subsidies for the fiscal year ended June 30, 1954, include a net credit of \$3,400,000 in connection with the settlement of the sales price of a vessel sold in a prior year. The subsidies for the fiscal year ended June 30, 1953, include a reimbursement by another purchaser of \$950,000 towards an undetermined amount of excess construction-differential subsidy allowed during prior years.

9. The Administration was contingently liable for undetermined amounts in connection with settlements to be made under 1,361 claims against the Administration aggregating \$344,935,000 at June 30, 1954, and 1,536 claims aggregating \$352,635,000 at June 30, 1953. As a partial offset against these unrecorded liabilities the Administration had a number of unrecorded assets and claims receivable in connection with settlement to be made under 764 claims in favor of the Administration aggregating \$23,097,000 at June 30, 1954, and 1,020 claims aggregating \$25,039,000 at June 30, 1953. Many of the claims both against or in favor of the Administration represent adjustments of preliminary settlements, and others require original determinations to be made. Based on previous experience, it is anticipated that settlement of these claims will be made for amounts substantially less than the gross amount of the claims. In addition to the foregoing there were outstanding at June 30, 1954, 89 continuing seamen's disability payment claims under the provisions of Public Law 449, 78th Congress, for which the annual liability for payment is approximately \$163,000. There were also 4 cases under this law which were terminated by the death of the recipient and upon which the final payment obligations at June 30, 1954, amounted to a total of \$1,800. Included among the funds available for payment of claims was an unexpended balance of \$103,136,243 at June 30, 1954, and \$108,401,530 at June 30, 1953, in a fund appropriated to the Secretary of the Treasury for payment of obligations incurred by the War Shipping Administration prior to January 1, 1947. This fund, which was continued available during the fiscal year 1954, is not included in the accounts of the Administration.

10. The Administration has been granted authority by the Congress to enter into contracts for the construction of vessels prior to the appropriation of funds for that purpose. At June 30, 1954, the amount of this authority was \$50,190,804 of which \$359,830 is held in reserve for adjustment of contractual obligations, leaving an unobligated balance of \$49,830,974 as at that date, and at June 30, 1953, the amount of this authority was \$109,191,924 of which \$78,734,694 was encumbered by contractual obligations, leaving an unobligated balance of \$30,457,230 as at that date. The unobligated balance of \$49,830,974 at June 30, 1954, will not be required for the purpose for which originally granted and the Bureau of the Budget has authorized the Treasury Department to eliminate from the June 30, 1954, Treasury statement the balance of the unfinanced contract authority as represented by the unobligated balance of \$49,830,974.

11. At June 30, 1954, the Administration had an obligation to return to owners United States Government securities in the amount of \$5,506,500. The obligation at June 30, 1953, was \$6,278,500. These securities had been accepted from vessel charterers, subsidized operators, and other contractors to assure performance under contracts, and are held for safe-keeping in the United States Treasury.

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE

Land and Site Development, Structures and Equipment—June 30, 1954

	Recorded value June 30, 1954	Land and site development	Buildings and structures	Machinery and equipment 1	Railway equipment	Small vessels	Motor vehicles, trailers, cycles and tractors	Administra- tive, restaur- ant, medical and laboratory equipment
RESERVE SHIPYARDS:								
Alameda, Calif.-----	\$17,365,480	\$3,667,881	\$8,797,132	\$4,227,263	\$438,643	\$72	\$30,739	\$214,300
Pascagoula, Miss.-----	6,703,268	695,079	3,560,576	2,071,122	281,613	0	43,022	51,856
Richmond, Calif.-----	18,250,902	4,482,227	8,432,734	4,593,998	188,257	6,615	354,678	192,393
Sparrows Point, Md.-----	3,833,780	341,252	2,069,932	1,186,348	286,086	0	0	162
Vancouver, Wash.-----	18,007,600	2,684,170	8,046,619	6,865,804	181,684	5,603	41,539	182,181
Wilmington, N. C.-----	18,508,616	3,204,746	9,642,219	4,782,651	734,457	564	16,056	127,923
Total-----	82,719,706	15,064,805	40,540,212	23,727,246	2,110,740	12,854	486,034	768,815
MARINE TERMINALS:								
Hoboken, N. J.-----	6,299,790	2,502,420	3,725,540	70,963	0	0	0	867
Hog Island, Pa.-----	2,550,000	2,550,000	0	0	0	0	0	0
Norfolk, Va.-----	23,462,978	5,424,884	16,689,871	203,614	1,107,260	0	4,050	33,299
Philadelphia, Pa.-----	665,569	40,944	462,281	119,503	21,000	0	5,920	15,921
Total-----	32,978,337	10,518,248	20,877,692	394,080	1,128,260	0	9,970	50,087
MARITIME SERVICE TRAINING FACILITIES:								
Cadet schools-----	11,736,389	1,827,022	7,790,623	1,210,869	0	62,891	64,775	780,209
Training stations-----	19,811,046	5,085,898	13,106,770	818,566	0	37,375	36,351	726,086
Administrative offices-----	19,810	0	0	6,556	0	2,974	4,140	6,140
Total-----	31,567,245	6,912,920	20,897,393	2,035,991	0	103,240	105,266	1,512,435
RESERVE FLEET SITES:								
Astoria, Oreg.-----	2,675,882	2,226,106	62,826	56,947	0	317,110	2,524	10,369
Beaumont, Tex.-----	4,051,436	3,078,798	209,873	164,629	0	583,733	1,365	13,238
Hudson River, N. Y.-----	628,673	199,461	2,425	135,539	0	277,399	2,415	11,434
James River, Va.-----	1,926,798	709,362	118,395	716,446	0	363,443	6,596	12,556
Mobile, Ala.-----	1,574,876	717,957	273,421	86,392	0	480,870	4,401	11,835
Olympia, Wash.-----	332,307	0	0	67,328	0	254,565	3,047	7,367
Suisun Bay, Calif.-----	1,085,437	151,481	321,067	115,040	0	475,273	2,733	19,843
Wilmington, N. C.-----	3,146,336	2,417,053	74,945	146,183	0	489,479	8,761	9,915
Total-----	15,421,745	9,500,218	1,062,752	1,488,504	0	3,241,872	31,842	96,557

WAREHOUSES:									
Baltimore, Md.....	2,540,231	408,430	1,442,002	543,468	78,155	0	23,830	44,346	
Hoboken, N. J.....	137,137	0	0	86,982	0	0	34,358	15,797	
New Orleans, La.....	82,954	0	0	56,715	0	0	8,989	17,300	
Norfolk, Va.....	52,322	0	0	34,975	0	0	3,799	13,543	
Richmond, Calif.....	938,481	31,972	807,337	42,408	37,080	0	5,397	14,237	
Total.....	3,751,125	440,402	2,249,339	764,548	115,235	0	76,323	105,278	
ADMINISTRATIVE OFFICES:									
Washington District.....	1,162,793	0	0	174,795	0	0	14,641	973,357	
Atlantic Coast District.....	276,689	0	0	0	0	0	5,546	271,143	
Pacific Coast District.....	332,928	0	0	0	0	0	18,935	313,983	
Gulf Coast District.....	92,067	0	0	0	0	0	4,931	87,136	
Total.....	1,864,477	0	0	174,795	0	0	44,053	1,645,629	
Grand total.....	\$168,302,635	\$42,436,593	\$85,636,388	\$28,585,164	\$3,354,235	\$3,357,966	\$753,488	\$4,178,801	

¹ Includes fixed mobilization inventories of materials and supplies in the amount of \$938,032.

² Capital value of ground rent.

**FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE**

***Statement of Operations of National Shipping Authority for the Years Ended
June 30, 1954 and 1953***

	YEAR ENDED JUNE 30	
	1954	1953
SHIPPING OPERATIONS:		
Vessels operated by general agents:		
Terminated voyage results (terminated voyages 330—1954, 450—1953)		
Revenue.....	\$47,722,270	\$76,675,012
Expenses.....	43,927,526	79,335,211
Gross profit (—loss) from vessel operations.....	3,794,744	—2,660,199
Chartering of vessels to others.....	4,341,054	6,402,611
Total gross income from shipping operations.....	8,135,798	3,742,412
NONSHIPPING OPERATIONS:		
Vessel reactivation costs.....	396,180	6,647,077
Vessel deactivation costs (expense of restoring vessels to the reserve fleet)....	2,752,411	4,816,145
Miscellaneous expenses.....	272,540	393,787
Less—Nonshipping income and reimbursements of vessel reactivation and deactivation costs.....	3,421,131	11,857,009
Net income from nonshipping operations.....	4,681,589	27,959,085
	12,817,387	31,702,397
ADMINISTRATIVE EXPENSES.....	1,554,754	2,216,000
NET INCOME FROM OPERATIONS.....	\$11,262,633	\$29,486,397

**FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE**

*Statement of Operations of National Shipping Authority From Inception to
June 30, 1954*

	<i>Vessels operated by general agents</i>					<i>Chartering of vessels to others</i>
	<i>Total</i>	<i>Foreign Operations Administration</i>	<i>Military Sea Transportation Service</i>	<i>Miscellaneous</i>	<i>Total</i>	
SHIPPING OPERATIONS:						
Revenue.....	\$382,590,916	\$191,842,629	\$151,736,430	\$2,539,369	\$346,118,428	\$36,472,488
Expenses.....	320,753,160	172,286,915	147,597,301	868,934	320,753,150	(1)
Gross income from shipping operations.....	61,837,766	19,555,714	4,139,129	1,670,435	25,365,278	36,472,488
NONSHIPPING OPERATIONS:						
Vessel reactivation costs.....	101,089,028	78,189,493	20,903,875	328,322	99,421,690	1,667,338
Vessel deactivation costs (expense of restoring vessels to the reserve fleet).....	15,568,556	7,938,367	7,174,314	378,016	15,490,697	77,859
Miscellaneous expenses.....	799,004	261,026	370,134	-----	631,160	167,844
	117,456,588	86,388,886	28,448,323	706,338	115,543,547	1,913,041
Less—Nonshipping income and reimbursements of vessel reactivation and deactivation costs.....	89,017,448	55,628,664	31,889,659	19,996	87,538,319	1,479,129
Net income (—loss) from nonshipping operations.....	-28,439,140	-30,760,222	3,441,336	-686,342	-28,005,228	-433,912
	33,398,626	-11,204,508	7,580,465	984,093	-2,639,950	36,038,576
ADMINISTRATIVE EXPENSES (TENTATIVE PROVISION).						
	7,080,454	3,141,138	3,450,198	5,403	6,596,739	483,715
NET INCOME (—LOSS) FROM OPERATIONS.						
	\$26,313,172	\$-14,345,646	\$4,130,267	\$978,690	-\$9,236,689	\$35,554,861

¹ Vessel reactivation costs applicable to vessels chartered to others include all vessel repair expenses not chargeable to charterers.

² Net loss from operations for account of Foreign Operations Administration resulted from the program being terminated on such an early date that revenues from shipping services were not sufficient to amortize ship reactivation and other expenses. The Comptroller General of the United States in a ruling B-101798 dated July 8, 1953, held that no statutory provisions were violated and that under the terms of an agreement dated October 25, 1951 (Amended), there was no obligation upon the Foreign Operations Administration to reimburse the Maritime Administration for unamortized costs in excess of the monetary limitations contained in Clause 3 (b) of the agreement.

APPENDIXES

APPENDIX A

Status of Operating Subsidy Agreements on June 30, 1954

Name of operator	Effective date subsidy payments resumed	Expiration date of agreement	Number of ships normally assigned			Permanent rates available
			Passenger	Cargo and passenger (comb.)	Cargo	
OPERATORS WITH EXTENDED (POSTWAR) AGREEMENTS						
American Export Lines, Inc.	Jan. 1, 1948	Dec. 31, 1965 ..	2	4	24	Yes.
American Mail Line, Ltd.	Jan. 1, 1947	Dec. 31, 1960 ¹			9	Yes.
American President Lines, Ltd.	do.	Dec. 31, 1957 ²		³ 4	12	Yes.
Farrell Lines, Inc.:						
South and East African Service	do.	Dec. 31, 1959 ..		2	9	Yes. ⁴
West African Service	Apr. 25, 1947	do.			5	Yes.
Grace Line Inc.	Jan. 1, 1947	Dec. 31, 1957 ⁵		6	9	
Line C.	Oct. 1, 1952	do.		5	3	Yes. ⁶
Lykes Bros. Steamship Co., Inc.	Jan. 1, 1947	do.			51	Yes.
Mississippi Shipping Co.	do.	do.		3	11	Yes.
Moore-McCormack Lines, Inc.:						
Cargo Services	do.	do. ⁷			33	Yes.
Good Neighbor Fleet	May 8, 1949	June 30, 1955 ⁸		⁹ 2		Yes.
New York & Cuba Mail Steamship Co.	Jan. 1, 1948	Dec. 31, 1953 ¹⁰			6	Yes.
Seas Shipping Company, Inc.	Jan. 1, 1947	Dec. 31, 1957 ..			12	Yes.
The Oceanic Steamship Co.	Jan. 1, 1947	do.			4	Yes.
United States Lines Company:						
Cargo Services	Jan. 1, 1948	Dec. 31, 1949 ..			40	Yes.
Do	Jan. 1, 1950	Dec. 31, 1965 ¹¹			46	Yes.
S. S. America	Aug. 2, 1948	Aug. 1, 1958 ..	1			Yes.
S. S. United States	June 20, 1952	do. ¹²	1			

NEW OPERATORS WITH POSTWAR AGREEMENTS

Pacific Argentine Brazil Line, Inc.	Jan. 26, 1949	Dec. 31, 1958			4	Yes.
Pacific Far East Line, Inc.	Jan. 1, 1953	Dec. 31, 1962			12 8	
Pacific Transport Lines, Inc.	do	do			14 5	
Bloomfield Steamship Company	Jan. 1, 1954	Dec. 31, 1963			4	
Gulf & South American Steamship Co., Inc.	Apr. 1, 1954	Dec. 31, 1963			4	

¹ Contract is subject to earlier termination if satisfactory arrangements for replacement of ships are not completed prior to each ship's reaching 18 years of age (oldest ship will become 18 years old in 1958).

² Contract is subject to earlier termination if satisfactory arrangements for replacement of Round-the-World and Trans-Pacific Passenger Services ships are not completed within 120 days after request therefor is made by Board.

³ Includes 2 combination passenger-freight ships, *President Cleveland* and *President Wilson*, chartered from Maritime Administration.

⁴ Rates for combination passenger and cargo ships (*African Endeavor* and *African Enterprise*) not yet determined.

⁵ Contract subject to earlier termination as to any or all services if satisfactory replacement program for *Santa Rosa* and *Santa Paula* not completed.

⁶ Rates for combination ships not yet determined.

⁷ Addendum No. 1 to Contract MCG-62436 provides that the subsidy agreement shall extend to Dec. 31, 1957: *Provided*, That the United States shall have the right to terminate the agreement 90 days after written notice to the operator in the event the operator fails to proceed promptly upon request of and in a manner satisfactory to the United States, with construction or acquisition of ships, satisfactory to the United States, to serve as replacement ships of the combination passenger-cargo ships referred to as the Good Neighbor Fleet.

⁸ Charter contract effective July 1, 1951, and originally terminating June 30, 1954, was extended to June 30, 1955.

⁹ Good Neighbor Fleet ships *Argentina* and *Brazil* chartered from Maritime Administration. The *Uruguay* was also chartered but was redelivered March 27, 1954.

¹⁰ Contract which terminated December 31, 1953, was not extended and the Company is no longer a subsidized operator.

¹¹ At the time the revised sales price of the Superliner was agreed to, it also was agreed that the passenger and cargo contracts would be consolidated prospectively, the Board to determine the effective date of such consolidation.

¹² Addendum No. 1 to Contract No. MCG-62434 was executed on June 30, 1952, incorporating the S. S. *United States* into said contract as an interim measure pending the preparation of an appropriate superseding addendum complete as to route description, number of sailings, rates of subsidy and revisions thereof, duration of agreement, replacement obligations, and all other provisions which have been adopted as standard in operating-differential subsidy agreements.

¹³ Agreement requires operator to replace its 5 C-2 type ships not later than when such ships become 12 years of age, which will be in 1965. During the fiscal year the operator purchased 3 Mariner ships from the Government for replacement of three Victory ships.

¹⁴ Operator acquired one C-3 ship in replacement of one Victory ship during the fiscal year in accordance with its operating subsidy contract.

APPENDIX B

Deliveries of New Merchant Ships During Fiscal Year 1954

Seagoing steam and motor ships of 1,000 gross tons and over by ship type, country in which built and for which built; excludes ships built for operation on the Great Lakes or inland waterways, by Armed Forces, and special types such as tugs, ferries, cable ships, etc. (tonnage in thousands)

Registry for w.h.c. built	Country in which built																							
	Total		United States		United Kingdom		Sweden		Netherlands		Norway		Denmark		France		Italy		Japan		Germany		All Other	
	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons	No.	Dead-weight tons		
Total.....	633	7,052	42	822	149	1,742	62	754	40	446	26	177	23	194	22	244	18	337	44	715	142	1,246	56	375
United States.....	85	602	85	602																				
United Kingdom.....	112	1,267			109	1,252			1	10											2	5		
Sweden.....	32	325					29	307	1	10											1	5	1	3
Netherlands.....	24	204							21	183											3	21		
Norway.....	85	913			17	214	22	297	2	18	25	173									11	163	5	35
Denmark.....	24	214					1	4					1	13										
France.....	27	247					2	28	5	50			18	145							3	33	2	32
Italy.....	19	247											1	19	19	150								
Japan.....	16	351															17	332			2	19		
Germany.....	36	464																	36	464				
All others.....	102	655																			102	655		
	139	1,810	7	220	23	276	8	118	19	175	1	4	3	17	3	94	1	5	8	251	18	345	48	305

SUMMARY—ALL SHIP TYPES

COMBINATION PASSENGER AND CARGO SHIPS

Total.....	27	172			7	49			3	14					6	39	1	1			5	40	5	29
United States.....																								
United Kingdom.....	4	34			4	34																		
Sweden.....	1	10							1	10														
Netherlands.....																								
Norway.....																								
Denmark.....																								
France.....	7	42							1	3					6	39								
Italy.....	1	1															1	1						
Japan.....																								
Germany.....	5	40																			5	40		
All others.....	9	45			3	15			1	1													5	2

FREIGHTERS

Total.....	366	2,608	20	269	76	613	31	207	32	211	13	67	17	94	8	48	2	7	28	337	106	615	33	140
United States.....	20	269	20	269																				
United Kingdom.....	62	472			59	457				1	10										2	5		
Sweden.....	18	118					16	110													1	5	1	3
Netherlands.....	18	124							15	103											3	21		
Norway.....	37	235			6	52	10	64	2	18	12	63									3	22	4	16
Denmark.....	18	110					1	4					15	90							2	16		
France.....	11	59					1	4	2	7					8	43								
Italy.....	2	4					1	4										1	2					
Japan.....	27	277																	27	277				
Germany.....	90	527																			90	527		
All others.....	63	413			11	104	3	25	12	73	1	4	2	4							4	17	28	121

TANKERS

Total.....	240	4,272	22	553	66	1,080	31	547	14	221	13	110	6	100	8	157	15	329	16	378	31	591	13	206	
United States.....	15	333	15	333																					
United Kingdom.....	46	761			46	761																			
Sweden.....	13	197					13	197																	
Netherlands.....	6	80							6	80															
Norway.....	46	678			11	162	12	233			13	110													
Denmark.....	6	104											1	13								8	141	1	19
France.....	6	104											3	55								1	17	2	32
Italy.....	9	146					1	24	2	40			1	19	5	63									
Japan.....	16	346															15	329				1	17		
Germany.....	9	187																		9	187				
All others.....	7	88																			7	88			
All others.....	67	1,352	7	220	9	157	5	93	6	101			1	13	3	94			7	191	14	328	15	155	

APPENDIX C

Ships of 1,000 Gross Tons and Over Delivered by United States Shipyards July 1, 1953, to June 30, 1954

Account and ship type	Total		July 1, 1953, to Sept. 30, 1953		Oct. 1, 1953, to Dec. 31, 1953		Jan. 1, 1954, to Mar. 31, 1954		Apr. 1, 1954, to June 30, 1954	
	Number	Deadweight	Number	Deadweight	Number	Deadweight	Number	Deadweight	Number	Deadweight
<i>Maritime Administration</i>										
Major types:										
Standard Cargo.....	20	268,916	6	80,625	5	67,228	5	67,296	4	53,767
Total Maritime Administration.....	20	268,916	6	80,625	5	67,228	5	67,296	4	53,767
<i>Private and foreign account</i>										
Major types:										
Cargo.....	3	57,160	1 ³	57,160						
Tankers.....	22	553,811	3 ⁴	83,503	6	147,736	7	163,673	5	160,899
Minor types:										
Tender.....	1	(⁵)			1	(⁵)				
Total private and foreign account.....	26	612,971	7	140,663	7	147,736	7	163,673	5	160,899
Grand total.....	46	881,887	13	221,288	12	214,964	12	230,969	9	214,666

¹ Constructed for operation on the Great Lakes.

² Includes 1 ship constructed for Liberian Registry and 1 ship constructed for Panamanian Registry.

³ Includes 1 ship constructed for Panamanian Registry.

⁴ Includes 3 ships constructed for Liberian Registry and 1 ship constructed for Panamanian Registry.

⁵ Information not available.

APPENDIX D

New Ship Construction on June 30, 1954

	Number of ships	Type	Gross tonnage	Estimated or actual date of completion	Estimated construction cost	Cost chargeable to Maritime Administration	Cost chargeable to Pacific Far East Line, Inc.	Cost reimbursable by Department of Defense
Ships under construction:								
Title VII of Merchant Marine Act, 1936.....	4	{C4-S-1a cargo.....	36,868	June 15, 1955	\$45,038,000	\$27,038,000		
Economy Act of 1932.....	2	{C4-S-1f cargo.....					\$18,000,000	\$31,164,000
Do.....	1	R3-S-4a.....	19,600	July 15, 1955	31,164,000			
		AKA-112 (attack cargo).	9,217	June 15, 1955	16,604,000	9,979,000		6,625,000
Total ships under contract.....	7		65,685		92,806,000	37,017,000	18,000,000	37,789,000
Design and service contracts:								
Conversion plans for S. S. <i>Monterey</i>				Oct. 1, 1954	200,000			200,000
Design for cargo ship with conversion features (C4-S-1a).....				Oct. 1, 1954	1,800,000	1,500,000		300,000
Design contract troopship conversion (P6-S4-DS1).....				June 1, 1955	309,354			309,354
Conversion plans for AKA 112.....				July 1, 1955	1,743,000			1,743,000
Total design and service contracts.....					4,052,354	1,500,000		2,552,354
Total construction, design and service contracts.....					96,858,354	38,517,000	18,000,000	40,341,354

APPENDIX E

Employment of United States-Flag Merchant Ships as of June 30, 1954

Seagoing ships of 1,000 gross tons and over, excluding ships on the inland waterways, the Great Lakes, those owned by the U. S. Army and Navy, and special types, such as cable ships, tugs, etc. (tonnage in thousands)

Status and area of employment	Total			Combination passenger and cargo			Freighters			Tankers		
	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons
<i>Total, all ships</i> ¹	3,333	25,432	35,860	2,252	2,315	1,695	2,636	18,754	27,235	4,445	4,363	6,930
<i>Active ships</i>	1,123	9,432	13,644	54	656	466	730	5,312	7,676	339	3,463	5,503
United States foreign trade.....	709	5,837	8,053	49	617	443	576	4,268	6,095	84	952	1,516
Maritime Administration ships.....	100	836	936	14	218	136	83	603	788	3	10	12
Chartered.....	18	182	171	4	72	54	14	110	117	-----	-----	-----
For United States agency operations.....	82	654	765	10	146	82	69	498	671	3	10	12
Panama Canal Company.....	3	30	20	3	30	20	-----	-----	-----	-----	-----	-----
Privately owned.....	606	4,971	7,098	32	369	288	493	3,660	5,307	81	942	1,504
For commercial operations.....	588	4,803	6,841	32	369	288	475	3,530	5,109	79	905	1,445
For United States agency operations.....	20	168	257	-----	-----	-----	18	130	198	2	37	59
United States domestic trade.....	398	3,428	5,324	5	39	23	154	1,044	1,581	239	2,345	3,719
Maritime Administration ships, chartered.....	6	23	35	-----	-----	-----	6	23	35	-----	-----	-----
Privately owned.....	392	3,405	5,289	5	39	23	148	1,021	1,547	239	2,345	3,719
Foreign to foreign, privately owned.....	16	166	268	-----	-----	-----	-----	-----	-----	16	166	268
<i>Inactive ships</i>	2,210	16,000	22,216	198	1,658	1,230	1,906	13,442	19,559	106	900	1,427

Temporarily inactive.....	236	1,849	2,843	1	6	3	141	980	1,467	94	862	1,373
Maritime Administration ships, general agency agreement.....	26	187	276				26	187	276			
Privately owned.....	210	1,661	2,567	1	6	3	115	793	1,192	94	862	1,373
Maritime Administration reserve fleet.....	1,974	14,152	19,373	197	1,652	1,227	1,765	12,462	18,092	12	38	54

¹ Excludes the following United States Government-owned tonnage transferred to:

Philippine flag (Rehabilitation Act).....	8	27	38
U. S. S. R. (Lend-lease).....	83	518	785
Total.....	91	545	823

² Includes ships originally constructed as combination passenger and cargo ships and freighters, later converted to troop transports, hospital ships, etc., and not reconverted to their original types.

³ Includes ships converted to store ships, repair ships, cargo attack, etc.

⁴ Includes tankers converted to distilling ships.

APPENDIX F

Merchant Fleets of the World as of June 30, 1954

Seagoing steam and motorships of 1,000 gross tons and over; excludes ships on the Great Lakes and inland waterways and special types such as channel ships, icebreakers, cable ships, etc., and merchant ships owned by any military force (tonnage in thousands)

Flag	Total			Type of Ship																	
				Combination passenger and cargo			Combination passenger and cargo-refrigerated			Freighters			Freighters-refrigerated			Bulk carriers			Tankers (including whaling tankers)		
	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons
Total—all flags.....	14, 613	87, 286	121, 869	1, 242	9, 242	6, 802	62	873	606	9, 747	49, 429	72, 969	330	2, 046	2, 219	601	2, 092	3, 262	2, 631	23, 604	36, 011
United States ¹	3, 424	26, 977	38, 683	² 251	2, 306	1, 692	2	14	8	² 2, 627	18, 646	27, 113	⁴ 49	300	295	49	341	634	⁵ 446	4, 370	6, 941
The British Commonwealth of Nations.....	3, 027	19, 287	25, 369	275	2, 353	1, 589	45	737	509	1, 735	9, 301	13, 518	138	1, 235	1, 416	255	648	943	579	5, 013	7, 394
United Kingdom.....	2, 531	17, 201	22, 626	184	1, 973	1, 336	43	727	502	1, 405	7, 980	11, 571	134	1, 214	1, 393	222	530	770	543	4, 777	7, 054
Canada.....	96	426	498	31	102	33				42	181	249				1	2	3			213
Australia.....	123	446	600	14	87	54				90	287	437				19	72	109			
New Zealand.....	54	199	227	6	38	11	2	10	7	39	134	186				6	14	20	1	3	3
India.....	90	432	629	13	58	66				76	370	556				1	4	7			
Union of South Africa.....	14	73	105	1	1	1				13	72	104									
Pakistan.....	26	148	211	2	17	13				20	114	171	1	3	4	1	6	8		9	15
Others.....	93	362	473	24	77	75				50	163	244	3	18	19	5	21	26	11	83	109
Arabia.....	2	5	4	2	5	4															
Argentina.....	147	912	1, 179	20	124	89	3	38	28	68	393	582	6	18	18	4	6	8	46	333	454
Belgium.....	73	421	575	11	94	88				53	251	376	1	3	3	1	2	2	7	71	106
Brazil.....	197	771	1, 097	30	120	121				134	466	694				6	16	22	27	169	260
Burma.....	4	15	20	1	2	1				3	13	19									
Bulgaria.....	4	10	19							4	10	19									
Chile.....	47	193	265	6	25	29				23	95	129				17	62	91	1	11	16
China.....	150	446	632	10	29	21				110	344	512	1	3	4	5	10	15	24	60	80
Colombia.....	16	52	71							14	48	65							2	4	6
Costa Rica.....	45	205	320							37	168	259				5	16	28	3	21	33
Cuba.....	11	26	34	1	3	2				9	22	31				1	1	1			
Czechoslovakia.....	2	12	18							2	12	18									
Denmark.....	324	1, 454	2, 096	24	78	62	2	3	3	239	910	1, 324	10	27	31	7	16	23	42	420	653
Dominican Republic.....	5	14	20							4	12	17							1	2	3
Ecuador.....	7	16	21	1	1	1				5	14	18							1	1	2
Egypt.....	23	99	121	13	62	78				10	37	43							1	1	2

Finland	207	603	906	6	14	5				175	461	713				14	37	54	12	91	134
France	591	3,513	4,283	85	827	491	3	42	25	325	1,440	2,051	25	97	75	46	144	199	107	963	1,442
Germany	521	1,801	2,799	16	108	119				442	1,386	2,225	9	25	31	23	75	121	31	207	308
Greece	191	1,105	1,646	14	62	37				157	904	1,389				5	16	27	15	123	188
Guatemala	1	3	3							1	3	3									
Honduras	64	382	545							37	172	264	16	69	60				11	141	221
Hungary	2	2	3							2	2	3									
Iceland	15	36	40	3	7	4	1	2	2	8	19	26	3	8	8						2
Indonesia	12	40	45	4	10	6				6	21	31	1	8	7						3
Ireland	17	49	70	1	2	1				13	33	48				2	11	18	1	1	3
Israel	24	117	167	2	17	11				22	100	156									
Italy	570	3,511	4,750	76	657	430	4	33	29	340	1,641	2,486	10	33	40	18	75	123	122	1,067	1,642
Japan	582	3,007	4,552	19	98	105				490	2,343	3,459	4	25	30	5	22	36	64	608	922
Korea	21	67	99	2	3	4				15	52	79				1	2	3	3		13
Liberia	233	2,320	3,651	3	30	13				100	627	980	1	2	2	5	31	77	124	1,630	2,609
Mexico	29	150	213							7	18	19	2	5	6	1	6	8	19	121	181
Morocco	7	27	39							5	15	22				1	1	2	1	11	15
Netherlands	505	3,028	3,961	95	713	649				305	1,659	2,367				1	3	4	104	653	941
Nicaragua	4	11	11							4	7	11									
Norway	1,046	6,350	9,565	33	135	87	2	4	2	590	2,316	3,595	19	59	57	18	97	131	384	3,739	5,603
Panama	539	4,023	6,038	21	184	128				258	1,420	2,127	7	17	19	26	114	186	227	2,288	3,578
Peru	22	83	112	4	22	23				16	56	81				1	3	5	1	2	3
Philippines	24	97	136	4	11	8				17	77	114				3	9	13	3		
Poland	62	255	350	1	14	5				43	195	286	3	10	9	7	15	20	3	21	30
Portugal	92	448	545	22	180	135				63	209	323							7	59	87
Rumania	8	32	39	1	7	2				7	25	37									
Spain	281	1,056	1,408	41	218	173				196	618	926	1	5	5	13	36	55	30	177	249
Sweden	593	2,459	3,644	33	210	185				425	1,198	1,898	16	59	64	39	223	331	80	764	1,166
Switzerland	24	119	188							1	105	166							2	14	22
Syria	1	1	1							1	2	2									
Thailand	1	12	18	1	3	3				6	8	13							1	1	2
Turkey	120	419	570	29	114	93				82	256	401				2	3	5	7	46	71
Uruguay	9	53	82	2	10	11				5	22	38							2	21	33
U. S. S. R.	563	1,659	2,181	71	358	284				417	1,039	1,557	8	33	40	16	30	46	51	199	274
Venezuela	57	203	287	3	4	4				11	35	48				3	10	23	40	154	212
Yugoslavia	57	230	357	4	19	28				50	183	301				1	4	8	2	14	22
Unknown	4	14	21	1	3	4				3	11	17									

¹ Includes U. S. Government-owned ships transferred to the following flags under lend-lease or other agreements and still remaining under these registries by subsequent arrangements. For purposes of this table they have been excluded from these registries.

Total	91	545	823	1	5	5				87	522	790				2	11	17	1	7	11
Philippines	8	27	38							8	27	38									
U. S. S. R.	83	618	785	1	5	5				79	495	752				2	11	17	1	7	11

² Comprised of 45 combination passenger and cargo ships of 530,400 gross tons and 399,900 deadweight tons, 26 transports, hospital ships, etc., of 297,700 gross tons and 171,500 deadweight; 181 freighters of 1,436,700 gross tons and 1,124,000 deadweight tons converted to transports, hospital ships, etc.

³ Includes 89 ships of 641,000 gross tons and 774,600 deadweight tons converted for use as store ships, repair ships, tenders, etc.

⁴ Includes 10 ships of 56,500 gross tons and 62,000 deadweight tons converted for use as store ships.

⁵ Includes 2 tankships of 14,400 gross tons and 17,400 deadweight tons converted for use as distilling ships, and 11 tank ships of 18,400 gross tons and 23,200 deadweight tons used as gasoline tankers.

APPENDIX G

Ships Approved for Transfer to Alien Ownership and/or Registry and Flag, Fiscal Year 1954

	Number	Total gross tonnage	Average age
PRIVATELY OWNED			
Ships under 1,000 gross tons:			
Commercial craft (tugs, barges, fishing ships, etc.)	281	48,009	9.6
Pleasure craft (yachts, etc.)	60	2,781	11.3
Motorboats (under 5 tons)	227	1,144	2.5
Total	568	51,934	6.9
Ships of 1,000 gross tons and over:			
Tankers	51	343,691	13.3
Cargo	16	95,121	19.3
Cargo/passenger	8	57,202	30.3
Miscellaneous (schooners, dredges, barges, etc.)	3	7,025	35
Total	78	503,039	17.2
GOVERNMENT-OWNED			
Cargo	1	3,805	9
Tankers	2	12,470	34.5
Dredge	1	5,275	30
Total	4	21,550	27
Grand Total	650	576,523	8.3

APPENDIX H

Cash and Approved Securities on Deposit in Statutory Capital and Special Reserve Funds of Subsidized Operators as at June 30, 1954

Operator	Capital reserve funds	Special reserve funds	Total
American Export Lines, Inc.	\$47,752.13	\$1,773,577.58	\$1,821,329.71
American Mail Line, Ltd.	3,738,637.82	3,771,315.33	7,509,952.65
American President Lines, Ltd.	11,056,023.08	8,029,163.43	19,085,186.51
Farrell Lines, Inc.	667,145.57	3,814,035.98	4,481,181.55
Grace Line Inc.	21,352,634.19	8,181,136.78	29,533,770.97
Lykes Bros. Steamship Co., Inc.	35,184,009.13	27,885,396.92	63,069,406.05
Mississippi Shipping Co., Inc.	3,923,377.00	3,043,151.56	6,966,528.56
Moore-McCormack Lines, Inc.	18,434,853.40	14,047,691.47	32,482,544.87
New York and Cuba Mail Steamship Co.	1,877,381.52	277,649.71	2,154,931.23
Oceanic Steamship Company, The	4,210,673.79	425,442.12	4,636,115.91
Pacific Argentine Brazil Line, Inc.	1,218,218.83	649,996.56	1,868,215.39
Pacific Far East Line, Inc.	13,789.86	240,488.05	254,277.91
Pacific Transport Lines, Inc.	143,426.64	432,594.35	576,020.99
Seas Shipping Company, Inc.	1,835,015.96	2,498,959.96	4,336,975.92
United States Lines Co.	4,763,013.89	11,480,997.41	16,244,011.30
Total	\$108,468,952.31	\$86,551,497.21	\$195,020,449.52

NOTE A—Accrued mandatory deposits applicable to the resumption period (generally, January 1, 1947, to December 31, 1953), not included in the above, amount to approximately \$29,800,000, comprised of \$13,400,000 applicable to the capital reserve funds (depreciation) and \$16,400,000 applicable to the special reserve funds (excess profits). In some instances conditional deferments were granted with respect to these accruals.

NOTE B—Contingent assets as reported by 11 subsidized operators, represented by deferred operating-differential subsidy receivable, amounted in the aggregate, as of June 30, 1954, to approximately \$73,500,000. In contrast, the records of the Maritime Administration reflected an aggregate amount of approximately \$125,000,000 applicable to 17 operators (see Exhibit 1).

APPENDIX I

Claims on Hand June 30, 1954

Office	In favor of United States		Against United States	
	Number	Amount	Number	Amount
Office of the Comptroller:				
General Claims ¹	272	\$2,711,313	68	\$1,237,597
Insurance Claims.....	190	1,686,276	389	8,043,196
Total.....	462	4,397,589	457	9,280,793
Office of the General Counsel:				
Unlitigated.....	166	3,694,835	32	1,674,657
With the Department of Justice for litigation.....	136	15,004,990	964	333,933,345
Total.....	302	18,699,825	996	335,608,002
Office of National Shipping Authority and Government Aid.....			1	46,657
Grand total.....	764	\$23,097,414	1454	\$344,935,452

¹ Includes claims previously reported under Division of Claims.

Claims Settled Under the Suits in Admiralty Act, Fiscal Year 1954

Office	In favor of United States			Against United States		
	Number	Amount claimed	Amount paid	Number	Amount claimed	Amount paid
Office of the General Counsel.....	12	\$910,463	\$205,813	52	\$2,840,391	\$351,372
Office of the Comptroller.....				275	7,082,111	1,271,824
Total.....	12	\$910,463	\$205,813	327	\$9,922,502	\$1,623,196