



1965

Annual Report of the
MARITIME
ADMINISTRATION

U.S. DEPARTMENT OF COMMERCE

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UNITED STATES DEPARTMENT OF COMMERCE

JOHN T. CONNOR, *Secretary of Commerce*

ALAN S. BOYD, *Under Secretary of Commerce for Transportation*

Washington, D.C.

MARITIME ADMINISTRATION

NICHOLAS JOHNSON, *Maritime Administrator*

J. W. GULICK, *Deputy Maritime Administrator*

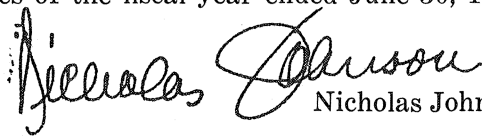
LETTERS OF TRANSMITTAL

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

January 26, 1966

To : Under Secretary for Transportation
FROM : Maritime Administrator
SUBJECT: Annual Report of the Maritime Administration for
Fiscal Year 1965

I am submitting herewith the report of the Maritime Administration covering activities of the fiscal year ended June 30, 1965.


Nicholas Johnson

UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C.

January 26, 1966

To : Secretary of Commerce
FROM : Under Secretary for Transportation
SUBJECT: Annual Report of the Maritime Administration for
Fiscal Year 1965

Transmitted herewith for your approval is the Fiscal Year 1965 report of the Maritime Administration.


Alan S. Boyd

SECRETARY OF COMMERCE

Washington, D.C.

February 1, 1966

To the Congress:

I have the honor to present the annual report of the Maritime Administration of the Department of Commerce for fiscal year 1965.

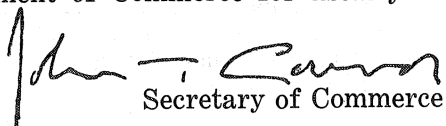

Secretary of Commerce

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The Maritime Administration acknowledges the courtesy of the following companies for permitting use of their photographs: American Mail Line Ltd.; Lykes Bros. Steamship Co., Inc.; Matson Navigation Co.; Moore-McCormack Lines, Inc.; National Steel and Shipbuilding Co.; United States Lines Co.



—“All through our Nation’s history the prosperity of our people—as well as the safety of our people—has been tied very closely to the role that we play on the seas of the world. And that is a role that we can never wisely or never safely neglect.”

President LYNDON B. JOHNSON

INTRODUCTION AND SUMMARY

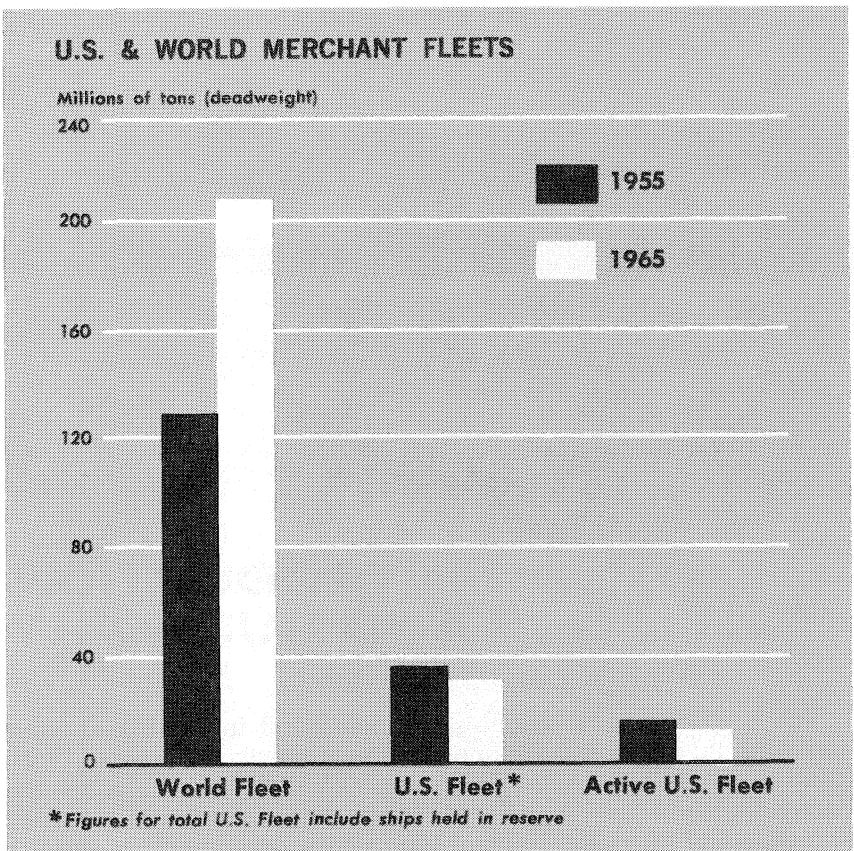
The U.S. Merchant Marine still ranked first in number of ships and first in deadweight tonnage among the world's fleets, with 2,449 ships of 28,963,000 tons on June 30, 1965. (See Chart I and Appendix I.) These figures are misleading, however, for nearly two-thirds of the total—about 1,600 ships—were not in service. These were Government-owned ships held inactive in reserve fleets for emergency use.

Of the total U.S. fleet, only about 950, or a little over one-third of the ships, were privately owned and regularly in service. On the basis of this figure, the United States ranked sixth in number and fourth in deadweight tonnage among the world fleets. Both the total and the private fleet have decreased in the last 10 years. In 1955 the total fleet numbered 3,304 and the privately owned fleet, 1,075.

Of the Reserve Fleet ships, about 900 are kept readily available for emergency use; in addition, several hundred Libertys could be put into service as a commercial reserve if necessary. The others are being scrapped at the rate of about 100 a year. All of these reserve fleet ships are 20 years old or more.

In the privately owned fleet, nearly 100 ships were new—the largest, fastest, most modern cargo liners in the world. The replacement program of the subsidized operators was moving steadily towards the goal of 300 ships by 1975. (See Chart II) Almost all the rest were war-built ships, with many years of hard service

Chart I

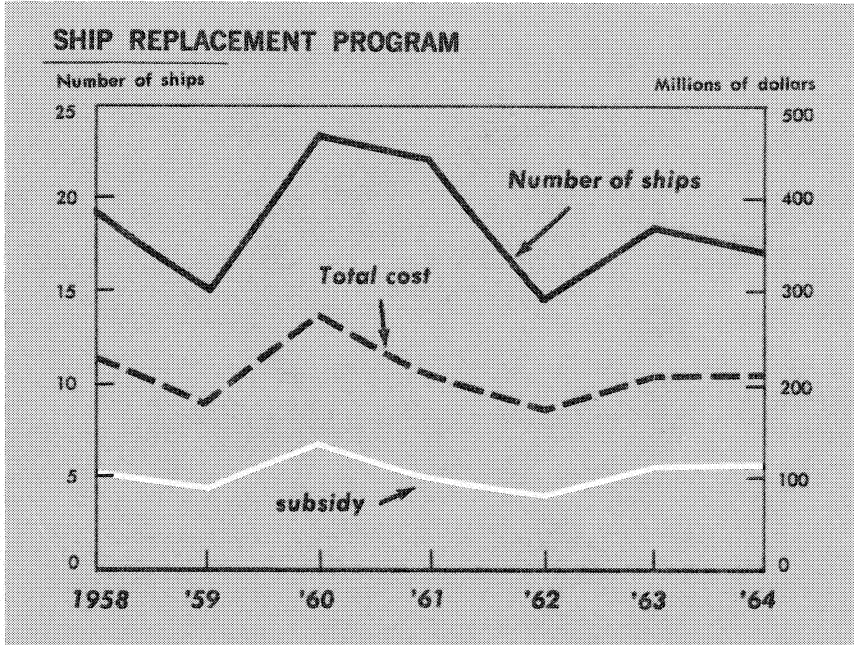


behind them. The U.S. fleet added 20 new ships in 1965, ranking 11th among the leading shipbuilders and sixth among nations adding new ships to their fleets. (Chart III and Appendix II.) Fifteen of the ships built during the year received construction subsidies, amounting to about half of their \$153 million cost. In 1955, by contrast, U.S. yards built only seven oceangoing ships, six for U.S. registry and one for foreign owners.

The share of U.S. oceanborne trade carried by U.S.-flag ships has decreased both in amount and percentage in the last 10 years. (Chart IV.) There are again several parts to this picture. The berth liner services, those providing scheduled service on regular routes, carried 29.7 percent in cargo tonnage of our liner trade on all routes in 1964 compared with 39.2 percent in 1955. Irregular or tramp carriers dropped from 15.5 percent cargo tonnage in our tramp trade to 5.6 percent, and tankers from 23 percent to 3.6 percent cargo tonnage of tanker trade in the same 10-year period.

Of the 460 ships in berth-liner service, about 315 were subsidized by the Government at a cost of about \$200 million per year

Chart II



in operating subsidy. In addition, all of the large unsubsidized berth operators in foreign trade have applied for operating subsidies, because they have been unable to accumulate sufficient profits to replace their aging ships.

Chart III

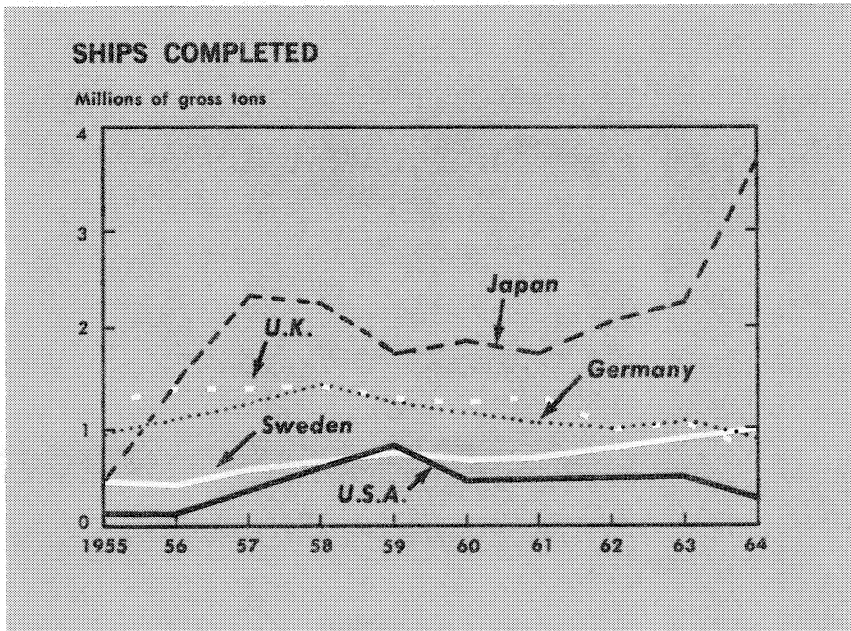


Chart IV

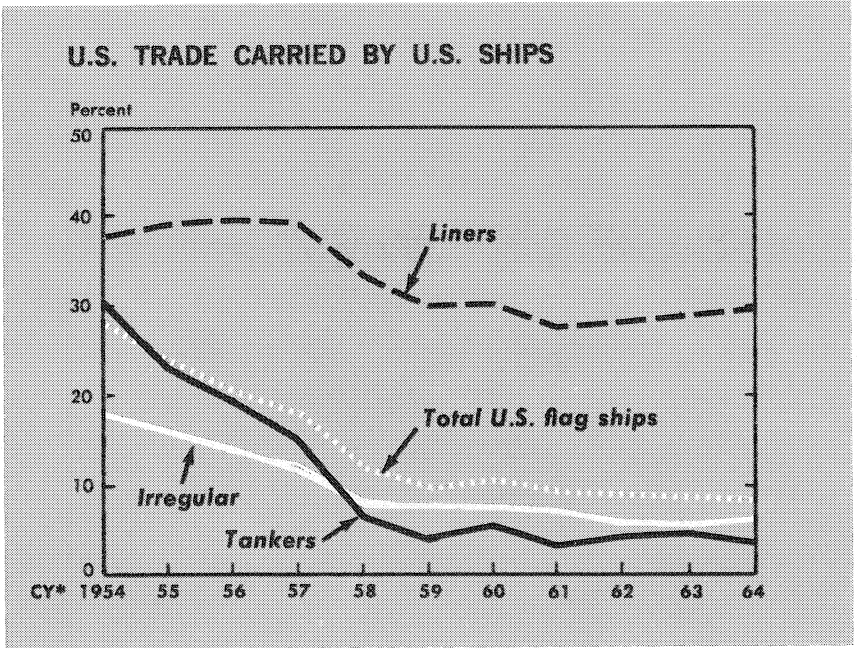
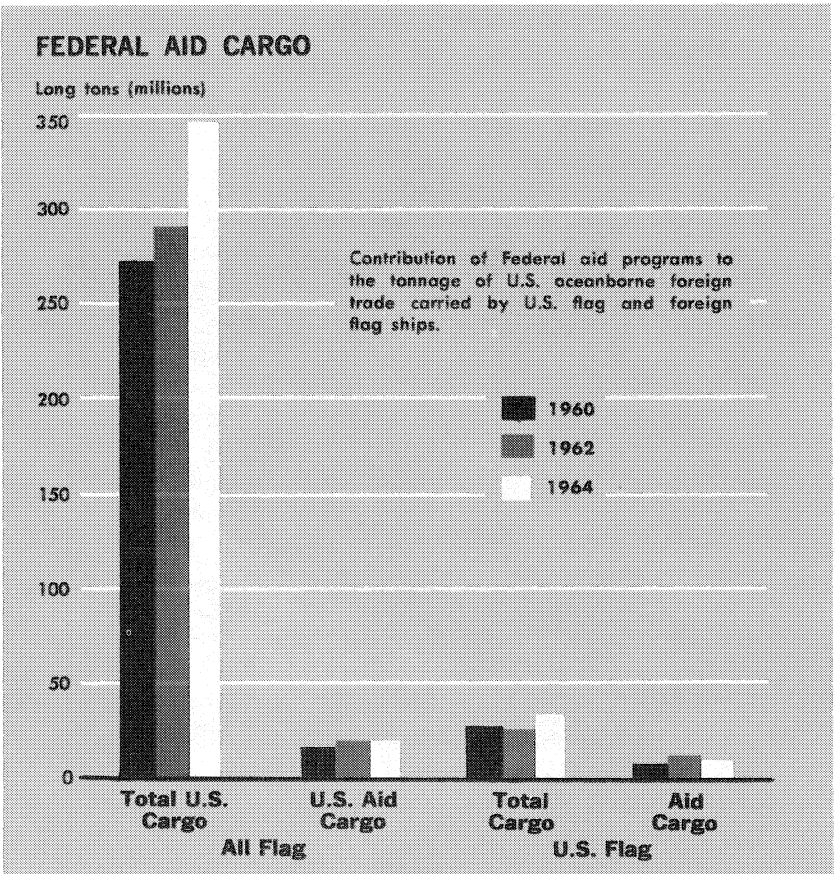


Chart V



The only type of Government aid available to the tramps and tankers in foreign trade has been in the form of cargo preference, the reservation of half of Government-financed or sponsored cargo to U.S.-flag ships. The dependence of U.S. ships on such non-competitive cargoes is shown in Chart V. The cost to the Government in paying the difference between U.S. and foreign freight rates on such cargoes has been estimated at about \$80 million a year. The financial condition of the subsidized versus some of the unsubsidized operators is shown in Appendix III.

Domestic shipping, especially the coastwise and intercoastal trade, had nearly disappeared, dropping from 415 ships in 1955 to 212 in 1965. (Appendix IV) Tramp shipping had dropped less drastically, from 136 ships in 1955 to 131 in 1965.

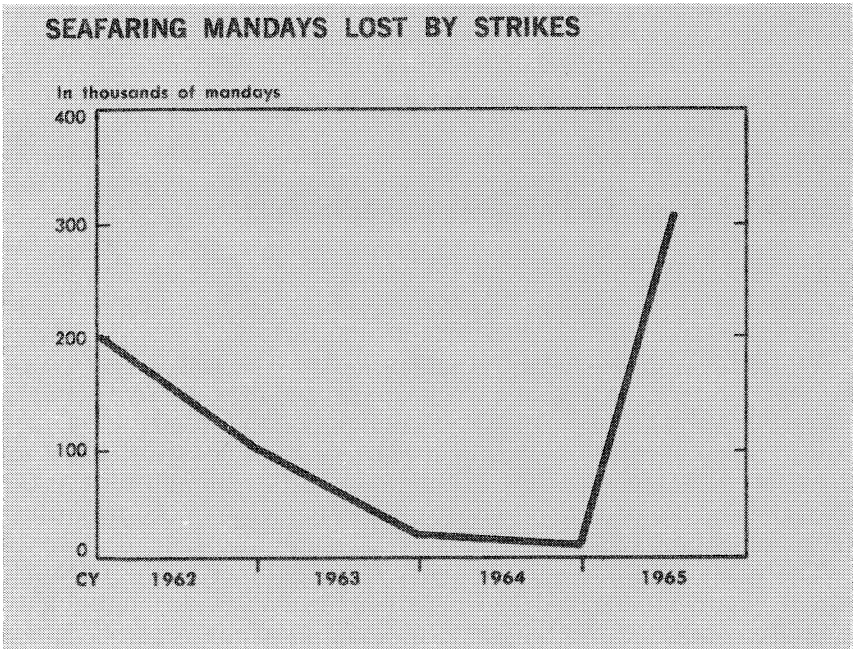
While the ship exchange program had in the last 5 years contributed 53 ships to upgrade the unsubsidized fleet, these were still war-built ships, though many were undergoing extensive conversions. Some successful container services have been instituted in domestic trade, particularly in the intercoastal run and to Alaska, Hawaii, and Puerto Rico, which offer some hope of rejuvenating these important services.

The value of a merchant marine as an adjunct to the military forces was demonstrated in Operation Steel Pike, an amphibious exercise conducted by the U.S. Navy and Marine Corps off Spain in October 1964. Eight large fast merchant ships from the fleets of subsidized operators and two cargo ships of nonsubsidized operators were called upon to help carry 28,000 marines and their 90,000 tons of equipment across the Atlantic for the mock landing. The sealift capacity of these ships was attested to by Navy officials directing the exercise. "Their participation once again demonstrated what was so essential in World War II and Korea—that

In the amphibious military exercise "Operation Steel Pike," merchant ships helped carry men and supplies. Here a cargo ship unloads a heavy truck into a landing craft.



Chart VI



merchant ships are available to carry a big load in support of our Armed Forces to trouble spots around the globe," Secretary of the Navy Paul H. Nitze said.

Labor difficulties caused serious damage to the merchant marine during the year. A longshoremen's strike in January and February 1965, and a strike of several seamen's unions starting in June 1965 which tied up some 100 of the most important berth liners, caused not only substantial monetary losses to the workers, the companies, and the shippers, and to the economy as a whole, but also a serious loss of confidence in the dependability of U.S. shipping lines (Chart VI). The strikes also had an adverse effect on the nation's balance of payments.

In order to improve the shipping capability of the U.S. merchant fleet, several actions were taken to reduce costs and improve efficiency. The greatest possible use of standard ships and standardized components for ships continued to be required, together with the ordering of ships in relatively large groups of five or six, to take advantage of the lower shipbuilding costs made possible by these means.

Emphasis was also placed on the building of larger, faster ships as replacements for the subsidized fleet, since such ships give the U.S.-flag operator an edge in attracting cargo where delivery time is an important consideration. The 300-ship replacement program of the 15 subsidized operators reached a milestone with the launching of the 100th ship, the SS LOUISE LYKES.

Methods of cost reduction such as simplification of contract ad-

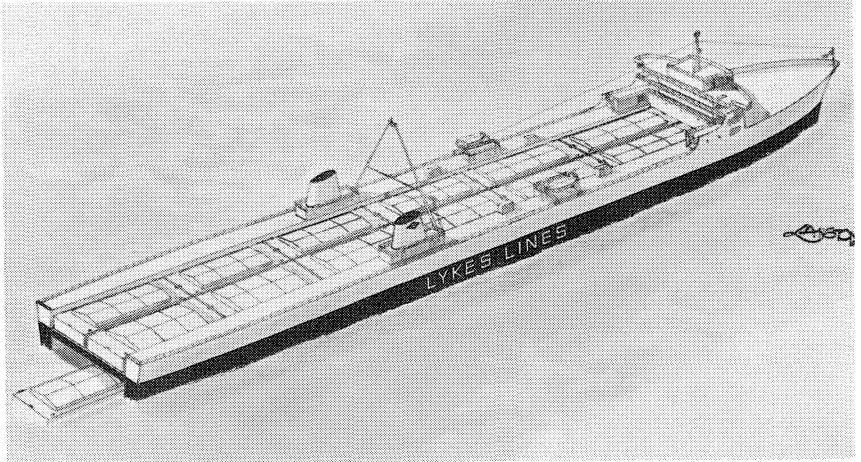


The President's daughter Luci launched the SS LOUISE LYKES, the hundredth ship in the subsidized lines' replacement program.

ministration, and mandatory requirements for value engineering in construction contracts were employed. The Shipbuilders Council of America undertook a study at its own expense of possible reductions in ship construction cost through modifications to contract terms, procedures, and specifications now in use.

The use of fully mechanized equipment was required for new ships—especially centralized control of engine rooms and bridge control of main engine. A program for mechanizing ships in operation by “retrofit” was also planned, with the mechanized features limited to the extent considered technically and economically feasible. The newly built fully mechanized ships have proved very satisfactory, resulting in operating subsidy savings at the rate of about \$100,000 per year per ship, and an increase in shipping capability (measured in terms of capacity times speed) amounting to 26 percent for 10 fully mechanized ships over conventional ships.

As a further effort to hold down unnecessary costs, the Maritime Subsidy Board took a much stronger stand than in the past against payment of subsidy for any costs not found to be “fair and reasonable” or those in excess of what is required to operate the ship in “the most economic and efficient manner,” as required by the Merchant Marine Act of 1936, as amended.



Artist's conception of the barge-carrying ship proposed by Lykes Bros. SS Co.

Subsidized vessel operations, operating costs, and shoreside expenses were examined, and corrections made which led to savings in cost to both the operator and the Government.

Operators were encouraged to submit designs for ships that would offer possibilities for substantial reduction in operating expense. The Maritime Subsidy Board proposed a policy statement giving priority in the future allocation of Federal funds to those building proposals which it considers will result in the greatest shipping capability and productivity possible.

One interesting proposal by Lykes Bros. SS Co. was for a float-on-float-off barge-carrying ship offering the advantages of pre-loading of large units, cutting port time substantially, and providing rapid distribution of goods to small ports.

In the Government's own research and development program, an intensive investigation has been undertaken of the economic feasibility of an oceangoing surface-effect ship that might fill in the gap between the relatively slow displacement ship and the relatively costly aircraft.

The nuclear ship, the NS SAVANNAH, was scheduled to be turned over to a subsidiary of American Export Isbrandtsen Lines for operation in regular commercial cargo service, relieving the Government of about \$4 million annually of the operating expense, since the technical feasibility of the ship has been demonstrated, and it has been accepted abroad through demonstration visits to 12 foreign countries.

The Hydrofoil Ship DENISON was to be turned over to the Navy shortly after the end of the fiscal year to furnish logistic support for a missile range; it has fulfilled its task of stimulating interest in commercial hydrofoil operation in the United States, where a number of privately financed hydrofoil craft are now either in service or planned.

Manufacture and testing continued of many new components for greater navigating safety and more efficient ship operation. The integration and interdependence of other modes of transport, the port complex, and ocean ships were under intensive study, for the ocean ship is only one part of the whole transportation complex and must be considered always in relation to the whole system.

Encouragement was given to the increasing use of containers, which emphasizes this interlocking of land and sea, for the containers may be loaded at an inland plant, transported by truck, rail, and barge to port, carried overseas by ship, and delivered intact to the consignee by land transport in one smooth, swift, continuous journey.

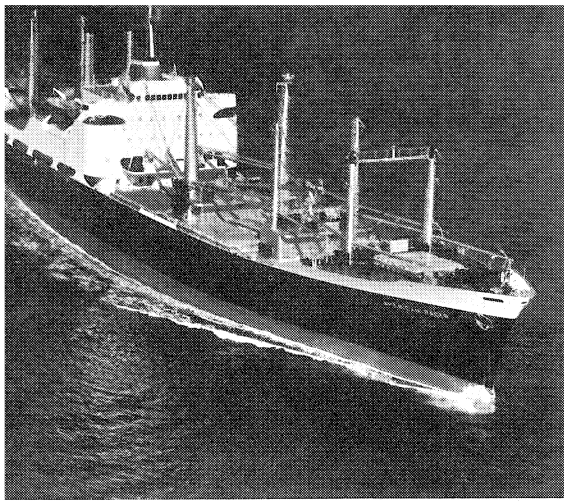
Aside from the need for more stable labor relations, the need has been recognized for providing the trained manpower that will be required by the new ships, and the need to give those now employed a chance to learn the necessary new skills. A course of training to turn out officers capable of serving in either deck or engine departments was to be instituted in fiscal year 1966 at the U.S. Merchant Marine Academy at Kings Point.

To the greatest extent possible, within the limitations of the law and appropriations, nonsubsidized and domestic operators were encouraged through provision of Federal Ship Mortgage Insurance to undertake new building and reconstruction. The better type of ships in the reserve fleets were made available under the Ship Exchange law to replace less economic ships in nonsubsidized service.

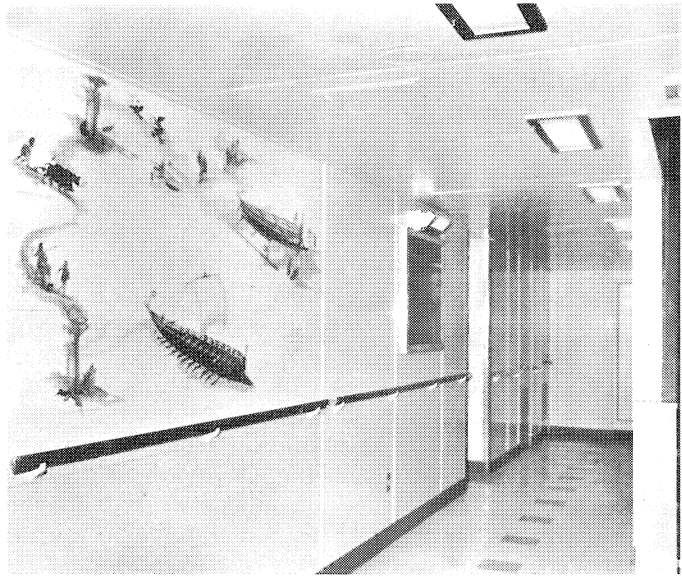
In the past 10 years, 96 new ships or conversions have been financed through Federal Ship Mortgage Insurance, resulting in over \$1 billion of shipbuilding work in American yards. The 53 ships exchanged from the Government's reserve fleets for less economic types owned by nonsubsidized operators have included 18 military C4 troop ships, which have been or are being converted at a cost to private industry of \$75 million.

The Maritime Administration sought to apply the best management methods to its own operations by improving lines of communication throughout the agency, reducing unnecessary activities, and by establishing regular training courses for especially selected college graduates and for middle and upper management employees. Under the Economy, Efficiency, and Effectiveness Program of the U.S. Department of Commerce, the Administration saved \$983,000 in fiscal year 1965 and planned to save \$7 million in 1966 through commercial operation of the NS SAVANNAH, introduction of additional mechanized ships into service, mandatory application of value engineering items, and similar programs.

The goal in all the Administration's activities was, and continues to be, a more adequate and economic American Merchant Marine.



Some of the new ships delivered during the year—AMERICAN RACER, CANADA MAIL, interior of the MORMACARGO; MORMACVEGA.



GOVERNMENT ASSISTANCE

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

Maritime administers the operating-differential and construction-differential subsidy programs and other Government aids to merchant shipping. Under these programs, the Government pays the difference between certain foreign and domestic costs of ship operation on essential foreign trade routes. The Government may also pay the difference between American and foreign shipbuilding cost for ships to be operated in foreign trade. Under current law, the maximum subsidy allowed is 55 percent of domestic cost for new construction and 60 percent for reconstruction of passenger ships.

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

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

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

Operating-Differential Subsidy

Payments during the year on operating subsidy due for fiscal 1965 and for prior years totaled \$213,334,409. Instead of calculating all rates for a given year for all operators, a program was begun of calculating all rates for an operator through calendar year 1964. Rates for two operators were completed. In accordance with recommendations of the Comptroller General, a more intensified system of verifying U.S. costs was instituted to assure that such costs are proper for use in ratemaking.

Total operating-differential subsidies accrued from January 1, 1937, to June 30, 1965, were \$2,297 million; recapture amounted to \$226 million; subsidies paid amounted to \$1,954 million; and net subsidy payable as of June 30, 1965, amounted to \$117 million. (Appendix V.)

A summary of the 15 operating-differential subsidy contracts in effect at year's end is shown in Appendix VI.

Overage ships on which operating subsidy is being paid pending their replacement are listed in Appendix VII.

The Maritime Subsidy Board reconsidered an application filed by Bloomfield Steamship Co. for a new long-range operating-differential subsidy agreement to replace its original agreement, which was scheduled to expire December 31, 1964. Since the ownership of the Bloomfield stock was scheduled to change hands, the award of a long-term agreement was deferred. The Board did approve a one-year extension.

Pending Applications

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

Table I
ODS APPLICATIONS FROM SUBSIDIZED OPERATORS

Company	Trade route	No. sailings requested ¹
American Export Isbrandtsen Lines, Inc.	12.....	24-30
American Export Isbrandtsen Lines, Inc.	5-7-8-9.....	18-26
American Export Isbrandtsen Lines, Inc.	18.....	30
American President Lines, Ltd.	17.....	} 17-17
American President Lines, Ltd.	29.....	
American President Lines, Ltd.	Round-the-World.....	} Variable
Delta Steamship Lines, Inc.	14.....	
Lykes Bros. Steamship Co., Inc.	13.....	12-12
Moore-McCormack Lines, Inc.	6.....	18
Prudential Lines, Inc.	10.....	23
United States Lines Co.	12.....	19

¹ The minimum/maximum sailings are shown for new services; the maximum sailings only are shown where the application involved additional sailings only.

An application was received from American Export Isbrandtsen Lines, Inc., for a determination that bulk commodity trades are

services essential for the promotion, development, expansion, and maintenance of the foreign commerce of the United States and as such would be eligible for operating-differential subsidy. The company requested operating and construction subsidy for 10 bulk carriers for worldwide operation.

An application was received on February 5, 1965, from Farrell Lines, Inc., for permission to purchase six cargo ships from United States Lines in that company's Australian service and assignment of the interest of United States Lines Co. in and to its Australian service, including its subsidy rights under its operating-differential subsidy contract. The application was approved on May 26.

The following applications for new operating-differential subsidy contracts from unsubsidized lines were pending at the end of the year.

Table II
ODS APPLICATIONS PENDING FROM NONSUBSIDIZED OPERATORS

Company	Trade routes	Sailings requested	Date filed
Atlantic Express Lines of America, Inc.	5-7-8-9	50-60	Nov. 30, 1960
Central Gulf S.S. Corp.	18	36-40	June 16, 1964
Central Gulf S.S. Corp.	10-13	44-48	Oct. 4, 1963
Coordinated Caribbean Transport Inc.	4-19	65-100	July 9, 1964
Isthmian Lines, Inc.	R/W (westbound) + 18	62-76	Jan. 3, 1957
States Marine Lines, Inc.	Tri-Continent, TR 13-29	108-168	May 31, 1965
Waterman S.S. Corp.	5-7-8-9, 21, 22/12, 29, 32 and TR 12 (outbound)	109-138	Jan. 30, 1957

Construction Subsidy

Bids were requested on 9 new and 3 converted ships. (See Table III.) The Maritime Subsidy Board approved construction-differential subsidy contracts for 3 firms to build 14 ships at a total estimated domestic cost of \$173,900,000. (See Table IV.)

Table III
BIDS FOR SUBSIDIZED SHIP CONSTRUCTION OR RECONSTRUCTION ISSUED

Owner	Number of ships	Design	Invitation date
American Export Isbrandtsen Lines, Inc.	4	C4-S-73a	May 24, 1965
American Export Isbrandtsen Lines, Inc.	1 ²	77a (container ship conv.)	June 1, 1965
Delta Steamship Lines, Inc.	2 ⁵	C3-S-76a	Mar. 8, 1965
United States Lines, Co.	1 ² 1	C4-S-64a	Apr. 20, 1964

¹ Reconstruction. ² Contract awarded—see Table IV.

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

This made a total of 133 ships contracted for in the subsidized operators' replacement program since 1958 (excluding 4 passenger ships ordered in 1955). (Chart VII.)

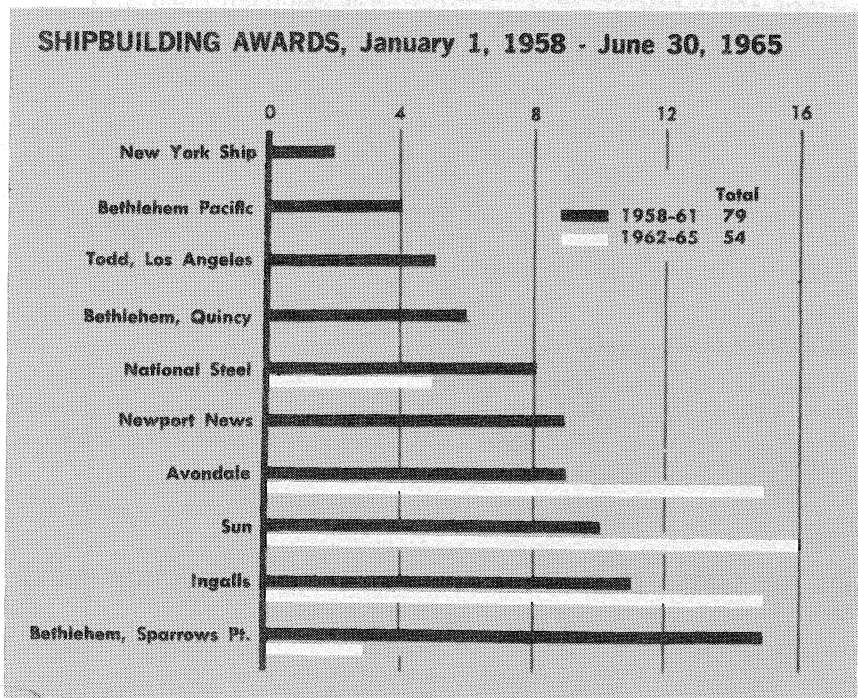
Table IV
CONTRACTS AWARDED ON WHICH CONSTRUCTION DIFFERENTIAL SUBSIDY IS TO BE PAID

	American President Lines, Ltd.	Delta S.S. Lines, Inc.	United States Lines Co.	
Type of ships.....	Cargo.....	Cargo.....	Cargo.....	Cargo.....
Number of ships.....	4.....	5.....	5.....	2 1.....
Shipyards.....	Ingalls Ship Building.	Ingalls Ship Building.	Sun Ship Building & Dry Dock Co.	Sun Ship Building & Dry Dock Co.
Total estimated cost 1.....	\$57,200,000.....	\$53,800,000.....	\$62,900,000.....	\$116,525.....
Estimated construction differential subsidy.....	\$30,900,000.....	\$28,800,000.....	\$33,300,000.....	\$55,025.....
Estimated cost of national defense features.....	\$38,140.....	\$327,350.....	None.....	None.....

¹ Includes estimated cost of national defense features, changes, and extras.

² Reconstruction—installation of constant tension mooring winches.

Chart VII



Moore-McCormack Lines, Inc., traded in two obsolete ships for a gross allowance of \$937,000 against a new cargo ship built under a subsidy contract signed in September 1962. The ship was delivered on August 14, 1964.

Applications Pending

At the end of the year applications were pending from seven subsidized operators and from five nonsubsidized operators for construction-differential subsidy.

Table V
PENDING APPLICATIONS FOR CONSTRUCTION SUBSIDY

	Number ships	Type
Company subsidized:		
American Export Isbrandtsen Lines, Inc.	4	General cargo.
American Export Isbrandtsen Lines, Inc.	10	Bulk carriers.
American Export Isbrandtsen Lines, Inc.	1 ²	Containerships.
American Mail Line Ltd.	4	General cargo.
American President Lines, Ltd.	5	"
Moore-McCormack Lines, Incorporated.	4	"
Pacific Far East Line, Inc.	1	"
Prudential Lines, Inc.	3	"
States Steamship Company.	5	"
Nonsubsidized:		
Hudson Waterways Corp.	2	Bulk carriers.
Jackson Agents, Inc.	2	"
Overseas Transportation, Inc.	2	"
Penn Steamship Company, Inc.	3	"
T. J. Stevenson & Co., Inc.	1	"

¹ Reconstruction.

Two applications were pending for trade-in allowances on eight obsolete ships to be applied against new construction.

Reserve Funds

On June 30, 1965, balances in seven construction reserve funds totaled \$12,852,878, compared with \$12,764,604 at the beginning of the year. (See Appendix VIII.) Two funds were established during fiscal year 1965 and two were closed. Deposits in the construction reserve funds were \$1,101,165 and withdrawals \$1,012,891. Securities were increased by \$76,931 from sales of \$24,246,772 and purchases of \$24,323,703.

Statutory reserve funds of subsidized operators totaled \$205,068,847 as of June 30, 1965, consisting of \$72,379,572 capital and \$132,689,275 special reserve funds as shown in Appendix IX. This represented a decrease of \$14,553,317 from the total at the beginning of the year when the funds totaled \$219,622,164, of which \$89,119,040 was in the capital and \$130,503,124 in the special reserve funds. In addition to mandatory deposits in special and capital reserve funds of the subsidized operators, eight were authorized to make voluntary deposits of \$9,663,294.

Ship Mortgage and Loan Insurance

Federal Ship Mortgage Insurance aggregating \$6 million was placed on two ships, the SS *Gulf Trader* and the SS *Gulf Shipper*, owned by Gulf & South American Steamship Co., Inc., on which commitments had previously been made.

At the end of the year eight applications for loan and/or mortgage insurance were pending. They covered the construction of 31 ships, at a total estimated cost to the applicants of \$132 million. Insurance applied for would cover estimated construction loans of \$99 million and estimated mortgage loans of \$99 million.

Mortgage insurance was terminated on two Title XI insured ships. World Wide Tankers Inc., paid off the mortgage on the SS *Barbara Jane*. The original principal amount of the mortgage was \$10,560,000 and the balance, paid on December 8, was \$8,543,104. The Washington Tug & Barge Co. paid off the mortgage on the barge *Griffnip*. The original principal amount of the mortgage was \$360,000, and the balance, paid on March 31, was \$124,074.

There were no defaults on Title XI mortgaged ships. Foreclosure was averted on the mortgage on the roll-on-roll-off ship, MV *New Yorker*, owned by Containerships, Inc., by assignment to Maritime in fiscal 1964. Successive charters, the most recent of which extends until 1975, are expected to provide more than sufficient funds for payments due on the mortgage.

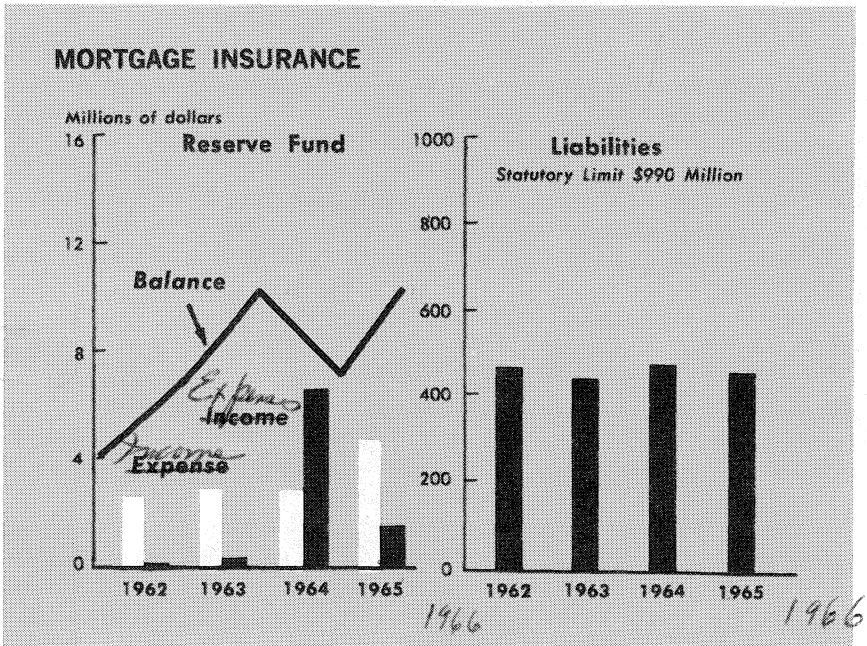
The *Titan*, on which Maritime foreclosed the mortgage in fiscal 1964, was sold to Globe Seaways, Inc., on October 20, for \$8,325,000.

At year's end the outstanding balance of principal and interest of insured mortgages and loans and commitments to insure was \$421,591,404 on 79 ships. Chart VIII shows insurance liabilities over the past 4 fiscal years.

The Title XI Federal Ship Mortgage Insurance Revolving Fund received over \$2,992,000 in net income during the year, making the net worth of the fund \$9,839,656. (See Chart VIII.)

Income
less expenses
NET INCOME

Chart VIII



Intercoastal Containership Application

Maritime denied a request by American Hawaiian Steamship Co. for an extension of time from January 31, 1965, to April 30, 1965, within which to carry through its application for Federal Ship Mortgage Insurance aid in financing three containerships for intercoastal service. The company's application had originally been filed in August 1955, and had several times undergone extensive revisions. The company's application of November 7, 1961, as amended, was denied in August 1963, by the Maritime Administrator on the basis that it was not shown to be economically sound.

This decision was upheld by the Secretary of Commerce on appeal, but he suggested that if the company would ask for insurance on only 50 percent of the cost, investing the other half out of its own capital, the Government would be willing to consider it.

The application was revised accordingly, and on October 16, 1964, the project was found economically sound by the Acting Maritime Administrator, with final approval conditioned upon compliance with certain stated requirements. The company was given until January 31, 1965, to execute appropriate commitments and otherwise to implement the application.

In requesting a further extension of time, American-Hawaiian stated that it wanted more time to consider the possible use of nuclear power in the ships. It was also reported that the company or its affiliates had purchased stock in a company whose subsidiary was the principal containership operator in the intercoastal trade.

The introduction of these wholly new elements into the proposed service and application led Maritime to refuse to grant an extension. The company was invited to submit a new application if it wished to pursue the use of nuclear propulsion or to submit definite plans if it wished further consideration of the proposal for three conventionally powered containerships.

No further action has been taken by American-Hawaiian with respect to these proposals. The company has advised that further action on their application is being held in abeyance, and the application is considered inactive by Maritime.

National Defense Features

Fueling-at-sea equipment was paid for as a national defense feature on a tanker owned by Hess Shipping Corp. at a cost to the Government of \$11,640. This brought to \$191,580 the amount paid by the Government since December 1961, for such equipment on 11 tankers owned by 5 companies: 2 by the 1681 Corp.; 5 by Texaco Inc.; 1 by Dover Tanker Corp.; 2 by Humble Oil & Refining Corp.; and 1 by Hess Shipping Corp.

Trade Routes

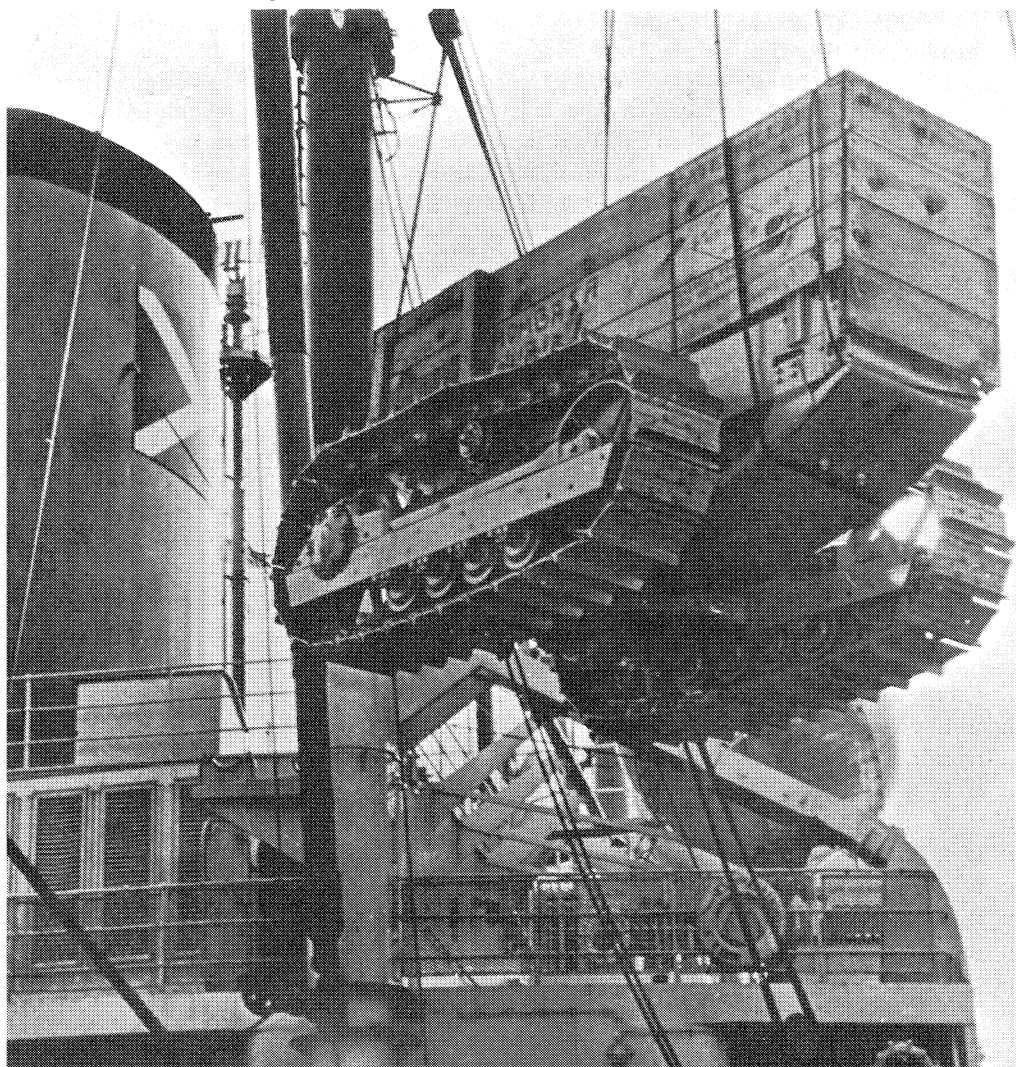
Reports on the essentiality and U.S.-flag service requirements of the following U.S. foreign trade routes were completed.

Table VI
TRADE ROUTES REQUIREMENTS

Trade route number	Number sailings required	U.S. coastal area/foreign area
2.....	2 per week.....	Atlantic/west coast South America.
10.....	14 per month.....	North Atlantic/Mediterranean.
12.....	7 per month.....	Atlantic/Far East.
13.....	9 per month.....	South Atlantic and Gulf/Mediterranean and Black Sea.
17.....	5½ per month.....	Atlantic Gulf and Pacific/Indonesia-Malaya.
31.....	3 per month.....	Gulf/west coast South America.

Reports on six additional essential trade routes were almost completed. Limited reviews were also made of several routes in connection with particular applications from subsidized operators for changes in their services and for construction of replacement ships.

A tractor being loaded on a U.S. ship represents America's exports.



PROMOTION

Cargo Promotion

Maritime's Cargo Promotion Program is designed to increase the amount of cargo carried by the American Merchant Marine in foreign and domestic commerce.

Maritime representatives called on shippers to tell them of the benefits of shipping on U.S.-flag ships. The cooperation of shipping lines was obtained in improving their services and their cargo solicitation. Trade route analyses, commodity studies, and data on tonnage, dollar value, and percentages of both carried by U.S.-flag ships were distributed to shippers and carriers.

The cooperation of shipping lines was obtained to clear up a backlog of lumber awaiting transport from the Pacific Northwest to the east coast and to provide space for the movement of plywood from the Pacific Northwest to Puerto Rico. Lower rates were obtained on shipment of grain from the Midwest to New England. A study was made of the need for continued restrictions of domestic trade to U.S. ships. Efforts were also made to improve the competitive position of U.S. merchant ships operating on the Great Lakes.

The percentage of liner tonnage carried by U.S.-flag ships on U.S. essential trade routes increased from 29 percent in 1962 to 30 percent in 1963, and to 30.4 percent in 1964. U.S. liners on essential routes carried 13,008,000 tons in 1962 compared with 14,265,000 tons in 1964, a 9.6 percent increase. U.S. cargoes carried by foreign-flag ships increased from 32,279,000 tons to 32,612,000 tons or 1.2 percent.

U.S. liners carried 13,607,000 tons in 1963 compared with 14,265,000 tons in 1964, a 4.8-percent increase. Foreign ship tonnages carried increased from 31,750,000 to 32,612,000, or 2.6 percent.

Plans were developed for initiating a "Ship American" and an "M" Award Program under Commerce sponsorship to induce more American companies to use the U.S. Merchant Marine, in line with the President's balance of payments program.

Cargo Preference

The Maritime Administration exercises general surveillance over the operation and administration of the Cargo Preference Act.

Maritime continued to work closely with the State and Agriculture Departments and with shipping lines to insure that U.S.-flag shipping received at least 50 percent of Government-owned or -financed cargoes.

The Grievance Committee on Cargo Preference Administration, established in fiscal year 1964, continued to function as a forum for the review and settlement of issues arising out of cargo preference policies and administration.

Waivers

Under Public Resolution 17 all cargoes financed through the Export-Import Bank are to be carried by U.S.-flag ships unless these ships are not available at reasonable rates and conditions. It has been Government policy to grant waivers permitting 50 percent of such cargoes to be carried on ships of recipient nations, so long as there is no discrimination by that country against U.S.-flag ships. Labor and management members of the Grievance Committee objected to the granting of waivers on this basis, and the matter was referred to the Attorney General for his opinion. He ruled that Public Resolution 17 was not mandatory, and that the Government could continue to grant waivers where no discrimination was practiced against U.S. ships.

Maritime approved 25 general waivers of Public Resolution 17 to 11 nations, authorizing foreign ships to carry up to 50 percent of their U.S. purchases financed by the Export-Import Bank. Maritime considered each waiver in the light of the treatment accorded U.S.-flag vessels in trade with the nation concerned. More than 70 percent of all exports sold under Export-Import Bank loans has been carried on U.S.-flag ships.

Containers

Cargo handling studies were pursued, with emphasis on increased use of cargo unitization. Plans were made for container movements from inland break-bulk points in the United States to inland break-bulk points in England. Efforts are being made to work out single documentation and provision for inland custom and other inspections in order to realize the full potential of such a container movement.

Maritime participated through meetings with American and international groups in promoting container standardization. There was some progress toward agreement on the development of structural specifications, test procedures, handling and securing methods, and an identification and marking system.

Planning for improved stowage and handling of containers is included in consideration of all ship designs.

Paperwork Simplification

In cooperation with shipping associations, ship line forwarders, and other Government agencies, Maritime helped to develop a standard short form ocean bill of lading. A master duplicator form with eight related compatible forms was developed. The master duplicator can be filled out in a single typing operation and the other documents quickly reproduced from it. Many office machines in common use can be employed in reproducing needed copies of shipping documents from the master, and it was also designed to be readily adaptable to automatic data processing.

The forms were distributed throughout the industry for evaluation in use. First reports indicated extensive savings in time and costs of preparing shipping documents.

Port Development

Maritime continued to provide consultation services to the Area Redevelopment Administration on port development in depressed regions of the country. A technical study was completed on a proposed all-purpose marine terminal at Ogdensburg, N.Y., which found this aspect of the ARA regional plan to be particularly promising in its potential for assisting the economy of the area.

Maritime sent representatives to Alaska to survey port damage caused by the 1964 earthquake and to render any assistance possible. In addition to studying the main disaster area, they visited primary ports in other areas of the State. The information they compiled on port facilities, water transportation, and the relation of the two to the overall development of Alaska's economic resources was published in "Survey of the Ports of Alaska."

Following a request by the Indian Minister of Food and Agriculture to the Agency for International Development, a U.S. team led by the chief of Maritime's Division of Ports toured the major ports of India. Port congestion had caused delays in the handling of U.S. wheat shipments to India, resulting in serious food shortages. The AID-sponsored team suggested means of improving port operations on a short-term basis, and in their final report recommended changes in equipment and methods to improve long-range prospects for more efficient cargo processing.

Port specialists from this agency were also working closely with the President's Study Commission on River Basins concerning the needs and opportunities for land and water resource development. Maritime was also represented in the Department of Commerce Task Group on Water Resources, which was preparing comprehensive plans for improving the general condition of U.S. river basins. Forecasts of future terminal needs for accommodating oceangoing ships in the basin's ports were made to assure that ports will be adequate to meet shipping requirements.

The third volume of Part I of Port Studies, "U.S. Seaports—Gulf Coast," was issued during the year.

Merchant Marine Week

The Maritime Administration celebrated the 15th anniversary of its establishment on May 24, 1965. The occasion was marked by observances during "Merchant Marine Week," May 18 through 24. A nationwide contest for high school students sponsored by the maritime industry culminated in the winning National Maritime Day poster being placed on a District of Columbia mailtruck by the Secretary of Commerce and the Postmaster General.

Subsequently, postal delivery trucks throughout the country carried the red, white, and blue design with the legend "For Trade or Trips—American Ships" throughout the month of May. Mayors and postmasters in towns and cities throughout the country joined in placing the posters on post office trucks in their areas. Many of the mayors issued proclamations in honor of Maritime Day. These ceremonies engendered a large number of newspaper stories, editorials, and radio and television programs on the importance of the U.S. Merchant Marine.

The Secretary of Commerce presented first prize to the winner of the poster contest, Nelson Hegeman, of Snyder, N.Y., in ceremonies at the Capitol Rotunda.

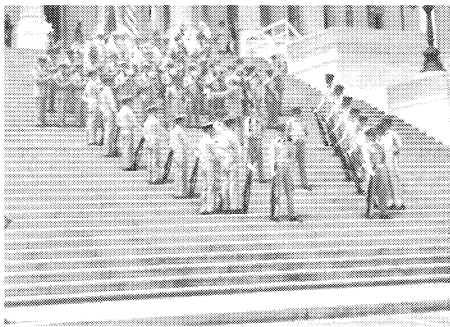
The first section of a permanent exhibit hall titled "This Is Your Merchant Marine," filled with educational material on the modern Merchant Marine was opened at the Maritime Administration's headquarters in Washington.

A daylong symposium on "Promotion and Development of the U.S. Merchant Marine" was attended by representatives of all segments of the maritime industry.

The Maine Maritime Academy training ship "*State of Maine*" visited Washington and held open house throughout the week. In addition to cadets from the Maine school, the ship carried lifeboat crews from the New York State Maritime College, the U.S. Merchant Marine Academy, and the Massachusetts Maritime Academy. Together with a crew from the Texas Maritime Academy, they joined in a lifeboat race on the Potomac on Maritime Day, May 22, which was won by the Massachusetts cadets.

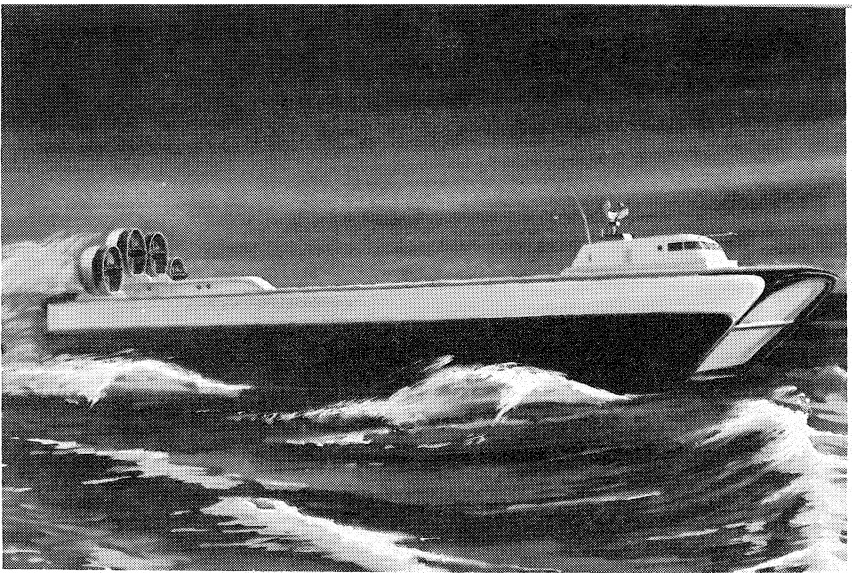
Ceremonies following the lifeboat race included an address by the Secretary of Commerce, a small-craft parade, and the award of the American Merchant Marine Seamanship trophy to Captain Joseph Cox of the SS *President Wilson*, for the rescue by his crew of members of a sinking Liberian-flag freighter.

On May 24 the anniversary observances included special commendations to the Chairman of the House Merchant Marine and Fisheries Committee and to the Chairman of the Senate Commerce Committee for their work in promoting the Merchant Marine. Twelve outstanding Maritime employees were given special awards for superior service.



Maritime Week was celebrated with many ceremonies—band concerts, poster contest, a lifeboat race, a merchant marine exhibit, and Maritime employee awards.





A "captured air bubble" supports the surface-effect ship above the water.

RESEARCH AND DEVELOPMENT

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

NS Savannah

In May of 1964, with American Export Isbrandtsen Lines acting as general agent, the *Savannah* left Galveston for a trip up the east coast and then departed from New York for Germany, Ireland, and England; a second Atlantic crossing in the fall took her to ports in Scandinavia. Two later sailings put her in Holland, Belgium, and France; then Lisbon, Barcelona, and Naples. Her last voyage under Maritime-AEC auspices was to San Juan and Piraeus in the first 2 months of 1965. The ship was then laid up on March 15 at the Todd Shipyard Nuclear Ship Facility in Galveston, Tex., for her annual Coast Guard inspection. In her 2 years of operation she made good will calls at 46 world ports, received 1,389,780 visitors, and carried 848 passengers, and 4,800 tons of cargo. Twelve bilateral agreements with foreign countries were negotiated to permit the ship to enter foreign ports for demonstration visits. The question of indemnity in the unlikely event of a nuclear incident was effectively solved by the application of the Price-Anderson Act in the acceptance agreements.

On May 20, Maritime signed a letter of agreement in principle with First Atomic Ship Transport, Inc., a wholly owned subsidiary of American Export Isbrandtsen Lines, for commercial operation of the *Savannah* under a bareboat charter.

The NS *Savannah* is expected to make about six voyages a year on Trade Route 5-7-8-9 (U.S. North Atlantic to Europe) and about two each on the U.S. to Mediterranean run, Trade Route 10, serving Spain, Portugal, Italy, France, Belgium, the Netherlands, and Germany.

Provision was made for the Maritime Administration to assume estimated vessel and voyage expenses over and above estimated voyage revenues. If, however, the difference between costs and revenues exceeds or falls below the basic estimates, the company and the Government will share within stipulated limits the additional costs or savings under a fixed formula.

Commercial operation of the ship was expected to save the taxpayer an estimated \$4 million yearly over the cost of her operation by the Government as a demonstration ship. At the end of the first year of operations under the charter, revenues and expenditures were to be reviewed, and a new formula will be devised for an equitable allocation of costs and losses which may be incurred in the following year.

The *Savannah* was the first nuclear-powered merchant vessel to be issued a Nuclear Cargo Ship Safety Certificate under the provisions of the International Convention for the Safety of Life at Sea, 1960; and had the further distinction of being issued the first nuclear ship reactor license, number NS-1, by the Atomic Energy Commission for the operation of her reactor by FAST.

Hydrofoil Ship Denison

In fiscal 1965 the oceangoing Hydrofoil Ship *Denison* was bareboat chartered to its builder, Grumman Aircraft Engineering Corp., for further experimental studies. The company notified Maritime in June that it wished to terminate the charter. After the end of the fiscal year it was turned over to the Navy Department to assist in logistic support at the missile range at Point Mugu.

Surface-Effect Ship

An extensive economic feasibility study was undertaken of a new ship concept, the surface-effect ship. Technical and economic studies to date show promise for the SES as a valuable addition to the American merchant marine.

Advanced Nuclear Ships

Naval architects and economists were working with shipowners to study possible economically competitive ship systems using nuclear propulsion on several promising trade routes. Reactors more advanced than the *Savannah* reactor were considered in the studies, which will form the basis for future nuclear ship program plans.

Ship Design

To improve and speed up basic ship design, engineering calculations were being worked out by computer. Computer programs were devised for shafting and bearing system alignment analysis and cargo gear stress analysis. New programs were under development, such as a shaft coupling study, cross-curve calculations and ship-motion and damping studies. These were expected to result not only in further technical manpower economies, but also in improved designs.

Maritime completed a final draft of a set of standard specifications for cargo ship construction as a guide for naval architects to help standardize design in the development of ship specifications. The draft was submitted for comments from the marine industry, and the final specification was scheduled for distribution by November 1, 1965.

Current and new designs of power plants were to be improved to take advantage of experience now being obtained with mechanization. Centralized engineroom consoles incorporating remote controls, monitoring, logging and alarm functions, and bridge control of main engine were providing the means for improved plant operation with reduced effort. A long-term advantage was expected because of consolidation of key data, assembled and automatically recorded in one centralized location, thereby giving an effective and prompt signal of the condition of various components throughout the machinery space.

Five of the Coast and Geodetic Survey ships under construction had centralized engineroom control, permitting a higher scientific-to-operating crew ratio than was formerly possible. Careful study of the performance of these features should permit further improvement to following ships.

Other Design Improvements

Further improvements were planned for steam turbine propulsion plants by extending the use of packaged designs of component equipment and greater simplification of equipment and piping systems. The single steam boiler plant planned for installation on American President Lines cargo ships under construction was a noteworthy departure from a long-established marine practice of having two smaller boilers.

Further developments in large bulbous bows which were expected to result in lower power requirements and substantial fuel savings were being applied to new ships for testing. Analytical and experimental work was continuing on contrarotating propellers, which should make possible an increase in the power range of single screw ships.

Design studies were undertaken of a fast prototype cargo ship beyond present commercial speed ranges, utilizing latest developments in propulsion systems and cargo handling.

Maritime evaluated various navigational aids, developed a prototype of an electronic "lookout assist" device, and began a study to improve mooring techniques and equipment.

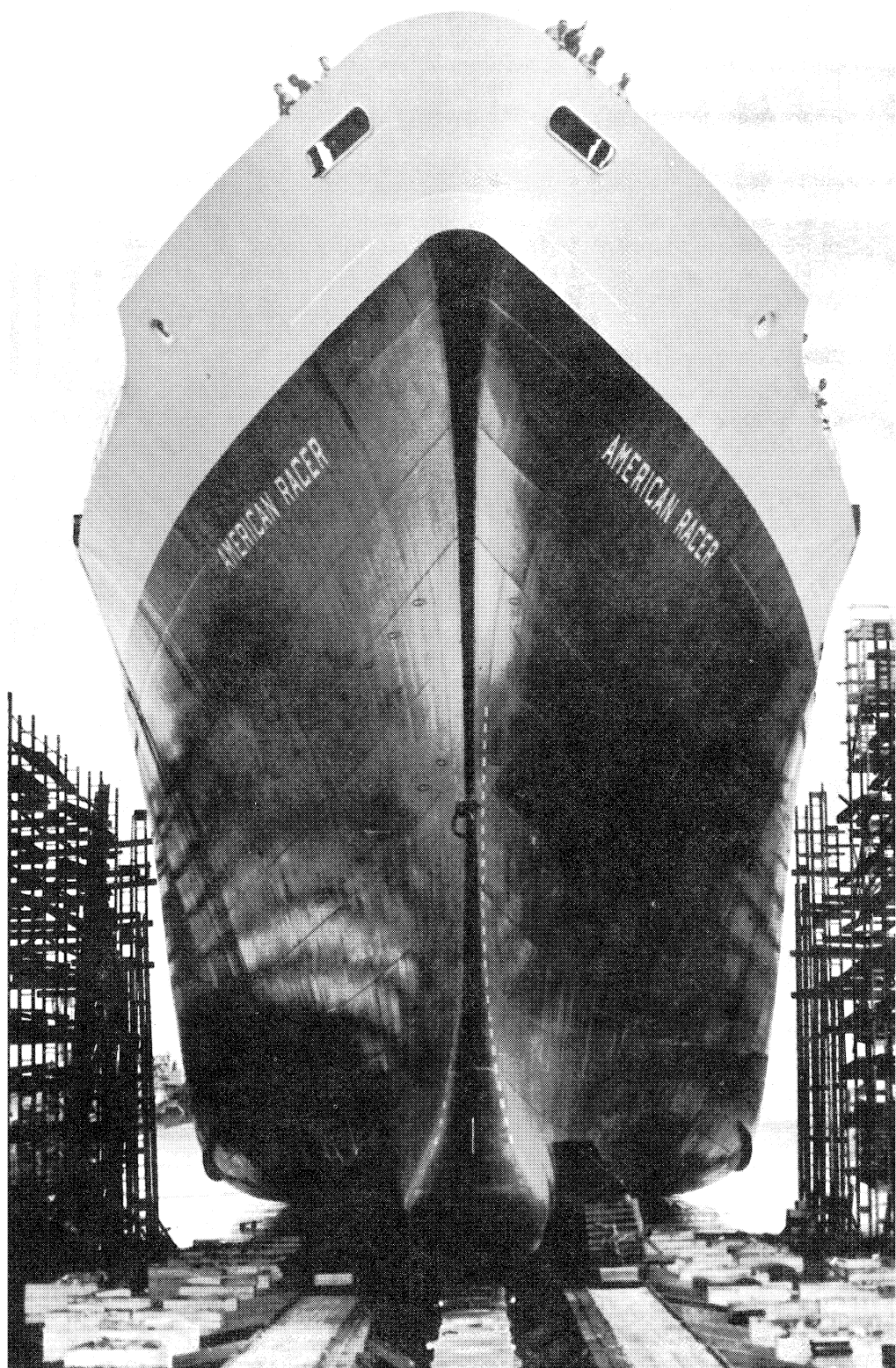
Ports and Cargo Handling

About half the transportation cost for general cargo in foreign trade is incurred in port. Since a ship spends about half its time in port, design changes that speed up a ship at sea may be canceled out by port delays. Maritime is therefore cooperating with industry to improve cargo handling. Together with the Ports of Long Beach and Los Angeles and the University of California, it sponsored a symposium devoted to exchanging views on the unitization of cargo and on the coordination of ships with connecting transportation systems. Research into new methods of communication and information processing to improve such coordination was urged by speakers. Plans for research were coordinated with those of the American Association of Port Authorities.

Sea Temperature Research

At the request of the U.S. Naval Oceanographic Office, Maritime approved a bathythermograph data collection program on the SS *Contest*, operated by Pacific Far East Line under general agency for the Military Sea Transportation Service. The program consists of recording sea temperatures and transmitting them to weather centers for use in military operations.

A new cargo ship under construction.



SHIP CONSTRUCTION

The number of merchant ships of 1,000 gross tons and over which the Maritime Administration subsidized, private ships on which Maritime has information, and Government-owned ships under construction, conversion, reconstruction, or on order in private U.S. shipyards increased from 52 on July 1, 1964, to 62 on June 30, 1965, as shown in table VII.

Table VII
SHIPS UNDER CONSTRUCTION

	Number of ships		
	Total	New	Conversions
Under contract, July 1, 1964.....	52	49	3
Contracts awarded during 1965.....	42	1 20	22
Subtotal.....	94	69	25
Completed during 1965.....	32	20	12
Under contract June 30, 1965.....	62	49	13

¹ Excludes Marietta Manufacturing Co. contract for 2 survey ships, which was terminated on Nov. 18, 1964, and reawarded to Aerojet-General Shipyards, Inc., on May 24, 1965.

The 62 ships remaining under contract at the end of the year had a contract value of about \$568.4 million. Of these, 38 with a contract value of approximately \$438.5 million, were being built under the subsidized operators' replacement program.

In addition to award of contracts for 14 new cargo ships and for installation of constant tension mooring winches on one cargo ship for subsidized operators (see Table IV), contracts were also awarded for one privately financed tanker and for construction of the following special vessels for the Coast and Geodetic Survey:

<i>Design</i>	<i>Type</i>	<i>Number</i>
S1-MT-MA63a.....	Hydrographic Survey.....	1 2
S1-MT-MA70a.....	Hydrographic Survey.....	2
S1-MT-MA72a.....	Hydrographic Survey.....	1
S1-MT-MA71a.....	Wire Drag Survey.....	2

¹ Contract transferred from Marietta Manufacturing Co.

A contract for two ships for the Coast and Geodetic Survey which had been awarded to the Marietta Manufacturing Co. of Point Pleasant, W. Va., on November 19, 1962, at a contract price of \$6,822,458, was canceled on November 18, 1964, after a finding that events of default had occurred under the contract, because of failure of the yard to remedy its inadequate progress and its financial and labor deficiency. Invitations for reprocurement of the two ships were issued, and the contract was awarded to Aerojet General Shipyard, Jacksonville, Fla., on May 24, 1965, for \$7,308,542.

Government-owned material originally intended for use in the construction of the ships by Marietta was furnished to Aerojet for use in building the ships. The difference between the two contract prices, together with progress payments already made to Marietta, amounting to more than \$1½ million, would be the responsibility of the Marietta Manufacturing Co.

An important part of Maritime's design work was in designing special purpose ships for the Coast and Geodetic Survey. One design for a wire dragger, embodying a completely new concept for increased task efficiency, was completed and under construction. A new modified ocean survey ship, with centralized engineroom control, was under development. Smaller and more compact than previous ships of this class, the design features flexibility to allow for future development and scientific equipment and techniques, and incorporates the latest advances in auxiliary propulsion and maneuvering devices.

Ship Deliveries

On July 1, there were 44 new ships being constructed under Maritime Subsidy Board and Maritime Administration contracts. Of these, 15 were completed during the fiscal year. The installation of constant tension mooring winches on the SS *American Racer* was also completed. A summary of these deliveries appears in Table VIII.

Table VIII
SUBSIDIZED SHIP DELIVERIES

Owner	Design	Delivered
Moore-McCormack.....	C4-S-60a.....	6
U.S. Lines.....	C4-S-64a.....	4
American Mail.....	C4-S-1sa.....	2
Gulf & South American.....	C3-S-37d.....	3
		<hr/> 15
U.S. Lines.....	C3-S-64a.....	1 ¹

¹ Installation of constant tension mooring winches.

In addition, 5 new private tankers and 11 tanker and freighter conversions were completed.

On June 30, 1965, 49 ships were under construction or contract, including 38 being built with subsidy under the replacement program,



The control console of a mechanized engine room.

1 private tanker, 1 ship for MSTs, and 9 for Coast and Geodetic Survey. (See Appendix X.)

Mechanization

Shipboard mechanization continued to be the most immediately effective method of obtaining cost reductions in ship operation. Thirteen new subsidized cargo ships were delivered with provisions for mechanized engine rooms. An additional 35 mechanized cargo ships were under construction. All applications for construction subsidy must include mechanization as a basic requirement of the design.

In addition to new construction, a program was planned to install limited mechanization on replacement cargo ships previously delivered without such features. The extent of mechanization which may be practicable to install will be limited by economic considerations. Maritime was working out a uniform mechanization guide or specification for retrofitting several different cargo ship designs and establishing an evaluation of the economic results to be expected in reduced manning. Final economic determinations on the retrofit program will depend upon labor-management agreements.

Fishing Vessels

The United States Fishing Fleet Improvement Act authorizes the Secretary of the Interior to pay up to half of the construction cost

of a new fishing vessel. The law requires the fishing vessels to be of advanced design and to carry the most modern gear available in order to compete with foreign fishing vessels. On behalf of the Department of the Interior, Maritime administers the technical and shipyard contracting aspects of the program.

By June 30 four applications under this program had been processed. One vessel was under construction, and invitations to bid had been issued for two others. One application was withdrawn by the owner after bids had been received.

Twenty applications were approved by the Department of Interior for submission to Maritime as soon as bidding plans and specifications were prepared. Fifteen additional applications were awaiting public hearing. The vessels included many types (scallopers, shrimpers, tuna seiners, etc.) and were received from New England, Gulf, and Pacific coast areas.

To reduce the cost of plan preparation for small-boat owners, Maritime drafted for Interior a complete guidance specification, which may be used by naval architects in preparing contract specifications.

Trials and Guarantee Surveys

Sea trials and acceptance surveys were conducted on 15 subsidized ships and final guarantee surveys on 10. A final guarantee survey was also made on the SS *Mount Washington*, built with Federal Ship Mortgage Insurance aid.

Value Engineering

The Value Engineering Program for reduction of shipbuilding costs resulted in savings on subsidized shipbuilding of approximately \$1.9 million, of which about 47 percent accrued to the Government and the rest to industry. Fourteen letters on value engineering information were issued to the industry.

The Comptroller General submitted a report to Congress in June, entitled, "Unwarranted Construction-Differential Subsidy Payments Resulting from Inadequate Implementation of Value Engineering Program." The letter said that greater savings could have been made by stricter enforcement of value engineering proposals. In response, Maritime began reevaluating all its value engineering information letters, based on previous experience, to determine which proposals could be made mandatory, which would be for guidance, and which might be adopted at the yards' option.



A reserve fleet ship converted to a container ship under the Ship Exchange program.

OPERATIONS

Charters and General Agency Operations

At the end of the year, 23 Government ships were under bareboat charter, 4 more than at the close of the preceding year. Three were war-built ships chartered for use in the Alaskan service; 3 were ships traded in on construction of new ships and used by the former owners to maintain their services until the new ships were completed; 16 were traded in on Government ships under the exchange program and employed by the former owners until the exchange ships could be placed in service; 1 was the Hydrofoil *Denison*, chartered to the builder to permit further testing.

During the year three Government-owned ships were under assignment to two general agents. Two were refrigerated ships operated by Pacific Far East Line, Inc., to meet requirements of the Military Sea Transportation Service in the Pacific. The other was the NS *Savannah*, assigned to American Export Isbrandtsen Lines, Inc., for demonstration voyages.

National Defense Reserve Fleet

At the end of the year 1,594 ships were in the National Defense Reserve Fleet. During the year 30 ships were received and 175 were withdrawn, a net decrease of 145. Arrivals and withdrawals are shown in Table IX.

Table IX
ARRIVALS AND WITHDRAWALS FROM RESERVE FLEETS

Reasons or source	Arrivals	Withdrawals
Bareboat charter	1	
Exchange program (Public Law 86-575)	6	8
Navy	5	15
Ready status (<i>Denison</i>)		1
Title XI, MMA 1936 (<i>Titan</i> and <i>New Yorker</i>)	1	2
Trade-in	5	
Consolidation of priority ships—transferred from Wilmington to James River	11	11
Drydocking for bottom inspection	1	1
Loaned to Texas Maritime Academy (Public Law 85-672)		1
Sold: 94 Libertys, and 41 miscellaneous types sold for scrap, 1 miscellaneous type sold for operation		136
	30	175

The number of ships located in each of the eight reserve fleets is shown in Table X.

Table X
SHIPS IN RESERVE FLEETS

Fleet	No. of Ships	Fleet	No. of Ships
Hudson River, N. Y.	183	Suisun Bay, Calif.	288
James River, Va.	349	Astoria, Ore.	121
Wilmington, N. C.	98	Olympia, Wash.	143
Mobile, Ala.	232		
Beaumont, Tex.	180		1,594

This total represented a decrease of 474 ships from 1955. (See Appendix XI.)

The number of priority ships remained at 960 throughout the year. The total number of Liberty ships designated as an Emergency Reserve, apart from the priority ships retained for national defense purposes, was reduced from 400 to 388.

One hundred percent of the preservation work scheduled on the 960 priority ships was fully completed at the end of the year. In addition, 99 percent of the scheduled yearly work on the 388 Emergency Reserve Liberty ships was completed. No further preservation work was planned on this group.

Ship Repair and Maintenance

In connection with operating-differential subsidy for repairs, 29 surveys were made to establish outstanding defects and deficiencies on ships in subsidized service.

There were 2,435 repair surveys made to verify the necessity for repairs and their satisfactory completion, drydocking and underwater work on subsidized ships, and 2,073 repair summaries submitted by subsidized operators were reviewed to determine eligibility for subsidy and the fair and reasonable costs for these repairs. Repair costs totaled \$43.8 million, of which \$821,000 was found ineligible for subsidy. Surveys were arranged, cost estimates prepared, and supervision and inspection provided on repair and reconditioning of nine

self-propelled lighters and two small tugs declared surplus by the Navy and transferred through AID to Pakistan.

Approximately 1,400 other surveys, inspections, and repair cost estimates were made to assure compliance with various contractual requirements.

Foreign Transfers

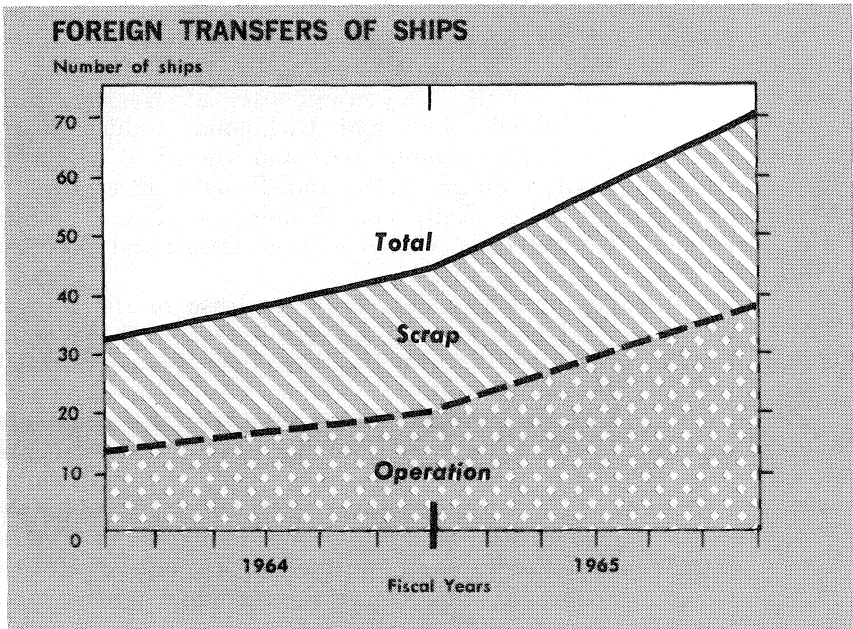
On August 19, Maritime's Foreign Transfer Policy was revised to provide that each application for foreign transfer of private U.S.-flag vessels of 3,000 gross tons and over would be considered on its individual merits, with consideration being given to:

- (1) Type, size, speed, general condition, and age of the vessel;
- (2) Acceptability of the foreign buyer and country of registry;
- (3) Need to retain the vessel under U.S. flag or ownership for national defense, maintenance of an adequate Merchant Marine, foreign policy of the United States, and the national interest.

On vessels under 3,000 gross tons, the statement provided that foreign transfer of such vessels will generally be approved if the vessel is not needed for reasons of national defense, and the foreign buyer and country of registry are acceptable.

Ninety-three applications were approved under the policy during the year, 24 more than in fiscal year 1964. (See Chart IX.) Of the 93, 69 were under U.S. flag when approval was granted. Approximately half the 69 were sold for scrapping abroad. Three U.S.-flag

Chart IX



cargo and/or passenger ships (*SS America*, *President Hoover* and *President Polk*) were approved for operation under foreign flag. In addition to standard foreign transfer conditions, a trading restriction was imposed which, with minor exceptions, prevents these vessels from trading with U.S. ports, territories, or possessions for 5 years without Maritime approval.

Twenty-four of the 93 were undocumented and never registered under U.S. flag, having been constructed in the United States for foreign corporations, or registered under foreign flag but owned by a U.S. citizen. (See Appendix XII.)

Charter of U.S.-owned ships to aliens was approved on 17 ships of 1,000 gross tons and over.

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

1. The transfer to other foreign ownership and flag of 10 ships and to U.S. ownership, without change in flag, of 5 ships.
2. The sale of 25 ships from one alien to another without change of flag.
3. The sale of 28 ships by aliens for scrapping.
4. The transfer to aliens of stock ownership in 10 ships.

Under provisions of the Ship Mortgage Act, 1920, as amended, Maritime approved surrender of the marine documents of 366 U.S.-flag vessels for change of ownership, home port, name, rig, etc.

User charges for filing applications for foreign transfers and similar actions amounted to \$31,710.

Facilities Management

Real property of the Maritime Administration includes reserve shipyards at Richmond, Calif., and Wilmington, N.C.; terminals at Hoboken, N.J., and Norfolk, Va.; warehouses at Kearny, N.J., Norfolk, Va.; New Orleans, La.; and Richmond, Calif.; reserve training station at St. Petersburg, Fla., and the U.S. Merchant Marine Academy, Kings Point, N.Y.; and Reserve Fleet sites at Tomkins Cove, N.Y.; Lee Hall, Va.; Wilmington, N.C.; Mobile, Ala.; Beaumont, Tex.; Benicia, Calif.; Astoria, Oreg.; and Olympia, Wash.

The Hoboken Terminal is under long-term lease to the Port of New York Authority; portions of the Norfolk Terminal are under lease to the city of Norfolk, and the St. Petersburg Training Station is leased to the State of Florida.

The Norfolk Terminal, the Richmond Shipyard, the Richmond Warehouse, and the St. Petersburg Training Station were declared excess to the General Services Administration, which was screening other Government agencies to determine if they had any need for the Norfolk or Richmond properties. Final disposition of the St. Petersburg Station awaited the decision of the Department of Health, Education, and Welfare on whether or not to allow the State to acquire permanent possession.

Rents from leases of real property to private interests during the year amounted to \$364,500.

Disposition of the terminal, shipyard, and warehouse should result in estimated savings of \$262,000 in the budget for fiscal year 1967. However, there will also result a reduction in real property rental income of approximately \$342,000 for fiscal year 1967. There is no income or expense resulting from owning the St. Petersburg training facility.

Material Control and Disposal

Rental of mobilization reserve machine tools and equipment to commercial concerns working on defense contracts or in support of Merchant Marine programs produced a revenue of \$321,721.

On July 1, 1964, marine equipment on loan to steamship operators and other Government agencies was valued at \$260,707, new loans of material valued at \$203,956 were made. At the end of the year equipment valued at \$284,351 was on loan. User charges collected from operators for this equipment amounted to \$2,524.

Excess personal property having an acquisition value of \$3,197,407 was disposed of. Property with an acquisition value of \$1,591,746 was donated or transferred to other Government agencies. Property having a value of \$8,581 was destroyed or abandoned, and property with an acquisition value of \$1,597,080 was sold for \$320,722.

Warehouse inventories were reduced by \$16 million over the past several years, leaving equipment valued at approximately \$14 million. This level was expected to be maintained.

Ship Sales

Ninety-four Libertys were sold for scrap and/or nontransportation use for a total of \$4,690,222. Sale of 686 Libertys from 1958 through 1965 had resulted in a total return to the Government of \$43,083,965.

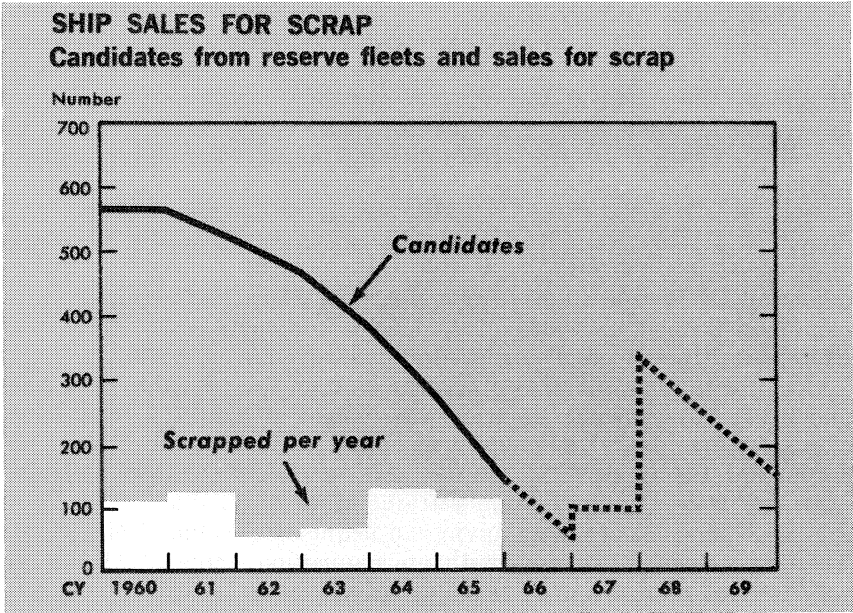
In addition, 41 non-Liberty surplus ships were sold for scrap and/or nontransportation use for \$2,245,256. The tanker *Siwanoy*, acquired by the Government as an exchange ship, was sold for \$131,250, for scrapping abroad. The sales of 116 non-Liberty ships sold from 1958 through 1965 had returned \$8,033,959 to the Government. (See Chart X.)

The tanker *Mission San Antonio*, returned to Maritime by the Military Sea Transportation Service, was sold for \$411,000 for U.S.-flag operation in grain trade. The SS *Titan*, a bulk oil carrier built in 1960 with Title XI aid, and acquired by the Government in July 1963 through mortgage foreclosure, was sold in October for unrestricted U.S.-flag operation for \$8,325,000.

Exchanges

Under Public Law 86-575 Maritime exchanged during the year 18 Government-owned for private war-built cargo ships. Eleven traded out were C4 troopships, one was a C3 cargo ship, 3 were C2 cargo ships, and 3 were Victories. In the 5 years preceding this

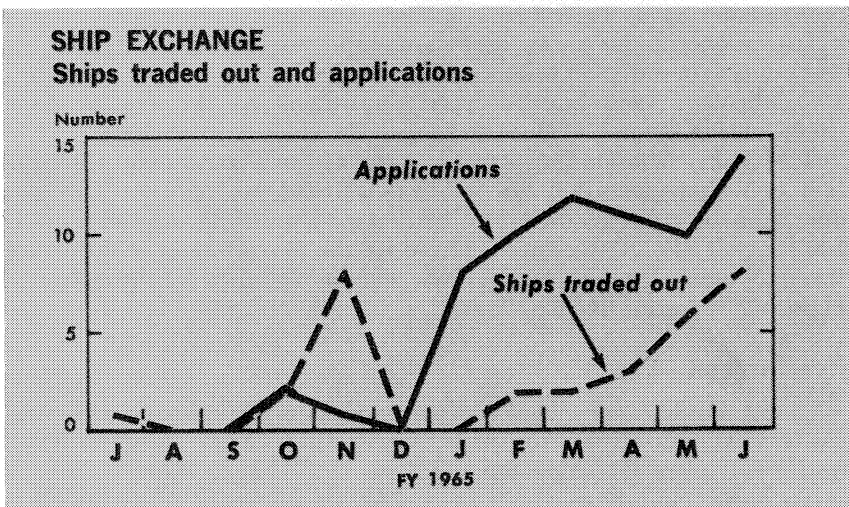
Chart X



report, Maritime exchanged 53 Government ships for 57 private war-built cargo ships. (See Chart XI.)

In addition to the ships acquired by the Government under this program, excess value of the ships going to operators over those traded in brought approximately \$3,765,000 to the Government, subject to adjustment when contract work on certain of the ships is completed.

Chart XI



MAN POWER

An analysis of seafaring employment is being made from U.S. Coast Guard merchant vessel personnel records. All employment data for calendar year 1963 and 75 percent of data for calendar 1964 were processed.

Labor Data and Labor-Management Relations

Seafaring employment during nonstrike months averaged 47,160 shipboard jobs, compared to the 47,500 monthly figure for last year.

Employment in commercial shipyards with facilities to construct oceangoing ships 475 by 68 feet, averaged 53,900 production jobs per month; an average 8,000 above that of 1964.

The longshore labor force followed the normal employment pattern of about 70,000 men, although more than 88,000 men were usually available for work. Approximately 19,000 were classified as casual labor.

A longshore strike on the Atlantic and Gulf coasts tied up U.S. and foreign flag shipping for various periods from January 11 through March 13.

A labor-management dispute over contract renewals with various seamen's unions began on June 16, which had tied up 115 U.S.-flag ships on the Atlantic and Gulf coasts by June 30, 1965.

Three subsidized operators placed 13 mechanized cargo ships in operation, withdrawing 14 conventional ships. The ship capability units (speed times bale cubic) of these three operators increased 17.4 percent, despite the one-ship decrease, and the ship capability units per wage dollar increased by 55 percent, because of reduced crew complements.

United States Merchant Marine Academy

The U.S. Merchant Marine Academy, at Kings Point, N.Y., had an average of 950 cadets in training; 191 successfully completed the

4-year course of instruction. Ninety received U.S. Merchant Marine officer licenses, issued by the U.S. Coast Guard, as third mates, and 101 as third assistant engineers. They also received bachelor of science degrees and, if qualified, commissions as ensigns in the U.S. Naval Reserve.

A comprehensive review and revision of the curriculum at the academy was completed by the faculty and a committee of professional and academic experts. An experimental combined deck engine curriculum was planned for introduction in September 1965. This was designed to qualify cadets to be either engine or deck officers, and would give greater flexibility of choice to both shipping lines and cadets by providing in advance for possible fluctuations in demand for deck or engine officers.

State Maritime Academies

The State Maritime Academies at Vallejo, Calif.; Castine, Maine, Buzzards Bay, Mass.; Galveston, Tex.; and New York State Maritime College at Fort Schuyler, N.Y., had a combined average enrollment of 1,450 cadets during the year. Some 1,400 of these cadets received a Government allowance of \$600 each toward the cost of uniforms, textbooks, and subsistence, and each school received an annual Federal assistance payment of \$75,000 for use in the maintenance and support of the school. One hundred fifty-four graduates received U.S. Merchant Marine Officer licenses as third mates and 223 as third assistant engineers. All who qualified received commissions as ensigns in the U.S. Naval Reserve. Graduates of the New York State Maritime College also received bachelor of science degrees.

The Texas Maritime Academy completed its first 3 years of operation on June 30, 1965. The training vessel, TV *Texas Clipper* (formerly the SS *Excambion*) was withdrawn from the Hudson River Reserve Fleet for loan to the school.

Seamen Training

The Maritime radar observer training program continued in New York, New Orleans, and San Francisco. Since its beginning in 1957, more than 8,940 certificates of course completion have been issued. The Atlantic Coast District started 5-day advanced radar simulator courses, giving seamen maneuvering practices under simulated sea conditions, using radar only. Approximately 190 completed this course.

The Gulf Coast District added a Loran course to its training program; 23 licensed officers completed the course. Over 2,000 men completed nuclear, biological and chemical warfare and damage-control training in San Francisco, in a program supported by both Maritime and the Military Sea Transportation Service.

Merchant Marine Awards

Meritorious Service Medals were awarded for acts of heroism to two SS *Titan* crewmembers, one crewman on the SS *Amoco Virginia*, six on the MV *Yacona*, and 15 members of the SS *President Wilson* crew. The SS *President Wilson* was given a Gallant Ship Award, and 350 members of the crew were awarded Gallant Ship Unit Citations. The master of the ship, Capt. Joseph Cox, also won the American Merchant Marine Seamanship Trophy.

The Maritime Administrator presents the American Merchant Marine Seamanship Award to Capt. Joseph Cox, Master of the SS PRESIDENT WILSON, which rescued 18 members of the crew of the sinking Liberian-flag freighter AGIA ERINI L.



ADMINISTRATION

Internal Management

Efforts to improve efficiency, economy, and effectiveness of operations were continued. As a result of management surveys, modified ship repair and maintenance procedures were instituted, and certain facilities management functions were decentralized, resulting in elimination of 15 positions. Other cost reductions were achieved by: (a) rescheduling work steps for preservation of ships at Reserve Fleet sites; (b) consolidating Pacific coast audit functions; (c) closing the insurance office in London and the agency records center in Washington, and (d) reducing security forces at reserve anchorages. These and other actions resulted in savings of \$983,000 for the year.

The agency established a management information reporting system, which defined the purpose of each major program and provided indexes for reporting and evaluating each activity. This system was designed to serve as a basis for executive management and control of all programs and operations.

A cost finding system was instituted to determine total cost of each program, which was expected to facilitate more effective management of program productivity and allocation of appropriated funds to the best advantage.

After a review of all reports required from the public, 4 were eliminated and 10 simplified. A study was begun to determine feasibility of converting automatic data processing equipment to a magnetic tape computer system providing greater capacity and versatility.

Audits

An internal audit of the financial control of the Research and Development program found a number of deficiencies. New procedures were developed, which when fully in effect should provide proper and correct records of research contract commitments and expenditures.

Three formal reports to Congress on Maritime operations were made by the General Accounting Office. The first report concerned deficiencies in procedures of computing operating-differential subsidy wage rates. Appropriate action was taken to correct these deficiencies.

The second concerned financial risks assumed under the ship mortgage insurance program because of purportedly inadequate evaluation of the economic soundness of proposed tanker operations. Although this report made no specific recommendations, the Comptroller General was advised that Maritime has been conforming, in substance, to proposals for a more thorough evaluation of the economic soundness of proposed operations of vessels on which mortgage insurance is requested.

The third report pertained to administration of spare parts procurement for the *Savannah*. Maritime pointed out that the unusual circumstances surrounding construction of the *Savannah* precluded application of some normal procurement practices. Instructions and procedures relating to spare parts needs and procurement were being reviewed, and controls within the agency, as well as with firms having contracts with the agency, were being strengthened.

Another GAO report on the Value Engineering program has been mentioned in the chapter on ship construction.

Personnel

During the year, total of Maritime personnel employment decreased by 195 positions from 2,396 to 2,201. (These figures do not include seamen employed by contractors operating ships for the Maritime Administration under General Agency Agreements.)

This continued decrease in employment mainly resulted from closing out the storage of surplus grain in Reserve Fleet ships for the Department of Agriculture, and from the reduction of Maritime personnel engaged in cyclical preservation work on Reserve Fleet ships.

Employee Development

In order to meet current and future staffing needs, Maritime initiated a comprehensive management development program to provide specialized training to management personnel at the junior, middle management, and executive levels. Twenty-six college graduates recruited from the Management Intern and Federal Service Entrance Examination Registers were employed as management trainees. These trainees were receiving intensified on-the-job training, working on rotational assignments with special projects, conferences, staff meetings and other training. Individual training plans were being developed to meet the needs of Maritime and the career goals of each trainee.

The trainee program for naval architects and marine engineers continued to attract excellent candidates. Of the 26 trainees who completed the program, 18 were working in the Office of Ship Construction, 5 had resigned to go into private industry, and 3 had transferred

to another agency. There were four candidates in training—three in school and one at Maritime headquarters.

In addition to training opportunities available in the agency, middle management and executive level personnel also were eligible for training through the use of interagency training facilities.

An employee of the Maritime Administration was one of 30 Government workers honored by President Johnson with the presentation of an Economy Achievement Plaque. Roland J. Champagne of the Division of Ship Custody was given the award for a new system of preservation of Reserve Fleet ships that it was estimated would save about \$1 million over a period of 5 years.

Unions

Unions of Maritime Administration employees were active in each of the three coast districts and appropriate recognition was granted these groups. In addition, the Maritime Administration adhered closely to the President's policy to provide equal employment without regard to race, age, creed, color, national origin, marital status, physical handicap, or lawful political affiliation.

Emergency Readiness

Emergency plans for Government continuity and for operation and control of merchant shipping and utilization of U.S. seaports were received from various port groups and were strengthened during the year. Numerous major changes were made in the emergency relocation program to upgrade facilities and to train the emergency staff.

Maritime furnished technical guidance and assistance to port officials who were developing operating plans for ocean ports in the United States, Puerto Rico, and the Virgin Islands in national defense emergencies.

The program for damage assessment of maritime resources during an emergency continued. Vital information on seaports, shipyards, emergency ship anchorages, and marine component manufacturers was updated and added to the store of information at the National Resources Evaluation Center of the Office of Emergency Planning.

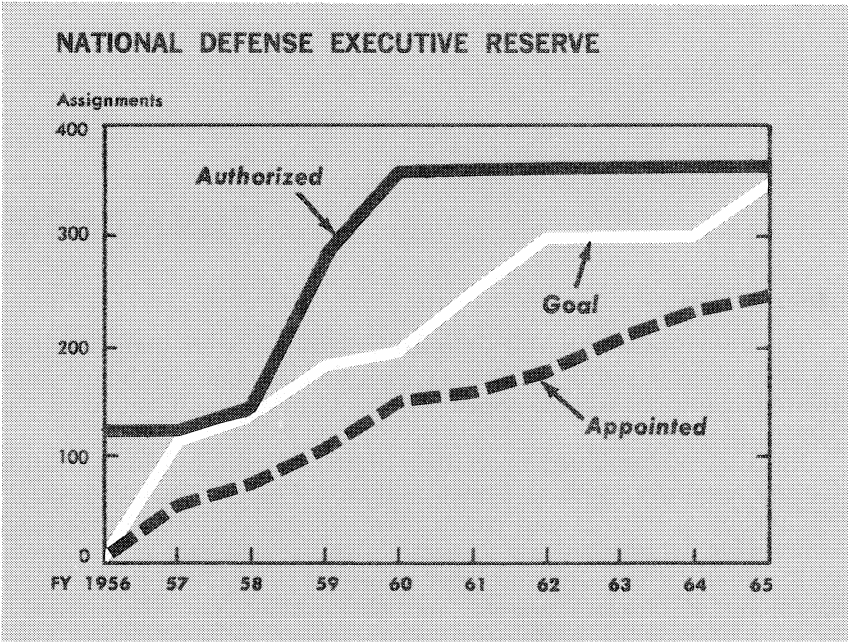
Recruitment continued for the National Defense Executive Reserve, which provides officials trained to take over emergency shipping duties if necessary. Considerable progress was made in expanding the staff of industry officials assigned to emergency ship operations and control of seaport utilization. Several training sessions were held with reservists to acquaint them with mobilization policy and programs. Approximately 300 designations had been made or committed. (See chart XII.)

Several seminars were held with officials of the shipping industry to keep them informed of Maritime's emergency shipping plans. These conferences were highly successful and more were planned.

Maritime continued its participation in the interagency industrial readiness program, designed to assure, through agreements with

private manufacturers, immediate availability or ready manufacture of essential marine components in an emergency.

Chart XII



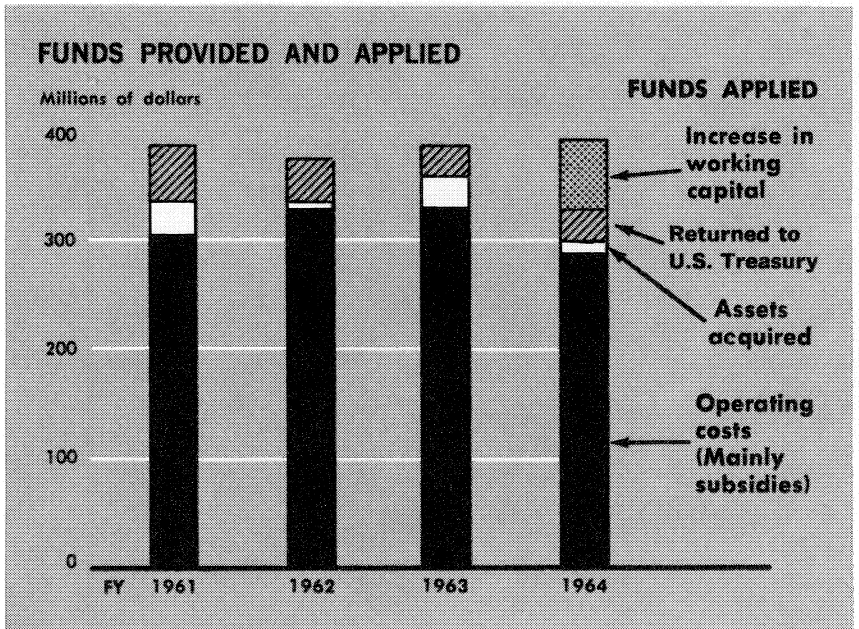
FINANCE

Accounting

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

Net cost of combined operations of the Maritime Administration for the fiscal year totaled \$430.5 million. The cost included \$235.3 million for operating- and construction-differential subsidies, \$158.7 million for depreciation on Reserve Fleet vessels and other assets, \$7.8 million for research and development, \$15.3 million for loss from scrapping of obsolete vessels, and \$9.4 million for administrative

Chart XIII



expenses. The equity of the Government at June 30, 1965, totaled \$1,360.4 million, a decrease of \$124.4 million from June 30, 1964. The decrease includes the net cost of combined operations, the return of \$29.6 million in collections and unobligated balances to the Treasury, \$8 million in property transfers to other agencies, offset by \$343.7 million appropriated by Congress.

The details of the financial position of the Maritime Administration at June 30, 1965, and the financial results of its operations for the fiscal year are presented in the financial statements at the end of this report. A 5-year summary of funds provided and applied is shown in Chart XIII.

Of the 51 general agents originally appointed to operate ships for the account of the National Shipping Authority, Maritime Administration, only 1, the Pacific Far East Line, Inc., was active on June 30, 1965, and the accounts of 43 had been closed. American Export Isbrandtsen Lines, Inc., was serving as a general agent for operation of the NS *Savannah*.

Of the \$11,069,248 of notes and accounts receivable on June 30, 1965, \$9,011,044 consisted of amounts of additional charter hire collectible only upon submission and approval of final accountings, amounts referred to the General Counsel or Department of Justice for collection or litigation, amounts on the eight not yet closed out accounts of National Shipping Authority agents, and amounts represented by notes and formal agreements accepted in place of open-account indebtedness. Of the \$6,243,831 billings made during the fiscal year, only \$92,549, or about 1½ percent, remained to be collected at the end of the year from miscellaneous debtors, exclusive of other Government agencies.

Contract Auditing

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

Audits to permit final payments were completed for eight operators covering the period from 1958 through 1961. Most of the audits of expenses eligible for subsidy of the 15 subsidized operators were completed through calendar year 1963. Wage expenses of 10 of the operators were audited through calendar year 1964, and protection and indemnity insurance expenses through calendar year 1961.

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

Audits completed during the fiscal year resulted in reduced billings of about \$1,240,000 to the Government.

Title XII Insurance

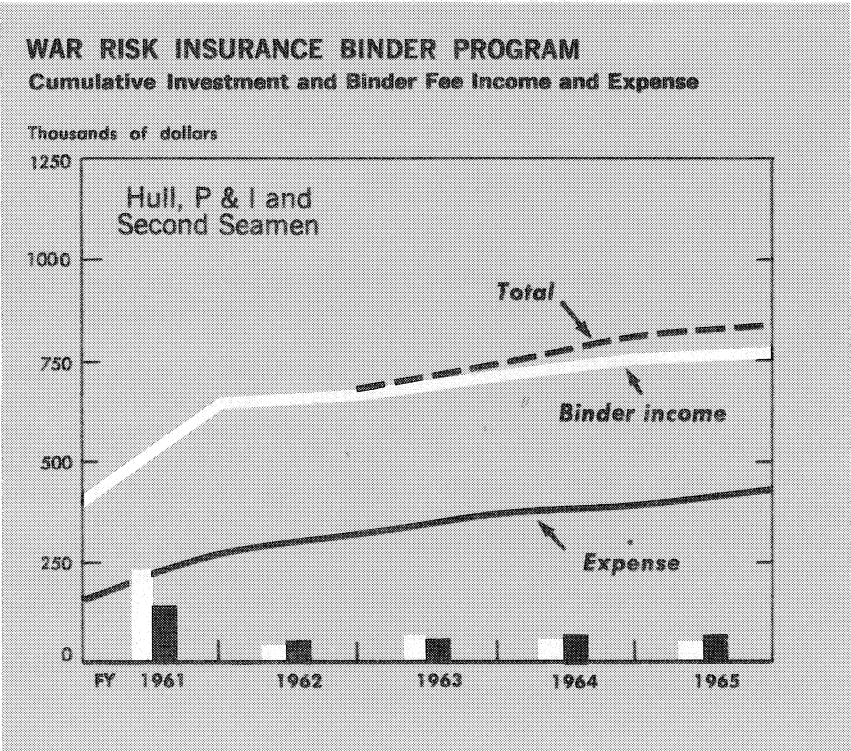
War-risk insurance and certain marine and liability insurance programs authorized by Title XII, Merchant Marine Act, 1936, as amended, were continued during the fiscal year.

Outstanding war-risk insurance binders covering shipowners from the time commercial war-risk insurance ceases to provide adequate coverage until 30 days after the outbreak of war involving the major powers, were extended to midnight, September 7, 1965. The extension was for a 9-month period to the expiration of the present authority under the statute. (The statute was extended on July 27, 1965, to September 7, 1970.)

Binders outstanding on June 30, 1965 were: 1,406 for war-risk hull insurance, 1,261 for war-risk protection and indemnity insurance, and 1,060 for war-risk insurance of crew life and personal effects. From the inception of the binder program in 1952 to June 30, 1965, binder fees totaled \$776,437, and expenses totaled \$411,884, of which \$279,838 was paid to the underwriting agent appointed by Maritime to process the binders. (See Chart XIV.)

War-risk builder's risk insurance for the prelaunching construction period had been written on 135 ships from the inception of the program in 1953 through June 30, 1965. Premiums totaled \$2,849,879. On October 24, 1962, war-risk builder's risk insurance for the postlaunch-

Chart XIV



ing construction period was authorized for the first time, because commercial insurance policies contained a clause providing for automatic termination in the event of hostilities. From October 1962 through June 1965, 27 policies were issued, each with a service fee of \$75, and each subject to attachment and premium assessment as and when determined by the Maritime Administration.

A standby war-risk cargo insurance program was continued, to be effective when the Maritime Administrator finds that insurance adequate for the needs of U.S. waterborne commerce cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States. Commercial underwriting agents will be employed to write the insurance. On June 30, 1965, 35 underwriting agents were under contract.

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

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

No claims have been reported, except on the tanker program (No. 1 above). Claim payments total \$100,440, and pending claims approximate \$20,300. Net premium saving to the Navy from inception of the program to the end of the fiscal year is estimated at \$76,000.

Under Section 1208(a) of the Merchant Marine Act, 1936, money in the war-risk insurance revolving fund may be invested in securities of the United States or in securities on which the United States guarantees principal and interest. The first investment was made on October 29, 1962. Interest earned to June 30, 1965, totaled \$317,931.

Other Insurance Activities

Maritime continued to self-insure Government-owned ships with the following exceptions: Commercial marine hull and marine protection and indemnity insurance purchased on the HS *Denison* was continued until it expired August 10, 1964. On the NS *Savannah*, commercial marine protection and indemnity insurance was continued until it expired May 1, 1965. On 2 ships operated by general agents of the Maritime Administration, marine protection and indemnity insurance was purchased to take advantage of the worldwide claims settling services of commercial underwriters.

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

Mortgagee insurance providing coverage when marine policies are invalidated was renewed on April 1, 1965, at a reduced rate of approximately 20 percent on ships owned by unsubsidized operators who have mortgages insured under Title XI. As in the previous policy year, half of the insurance was placed in the American market. The mortgagor pays the premium for the insurance.

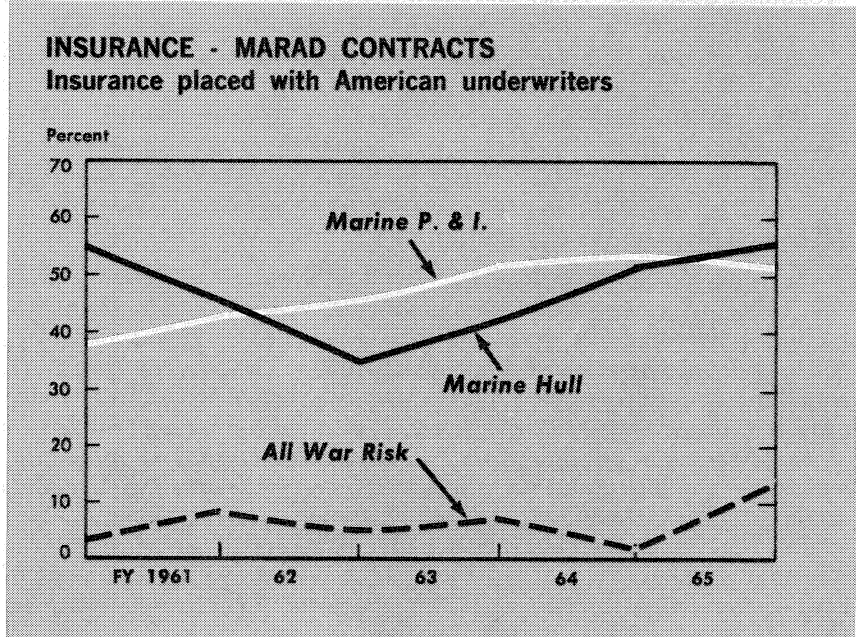
The Maritime Administration determines whether the insurance placed in commercial markets by mortgagors of ships on which the Government holds or insures mortgages, by charterers of Government-owned ships, and by subsidized operators of ships, complies with the contract requirements. During the fiscal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

Table XI
INSURANCE APPROVED

Kind of insurance	Total amount	Percentage American	Percentage foreign
Marine hull.....	\$1,747,645,119	56	44
Marine protection and indemnity.....	1,630,738,400	52	48
War-risk hull.....	1,804,158,225	13	87
War-risk protection and indemnity.....	1,651,654,725	14	86

The percentages of insurance placed with American underwriters for these types of coverage over the past five years are shown in Chart XV.

Chart XV



LITIGATION

Legislation

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

Charters

A number of pending charter hire libels were settled or dismissed following a decision by the U.S. Supreme Court in favor of the Government on the issues of the validity of the sliding scale of additional charter hire (based on profits) imposed on charterers of ships under the Merchant Ship Sales Act of 1946, and the accounting cutoff under the Foreign Trade Addendum, which required the charterer to separately compute additional charter hire for voyages beginning before and after September 1, 1947. The U.S. Court of Appeals, Ninth Circuit, decided against the Government on the issue of cumulating profits with future losses in computing additional charter hire.

A total of 12 libels against the United States claiming \$1,848,598.66, and 16 libels by the United States claiming \$1,477,552.92, brought under charter provisions of the Merchant Ship Sales Act of 1946, were dismissed or closed by stipulated judgments or negotiated settlements by the Government paying \$1,335.92, and the charterers paying \$1,039,578.05 inclusive of \$90,367.54 interest.

There were pending 26 libels against the United States for a claimed total of \$12,520,706.30, and 25 libels by the United States for a claimed total of \$5,245,487.61, which also involved about 20 other less important issues.

Tax Cases

On the basis of a Supreme Court decision in favor of the United States on a tax issue involving settlements under Section 9 of the Merchant Ship Sales Act of 1946 (petition for rehearing pending), motions were filed by the Government for summary judgment in several cases.

Delta Steamship Lines had two suits pending against the Government, one claiming refund of subsidy recapture, on the ground that allowable return should be computed on the basis of a greater amount as capital necessarily employed; the other to compel revision of General Order 24, which required that vessels be valued at statutory sale prices and not at original purchase prices.

Westhampton Case

On April 5, 1965, the United States Court of Appeals, Fourth Circuit, issued a decision in *Chemical Bank New York Trust Company, Trustee, Mortgagee v. Steamship Westhampton* (Nos. 9637 and 9638), which held that a mortgage given to a U.S. citizen trustee, securing a single bond held by a noncitizen, was not a "valid" mortgage as referred to in the Ship Mortgage Act, 1920 as amended, and therefore not entitled to preferred status under that Act, because the bond issue had not been approved under Section 37 of the Shipping Act, 1916, as amended.

In recent years Maritime has taken the position, in reliance on its interpretation of the shipping statutes, their legislative history and objectives, and consistent with prior judicial decisions, that the U.S. citizenship of the trustee/mortgagee in trust indenture financings was controlling of the preferred status of mortgages under the 1920 Act without inquiry as to the citizenship of bondholders, and has regarded approval under Sections 9 and 37 of the 1916 Act to be unnecessary irrespective of the number of holders.

The *Westhampton* decision is of great concern to the shipping industry and to the Maritime Administration, both from the standpoint of ship financing and protection of ships from alien control. As of June 30, 1965, trust indenture financings were used in 59 of the contracts under the Federal Ship Mortgage Insurance Program. These contracts had an aggregate contingent insurance liability in excess of \$295 million. Trust indenture financing has proven to be the least expensive method of financing ships for the American Merchant Marine.

While the *Westhampton* case was not finally determined at the end of the year, legislation was introduced designed to cure the problems raised by the decision.

Bankruptcies and Foreclosures

The Government has filed claims in excess of \$4 million in the Chapter X Bankruptcy Proceedings involving eight Kulukundis corporations, based on third-party notes guaranteed by three of the debtor corporations and payable to three Kulukundis corporations not involved in the bankruptcy proceedings but having Title XI contracts on the SSs *Titan*, *Achilles*, and *Atlas*.

The Government moved for consolidation of all proceedings and merger of assets and liabilities of the eight debtor corporations, and was preparing to resist the motion of the trustees in bankruptcy to expunge Maritime's claims.

Libels by the United States to foreclose preferred mortgages on the *Titan* and *Gold Stream* were still pending, because of claims by intervenors against proceeds of judicial sales of the vessels.

The following table lists the nature, number, and amounts involved in suits and nonlitigated claims in which Maritime had an interest, and their status at the end of the year:

Table XII

SUITS AGAINST THE U.S. GOVERNMENT

Subject	Number	Claim	Status
SETTLED			
Injury, illness, cargo, and other damage suits (under suits in Admiralty Act).	Fourteen.....	\$760,000.00	Settled for \$56,350, of which \$8,450 was paid by the Government.
Subsidy claim.....	One.....	4,717,090.89	Settled in Government favor for \$11,200.
PENDING			
Personal injury claims (under Federal Tort Claims Act).	One.....	\$100,000.00	Pending.
Renegotiation claim.....	One.....	3,250,000.00	Pending.
Tax claims.....	Six.....	4,447,879.18	Pending final decision by U.S. Supreme Court.
Patent violation.....	One.....	97,500.00	Pending.
Refund of subsidy recapture.....	Two.....	3,179,187.87	Pending.

SUITS BY THE U.S. GOVERNMENT

Subject	Number	Claim	Status
SETTLED			
Cargo damage and collision libels (under suits in Admiralty Act).	Two.....	\$20,610.49	Settled for \$24,670.21 including interest.
Miscellaneous claims.....	Four.....	274,261.89	Settled or compromised for \$243,160.00, of which \$232,500.00 went to the Internal Revenue Service.
PENDING			
Tax claims.....	Two.....	\$4,442,839.82	Pending.
Claims resulting from Foreclosure and Bankruptcy Proceedings.	Four.....	5,572,661.60	Pending.
Miscellaneous claims (including those for the misappropriation of property, renegotiation of indebtedness, and breach of contract).	Six.....	43,420.75	Pending.

NONLITIGATED CLAIMS

Subject	Number	Claim	Status
BY THE GOVERNMENT			
Hull damage, boom damage and consumer stores.	Five.....	\$12,131.80	Settled by payment of \$8,427.05.
AGAINST THE GOVERNMENT			
Builder's risk claims.....	Twenty-four.....	\$41,637.90	Settled for \$39,757.68.
Personal injury or illness.....	Twenty-eight.....	183,000.00	Settled for \$11,047.81 of which \$1,148.77 was paid by underwriters.
Miscellaneous claims (including dock damage, death and personal effects claims).	Twelve.....	42,450.00	Settled or compromised for \$42,200.

MARITIME SUBSIDY BOARD

Organization and Functions

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

Board Decisions

All decisions and orders of the Board during the year became final except in two cases:

- (1) On July 31, the Board issued a decision granting additional sailings on Trade Route 12 for three applicants—United States Lines, American Export Isbrandtsen Lines, and Waterman Steamship Corp., in a consolidated action. The Secretary of Commerce took review upon his own motion on August 20, and remanded the case to the Board on December 14, for reconsideration on three of the seven findings. The Board, after reconsidering the entire record, the briefs submitted to the Secretary, oral argument held on February 11, and the guidelines established by the Secretary, issued a decision which was published and served on April 30, and which became final on May 20. (Dockets Nos. S-147, S-156 and S-157.)

- (2) In regard to foreign repairs and use of foreign materials in violation of Section 606(7) of the 1936 act, the Board, on February 2, approved revised General Order No. 99, and on March 24 denied a petition from the Committee of American S.S. Lines for reconsideration. The Secretary of Commerce took the case under review at CASL's request, and on April 19, 1965, set aside the Board action and remanded the case to the Board for further proceedings in accordance with instructions. This matter was pending final Board action at the end of the fiscal year.

Policy Proposals

A number of important policy proposals and decisions were made by the Maritime Subsidy Board during the year. Among them were:

The Maritime Subsidy Board notified the subsidized operators by circular letter that it was becoming increasingly concerned with the scope and cost of the bargaining agreement provisions involving pension, welfare, vacation and similar contributions. The Board said it would not accept for subsidy ratemaking, accrual, or accounting, any contributions to such funds provided for in bargaining agreements not acted upon by the Board as of January 7, 1965, nor any further increases of contributions to such funds under previously approved agreements until complete and detailed justification was submitted to the Board, including copies of actuarial studies disclosing the need for contributions by the lines and the need for the reserve amounts retained in the funds, together with a complete statement as to the status of and disposition of moneys from the funds.

On March 2, 1965, the Board published a notice in the Federal Register that it was reaffirming and clarifying certain of its existing policies and was considering establishment of new policies on new vessel designs and changes under contracts on vessels under construction-differential subsidy. The Board indicated that applicants for construction-differential subsidy should duplicate designs of ships previously approved by the Board for subsidized ship construction, except for such variations as are necessary to optimize the economic utilization of mechanization and labor-saving equipment with the potential of reducing the total of operating- and construction-differential subsidy projected over the life of a ship, or of producing a return to the owner of at least 10 percent per annum after taxes over the life of the investment. Value engineering provisions were to be included in all construction contracts, and if mandatory items were not acceptable to the owner, the difference in cost between the value-engineered and installed item would be borne by the owner. Subsidy for changes under contract would be allowed only when the net effect of the change would reduce cost of operating and/or construction subsidy, comply with a change in requirements of a regulatory body, or correct a deficiency in design which is clearly essential. The Board indicated, however, that it would in exceptional cases authorize subsidy or research and development grants for new ship concepts or individual ship features whose economic justification lie in the possibility of

future major advances in ship construction or operation, and which in the Board's judgment may lead to greater efficiency and economy.

The Board published a notice in the Federal Register on May 28, 1965, that it was contemplating promulgation of an interpretative regulation concerning Section 605(c) of the Merchant Marine Act, 1936, as amended. The interpretation would find that "service already provided by vessels of U.S. registry" is "inadequate" if the existing U.S.-flag services carry less than 50 percent of the commercial cargoes practically attainable by U.S.-flag vessels (exclusive of military and cargo preference cargoes) moving on a service, route, or line. Where such inadequacy is found, additional U.S.-flag service would be in accomplishment of the "purposes and policy" of the act. The Board would determine administratively which applicant or applicants, if any, would be best qualified to provide the additional services required.

By a circular letter the Board suggested to all subsidized operators the possibility of reducing overhead expense by consolidating certain passenger operation activities. Passenger ship operators were asked to give active consideration to consolidations and to advise the Board at regular intervals as to progress made and efforts undertaken to improve the economy and effectiveness of passenger ship operations.

On June 24, the Board published a notice in the Federal Register of a proposed "statement of general policy" relative to its evaluation of applications for construction-differential subsidy. The Board indicated that in order to provide for the maximum expansion of the American Merchant Marine, in number of vessels and shipping capability, it intends in allocating Federal financial assistance for construction or reconstruction of vessels to give priority to those proposals which it considers will utilize such appropriations to obtain the greatest shipping capability and productivity possible. The policy would apply prospectively only, in the request for and allocation of future appropriations and of funds subsequently made available by voluntary reprogramming of replacement schedules.

Proceedings Before Hearing Examiners

At the beginning of the year, there were five proceedings pending before the Administration's Hearing Examiners for which hearings had been held but initial decisions had not yet been rendered. During the year 17 hearings were completed and 15 initial decisions rendered, leaving only 2 initial decisions and 5 hearings pending at the close of the fiscal year.

The proceedings processed by the Office of Hearing Examiners fall generally into two categories: operating subsidy matters and ship-building contract appeals. Among the completed subsidy proceedings were three cases involving statutory hearings pursuant to Section 605(c) of the Merchant Marine Act of 1936, as amended, which requires that before operating subsidy may be paid on a route already served by an intervening U.S. operator, hearings must be held and a determination made that the existing service is inadequate and that

the proposed subsidy will accomplish the purposes and policy of the Act. The completed cases were:

- (1) Application of American Export Isbrandtsen Lines for an amendment of its operating-differential subsidy agreement to authorize privilege calls at the Canary Islands on Trade Route 10, with the combination passenger-cargo vessels, the SS *Exeter* and *Excalibur*, and the substitution of all-freighter vessels. The application was opposed by Farrell Lines on the ground that the existing service was adequate, that the proposed additional competition was not needed and would adversely affect American Export's present and future service, and, as such, would not be in the accomplishment of the purposes and policy of the Merchant Marine Act. The hearing examiner found in favor of the application in an initial decision which was subsequently affirmed by the Board (Docket S-167).
- (2) Application by American Mail Line, Ltd., to remove cargo restrictions from its subsidized services from the Philippine Islands to California ports. The application was opposed by Pacific Far East Lines on the ground that the existing U.S.-flag service was adequate and that a grant of the application would adversely affect the subsidy recapture position of PFEL. The hearing examiner recommended in favor of the applicant and subsequently the Maritime Subsidy Board affirmed his initial decision (Docket S-169).
- (3) Application of American President Lines, Ltd., for an amendment to its operating-differential subsidy agreement authorizing the addition of three vessels in flexible service on Trade Routes 12, 17, and 29 (U.S. Atlantic and Pacific—Far East, and Indonesia—Malaysia ports). The application was opposed by United States Lines, Pacific Far East Lines, American Export Isbrandtsen Lines and Waterman Steamship Co. generally on the grounds that the requested flexibility would subject the intervenors to substantial adverse competition at the whim of the applicant, not only for commercial cargoes, but also for military revenues, thereby inflicting serious financial injury upon them. The hearing examiner recommended in favor of the position of the intervenors, finding that the degree of flexibility requested by the applicant could not legally be attained without amendment of the Merchant Marine Act of 1936 (Docket S-164). At the close of the fiscal year the matter was under review by the Maritime Subsidy Board.

At the close of the fiscal year there were three other proceedings involving subsidized carrier operations in which hearings had been held but which had not progressed to the Board level.

- (1) Applications of Lykes Bros. Steamship Co., Prudential Lines, and Central Gulf Steamship Co., for amendments to operating-differential subsidy contracts of two of the applicants and a new contract for Central Gulf involving additional

subsidized sailings on Trade Routes 10 and 13 (U.S. Atlantic and Gulf-Mediterranean and Black Sea ports). The applications were opposed by American Export Isbrandtsen Lines and Waterman Steamship Co. The hearing examiner issued an initial decision favoring Lykes Bros. but adverse to the interests of Prudential Lines and Central Gulf. Because of a lack of data in the record relating to Government-sponsored cargo, the Board reopened and remanded the proceeding to take further testimony on the volume of such cargoes flowing over the routes in question. At the end of the fiscal year the reconvened hearing was in progress (Docket S-153 et al.).

- (2) Applications by Central Gulf Steamship Corp. for an operating-differential subsidy contract authorizing 36-40 sailings annually on Trade Route 18, U.S. Gulf/Atlantic, India, Pakistan, Persian Gulf, and the Red Sea by 11 subsidized vessels and by American Export Isbrandtsen Lines for 30 additional sailings with 6 subsidized vessels on Trade Route 18 also from the U.S. Gulf. The applications were opposed by American President Lines and Waterman Steamship Co. At the end of the fiscal year the hearing had been completed and an initial decision was being prepared. (Docket S-76 Reopened et al.).
- (3) During the year, an investigation was instituted by the Maritime Administration to determine the essentiality of all Great Lakes foreign trade routes for operating subsidy purposes. Several of the routes emanating from the Great Lakes area had been served by subsidized U.S.-flag carriers on an experimental basis for a 4-year period ending December 31, 1964. The investigation concerned the renewal, modification, or termination of Maritime's designation of these routes as essential for subsidized service. The carriers participating in the proceeding were Farrell Lines, Moore-McCormack Lines, American Export Isbrandtsen Lines, States Marine-Isthmian Lines and Waterman Steamship Co. Witnesses representing the States of Michigan and Illinois, the cities of Detroit, Chicago, Duluth, Buffalo, Cleveland, Toledo, and Rochester, the Chicago and Northwestern Railway Co. and the North Atlantic Ports Association presented evidence at the hearing. At the close of the fiscal year the hearing had been completed, proposed findings and conclusions had been filed, and the report of the hearing examiner was under preparation.

Five proceedings involved applications under Section 805(a) of the Merchant Marine Act of 1936, which requires written permission of the Maritime Administration for subsidized carriers to engage in domestic, coastwise, and intercoastal service. These proceedings involved three applications by Moore-McCormack Lines to time-charter vessels to unsubsidized carriers for specific intercoastal voyages; an American Export Isbrandtsen application to operate a tanker vessel in domestic coastwise service; and an application by

Oceanic Steamship Co. to operate a combination passenger-cargo vessel owned by its parent company, Matson Navigation Co., between Los Angeles and San Francisco. The hearing examiner assigned to the proceedings recommended approval of each application, and each recommendation was affirmed by the Maritime Administration.

Settlement of a dispute between American President Lines, Ltd., and the Division of Operating Costs, Office of Government Aid, over the proper amount of operating subsidy earned by the carrier's combination passenger-cargo vessels operating in transpacific service during the year 1960 was being negotiated. The proceeding arose under Section 606(1) of the act, which requires a hearing prior to determination by the Maritime Subsidy Board if the parties fail to reach agreement.

During the year, eight shipbuilding contract disputes were processed, in which five initial decisions were issued.

These proceedings involved:

- (1) An appeal by National Steel & Shipbuilding Co. from a decision of the Contracting Officer, concerning the proper number of days of excusable delay in the construction of two C-4 vessels for States Steamship Co. resulting from a shipyard strike, was heard and initially decided by a hearing examiner acting in the capacity of Maritime Subsidy Board representative. The report modifying the decision of the Contracting Officer was subsequently affirmed by the Board, no exceptions having been filed (Docket CA-6).
- (2) A dispute between Moore-McCormack Lines and Todd Shipyards relating to a rigging padeye failure resulting in damage to a winch and tail shaft estimated at \$11,000. The motion to dismiss the appeal was granted without prejudice by the Maritime Subsidy Board representative. Subsequently, the ruling was affirmed in substance by the Board (Docket CA-7).
- (3) An appeal by Puget Sound Bridge & Dry Dock Co. from a decision of the Contracting Officer denying a change order to increase the contract price by \$14,276.58 on account of additional labor and materials required to correct interferences between propulsion shafting and stanchions on MA Hull No. 167. After a hearing, a report of the Administrator's representative was issued favoring the position of the appellant. Exceptions were pending before the Administrator at the close of the year (Dockets CA-8 and 12).
- (4) An appeal by Pacific Far East Line, Inc., from decisions of the Contracting Officer relieving Bethlehem Steel Co., the shipbuilder, from responsibility for corrections of, or reimbursement for, alleged defective boilers and excessive vibration on the SS *Philippine Bear* and overtime charges in connection with the construction of a special flushing and lube oil system on the SS *China Bear*. A decision of the representative affirming but reversing in part the decision

of the Contracting Officer was issued. No exceptions were taken by any of the parties to the report (Docket CA-11).

- (5) An appeal by Marietta Manufacturing Co., from decisions of the Contracting Officer, (a) limiting an extension of contract delivery dates for the construction of two hydrographic survey ships to 193 days instead of the requested 455 days for each vessel and, (b) finding that events of default under the contract had occurred, was heard and a report of the Maritime representative confirming the decisions of the Contracting Officer was issued. Action by the Administrator was pending (Docket CA-15).

At the close of the year there were two interlocutory appeals from rulings of Maritime Representatives pending before the Board (Dockets CA-3 and CA-19) and five appeals pending hearing before a Representative (CA-10, 16, 18, 22 and 23).

The world's first nuclear ship NS SAVANNAH received an enthusiastic welcome on her trips abroad. Here the ship is shown entering Piraeus harbor.



INTERNATIONAL AFFAIRS

The Maritime Administrator headed the U.S. delegation to the 17th meeting of the NATO Planning Board for Ocean Shipping held in London in April. The Board worked on coordinated plans for an Allied wartime shipping agency.

The Maritime Administrator visited Norway, Denmark, and Sweden in August and September aboard the NS *Savannah*. He met and discussed shipping problems with Scandinavian shipping leaders.

Two Maritime Administration officials participated in Civlog 65, a NATO civil wartime agency exercise held in Paris during May.

The President having proclaimed 1965 as International Cooperation Year in the United States, Maritime acted as coordinating agency for ICY's Transportation Committee. It was responsible for coordinating U.S. action to simplify shipping paperwork, promote travel and tourism; develop worldwide improved port, terminal, and general transportation facilities, especially those in underdeveloped nations; and for current maritime research activities in ship structures, biological fouling and corrosion of ships' hulls, integrated container cargo handling, nuclear merchant vessels, prevention of sea pollution by oil, and efficient safety and navigation standards. The Transportation Committee planned to submit its segment of the ICY report to the President for consideration at the White House ICY conference in November 1965.

The project for the reorganization of the Indonesian Merchant Marine Academy was terminated and all personnel withdrawn by May 3. A new project to advise the Vietnamese Government on cargo handling and inland waterway transportation was begun in Saigon with a one-man staff in May. This project was scheduled to run through the end of fiscal year 1967, possibly with an expanded staff.

Maritime sent representatives to the fifth meeting of the Permanent Technical Committee on Ports of the Organization of American States in April at Lima, Peru. Principal actions taken concerned technical port training, determining and applying safety standards,

and precautionary measures regarding the entry and stay of nuclear-powered ships in ports. The meeting approved the draft of an Annex to the Inter-American Convention of Facilitation of International Waterborne Transportation.

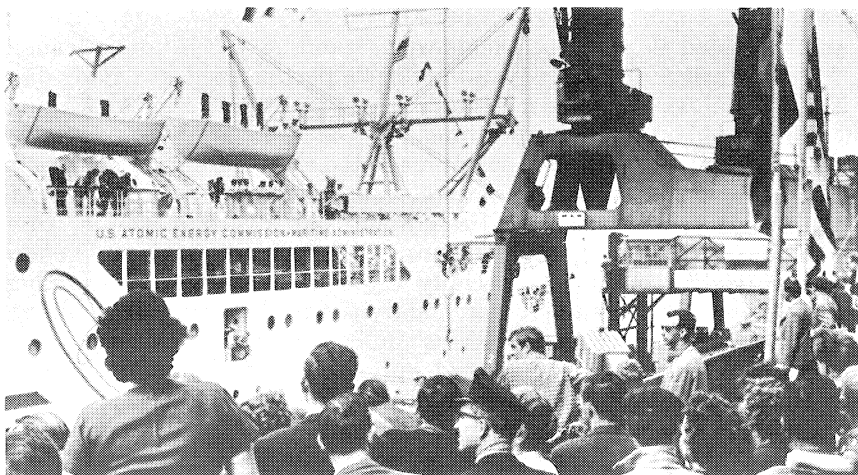
Foreign transport officials, under Maritime Administration sponsorship, toured major U.S. ports throughout the year, observing port and dock operations and methods.

Maritime representatives participated in the joint United States/Canada Study Group meeting on Transportation Emergency Planning held in Ottawa in February, which formulated major recommendations for the planning and availability of transportation services in the event of a nuclear war.

Maritime was also represented at an international meeting sponsored by the Organization for Economic Cooperation and Development to study preservation of materials in the marine environment. The final report on hydrological and biological research conducted at European and United States of America testing stations was approved and will be published in 1965. The second publication on marine fouling was released, and three additional publications were in process.

(top) Crowds greet the SAVANNAH at Southhampton.

(bottom) Part of the collection of gifts presented to the ship.



SHIPPING STUDIES AND REPORTS

Special shipping studies published during the year include:

1. "Relative Cost of Shipbuilding in the Various Coastal Districts of the United States," Report to the Congress; 27 pp.; U.S. Department of Commerce; 50¢.
2. "Ore Carriers and Ore/Oil Carriers In the World Fleet," as of December 31, 1964; 27 pp.; U.S. Department of Commerce; 25¢.
3. "World Fleet of Liquefied Petroleum Gas Tankers and Liquefied Natural Gas Tankers" (oceangoing ships 1,000 gross tons and over); as of March 31, 1964; 3 pp.; Maritime Administration.
4. "Changing Patterns in U.S. Trade and Shipping Capacity"; 32 pp.; Government Printing Office; 25¢.
5. "Survey of the Ports of Alaska" (March 1965) 102 pp.; Maritime Administration.
6. "United States Seaports, Gulf Coast," Port Series, Part I; 151 pp.; Government Printing Office; 75¢.
7. "Surface-Effect Ships—A New Era In Commercial Ocean Transportation" (a paper by James Higgins, Office of Research and Development, presented before the Society of Automotive Engineers, April 14, 1965) 29 pp.; Maritime Administration.
8. "Gateway to Your Future" (Marad's Management Intern Program) 13 pp.; Maritime Administration.
9. "Subsidies to Shipping by Eleven Countries"—prepared for the Joint Economic Committee, Congress of the United States, and published as Paper No. 6—Economic Policies and Practices, Government Printing Office; 15¢.
10. "Aids granted by the Canadian Government to its Maritime Industries"—Maritime Administration.

Recurring Statistical Reports:

1. "Domestic Oceanborne and Great Lakes Commerce of the United States for 1963," 123 pp.; Government Printing Office (annual); 75¢.
2. "Dry Cargo Service and Area Report," 7 pp. (quarterly).
3. "Employment Report of U.S.-Flag Merchant Fleet Ocean-going Vessels 1,000 Gross Tons and Over," 9 pp. (quarterly).
4. "Merchant Fleets of the World," 18 pp.; Government Printing Office 15¢; (semiannual).
5. "United States and Canadian Great Lakes Fleets, Steam and Motor Ships of 1,000 Gross Tons and Over," 14 pp. (annual).
6. "Oceangoing Merchant Ships of 1,000 Gross Tons and Over Lost and Scrapped During Calendar Year 1964"; 13 pp. (annual).
7. "Oceangoing Foreign Flag Merchant Type Ships of 1,000 Gross Tons and Over Owned by U.S. Parent Companies as of December 31, 1964," 20 pp. (semiannual).
8. "Vessel Inventory Report—United States Flag Dry Cargo and Tanker Fleets 1,000 Gross Tons and Over as of December 31, 1964"; 153 pp. (semiannual).
9. "New Ship Construction (Oceangoing Ships of 1,000 Gross Tons and Over in U.S. and Foreign Shipyards) as of December 31, 1964"; 16 pp. (semiannual).

Research Reports

The following research reports, which may be obtained from the Clearinghouse for Federal Scientific and Technical Information, Springfield, Va., 22151, were published during the year under contract with the Maritime Administration:

1. "Effect of Initial Deflections on Ship Plating Performance Under Compression—Theory and Experiment," prepared by the University of California; PB 168-318; \$2.
2. "Operational Analysis of Abandonment of Merchant Ships at Sea," prepared by Dunlop and Associates, Inc.; PB 166-365; \$4.
3. "Simulation and Analysis of Segmented Cargo Ship Operation," by the Massachusetts Institute of Technology; PB 166-666; \$6.
4. "User Manual for the MarAd Fleet Operations Simulation," 4 volumes, prepared by A. D. Little, Inc.; PB 166-593, (\$2);-596, (\$7);-597, (\$6);-598, (\$3).
5. "Integrated Gas Turbine Power Plant Design Study" prepared by General Electric Co. and George G. Sharp, Inc.
6. "Axial Flow Reversing Turbine Study," prepared by General Electric Co.
7. "Research Program in the Seakeeping Qualities of Ships," prepared by the Massachusetts Institute of Technology.
8. "A Functional Analysis of the Ocean Port," prepared by Operations Research, Inc.; PB 166-577; \$3.

9. "Federal Policy for United States Ports," prepared by Operations Research, Inc.; PB 166-578, \$3.
10. "Noble Gas Recovery Study—Maritime Nuclear Ship *Savannah*," prepared by Air Reduction Co., Inc.
11. "The Use of Maneuvering Propulsion Devices on Merchant Ships," prepared by Robert Taggart, Inc.; PB 167-212N, \$5.

Miscellaneous

- "Rules of Practice and Procedure"; Government Printing Office, 20¢.
- "This Is Marad," 32 pp, Government Printing Office, 40¢.
- "Index of Current Regulations of the Maritime Administration, Maritime Subsidy Board and National Shipping Authority," Government Printing Office, 30¢.

APPENDIX I

MERCHANT FLEETS OF THE WORLD

Oceangoing Steam and Motor Ships of 1,000 Gross Tons and Over as of June 30, 1965

(Excludes ships operating exclusively on the Great Lakes and inland waterways, special types and merchant ships owned by any military force.)

[Tonnage in thousands]

Country of registry	Total			Combination passenger and cargo			Combination passenger and cargo refrigerated			Freighters			Freighters refrigerated			Bulk carriers			Tankers (including whaling tankers)		
	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons
Total—all countries	18,096	146,698	209,037	1,049	8,518	5,206	45	710	426	10,959	60,899	86,102	647	3,532	3,689	1,873	18,626	28,317	3,523	54,413	85,297
United States	2,449	21,203	28,963	234	2,239	1,534	4	57	37	1,753	13,223	18,406	47	259	266	60	663	1,076	351	4,762	7,644
Privately owned	954	10,159	14,665	27	385	235	4	57	37	567	4,817	6,537	18	110	104	59	656	1,065	279	4,134	6,687
Government-owned ¹	1,495	11,044	14,298	207	1,854	1,299				1,186	8,406	11,869	29	149	162	1	7	11	72	628	957
The British Commonwealth:																					
United Kingdom	2,056	19,680	26,041	97	1,419	799	27	547	328	1,049	6,671	8,985	161	1,446	1,605	282	2,080	2,926	440	7,517	11,398
Australia	104	563	762	6	24	17				44	129	167				43	284	392	11	126	186
British Colonies	188	1,106	1,571	23	88	74				136	762	1,120	4	22	31	14	141	208	11	93	138
Canada	60	239	252	20	63	21				16	38	47	2	2	2	6	36	49	16	100	133
Cyprus	10	66	99	1	2	1				8	55	85							1	9	13
Ghana	16	108	142							16	108	142									
India	199	1,430	2,070	12	66	68				169	1,040	1,510				11	214	320	7	110	172
New Zealand	58	201	232	3	21	4	3	12	9	45	151	200	1	2	2	5	12	14	1	3	3
Nigeria	10	59	93							9	56	89				1	3	4			
Pakistan	52	366	503	6	57	44				42	282	417				3	16	26	1	11	16
Others	13	62	82	2	4	3				7	34	53	2	12	9				2	12	17
Argentina	161	1,094	1,457	14	95	72	3	27	20	68	377	522	6	18	18	4	24	32	66	553	793
Belgium	78	740	1,012	4	44	37				49	321	420	4	17	16	6	83	120	15	275	419
Brazil	225	1,120	1,575	17	91	76				144	549	800	2	7	7	16	63	87	46	410	605
Bulgaria*	42	241	357	1	6	2				26	122	186				6	35	53	9	78	116
Chile	48	267	374	6	25	27				26	110	149				9	53	77	7	79	121
China (Taiwan)	109	669	937	3	16	16				85	528	760	11	39	34	1	3	4	9	83	123
China (Communist)*	163	627	834	18	48	32	2	17	10	108	444	630	1	1	2	18	54	70	16	63	90

Columbia	24	118	158							23	115	154								1	3	4
Cuba*	29	128	177							26	122	170								1	1	1
Czechoslovakia*	12	93	137							10	63	92								1	17	25
Denmark	337	2,394	3,464	21	54	30				228	1,107	1,519	17	62	73	15	199	297	56	972	1,545	
Finland	241	947	1,400	7	19	7				182	550	826				19	51	73	33	327	494	
France	561	4,790	6,336	42	447	224	2	25	10	266	1,349	1,775	36	165	144	59	502	699	156	2,302	3,483	
Germany (West)	833	4,865	6,932	18	176	116	1	2	1	639	2,782	4,046	61	203	213	67	867	1,267	47	835	1,289	
Germany (East)*	84	530	725	5	43	31				58	293	422	2	10	6	9	90	123	10	94	143	
Greece	880	6,980	10,092	46	362	177	1	14	9	624	3,774	5,572	13	59	56	82	1,018	1,526	114	1,753	2,752	
Haiti	12	89	130							9	62	90				2	14	22	1	13	18	
Honduras	17	64	85							11	38	62	6	26	23							
Hungary*	13	16	16							13	16	16										
Iceland	23	59	75	3	7	4				10	19	28	8	20	23	1	2	3	1	11	17	
Indonesia	118	364	425	28	104	70				75	205	278							15	55	77	
Ireland	20	136	185							15	88	116				2	21	30	3	27	39	
Israel	81	554	684	6	73	27				61	288	391	5	24	23	8	156	224	1	13	19	
Italy	590	5,246	6,960	72	784	291				263	1,310	1,934	15	65	60	94	1,136	1,684	146	1,951	2,991	
Japan	1,301	9,771	14,618	29	124	95				826	4,315	6,171	38	160	181	186	1,580	2,437	222	3,592	5,734	
Korea (South)	32	122	185	1	1	2				27	109	167				1	2	3	3	10	13	
Lebanon	156	813	1,235							142	765	1,162				14	48	73				
Liberia	1,240	17,424	28,506	9	86	46				480	3,296	4,905	6	21	22	238	3,320	5,877	507	10,701	17,656	
Mexico	42	246	364							16	56	81	2	5	5	3	10	15	21	175	263	
Morocco	13	50	70							11	44	65	2	6	5							
Netherlands	494	4,344	5,853	40	447	355				318	2,005	2,676	15	37	40	27	320	459	94	1,535	2,323	
Norway	1,372	14,937	22,573	25	112	53	2	9	2	623	3,403	4,807	29	115	112	215	2,986	4,452	478	8,312	13,084	
Panama	547	4,393	6,823	16	132	73				344	1,568	2,362	8	25	23	34	239	379	145	2,429	3,986	
Peru	27	126	187	1	6	7				21	95	140						5	25	40		
Philippines	88	469	645	8	18	18				70	426	592				2	4	6	8	21	29	
Poland*	165	894	1,277	1	14	5				131	742	1,084	5	13	12	22	57	75	6	68	101	
Portugal	90	557	661	22	215	139				55	183	281						13	159	241		
Rumania*	20	91	125	1	7	2				17	59	85						2	25	38		
Saudi Arabia	11	38	52	2	10	10				6	16	25				2	3	4	1	9	13	
South Africa	39	217	305							32	146	198	4	27	40	2	32	49	1	12	18	
Spain	324	1,611	2,127	40	243	162				195	655	938	5	15	19	18	80	114	66	618	894	
Sweden	457	3,979	5,656	10	68	16				259	1,267	1,743	32	207	208	80	1,116	1,624	76	1,321	2,065	
Switzerland	26	194	278							20	138	199	2	3	3	4	53	76				
Turkey	115	601	781	24	114	62				79	375	548				1	2	3	11	110	168	
United Arab Republic	45	202	253	11	56	49				24	70	90						10	76	114		
Uruguay	16	106	162	1	8	10				11	57	88						4	41	64		
U.S.S.R. ² *	1,261	6,681	8,628	79	412	225				709	2,874	3,909	90	426	392	165	838	1,098	218	2,131	3,004	
Venezuela	32	260	370							16	54	80				2	4	6	14	202	284	
Yugoslavia	174	933	1,346	12	64	70				143	729	1,074	1	3	3	7	73	105	11	64	94	
All others	93	425	620	2	4	3				71	271	390	4	10	11	5	21	29	11	119	187	

¹ Excludes 143 non-merchant-type ships which are currently in the National Defense Reserve Fleet.

² Includes 83 U.S. Government-owned ships transferred to U.S.S.R. under lend-lease agreements and still remaining under that registry.

*Source material limited and unreliable.

APPENDIX II

DELIVERIES OF NEW MERCHANT SHIPS DURING THE FISCAL YEAR ENDED JUNE 30, 1965

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

(Excludes ships operating exclusively on the Great Lakes and inland waterways; by the Armed Forces; and special types such as tugs, ferries, cablesips, etc.)

[Tonnage in thousands]

Registry for which built	Total		Japan		United Kingdom		Sweden		Germany (West)		Finland		Spain		Norway		France		All others	
	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons

SUMMARY—ALL TYPES

Total.....	604	14,936	163	6,418	71	1,380	50	1,715	46	1,230	31	191	27	272	24	544	23	706	169	2,480	
United States.....	20	425																	20	425	
United Kingdom.....	73	1,501	2	135	62	1,163	4	146							1	38		1	2	3	17
Denmark.....	17	395	3	207			2	7	2	65										10	116
France.....	14	393							1	5								12	331	1	57
Germany (West).....	18	284							17	280										1	4
Italy.....	11	196																		11	196
Japan.....	60	1,466	60	1,466																	
Liberia.....	79	3,741	56	2,834	2	33			5	259			2	47	3	64	4	286		7	218
Norway.....	80	2,970	10	667			24	1,233	10	450			7	34	19	433	3	65	7	88	
Sweden.....	14	388	2	131			11	251	1	6											
U.S.S.R.*.....	101	1,255	9	203			9	78	4	20	20	118								59	836
All others.....	117	1,922	21	775	7	184			6	145	11	73	18	191	1	9	3	22	50	523	

Total.....	381	5,131	73	1,523	54	750	22	258	36	631	23	146	20	155	14	210	11	163	128	1,295
United States.....	15	192																	15	192
United Kingdom.....	51	686	1	39	46	622	1	8											3	17
Denmark.....	9	117							2	65									7	52
France.....	7	60							1	5							6	55		
Germany (West).....	17	221							16	217									1	4
Italy.....	9	179																	9	179
Japan.....	37	393	37	393																
Liberia.....	33	962	20	633	2	33			2	72			2	47	3	64	1	27	3	86
Norway.....	35	645	2	147			3	51	6	183			7	34	10	137	1	59	6	34
Sweden.....	12	258	2	131			9	121	1	6										
U.S.S.R.*.....	72	553	2	24			9	78	4	20	14		92						43	339
All others.....	84	865	9	156	6	95			4	63	9	54	11	74	1	9	3	22	41	392

TANKERS

Total.....	214	9,747	90	4,895	17	630	28	1,457	10	599	8	45	5	109	10	334	12	543	34	1,135
United States.....	5	233																	5	233
United Kingdom.....	22	815	1	96	16	541	3	138							1	38	1	2		
Denmark.....	8	278	3	207			2	7											3	64
France.....	7	333																	1	57
Germany (West).....	1	63							1	63										
Italy.....																				
Japan.....	23	1,073	23	1,073																
Liberia.....	46	2,779	36	2,201					3	187										
Norway.....	45	2,325	8	520			21	1,182	4	267					9	296	3	259	4	132
Sweden.....	2	130					2	130											1	54
U.S.S.R.*.....	27	692	7	179							6	26							14	487
All others.....	28	1,026	12	691	1	89			2	82	2	19	5	109					6	108

COMBINATION PASSENGER AND CARGO SHIPS

Total.....	9	58											2	8						7	50
United States.....																					
United Kingdom.....																					
Denmark.....																					
France.....																					
Germany (West).....																					
Italy.....	2	17																		2	17
Japan.....																					
Liberia.....																					
Norway.....																					
Sweden.....																					
U.S.S.R.*.....	2	10																		2	10
All others.....	5	31											2	8						3	23

*Source material limited and unreliable.

NOTE: Twenty vessels of 425,000 dwt. were built in U.S. yards; 18 vessels of 325,000 dwt. were built in Denmark; 17 vessels of 430,000 dwt. were built in Italy; and 21 vessels of 369,000 dwt. were built in U.S.S.R.

APPENDIX III

SUBSIDIZED AND SELECTED UNSUBSIDIZED OPERATORS

Combined Condensed Balance Sheets December 31, 1964. See Note. (Stated in thousand dollars)

	Subsidized	Unsubsidized	
		Tanker	Cargo
ASSETS			
CURRENT ASSETS:			
Cash.....	\$36, 873	\$17, 156	\$28, 323
Other.....	225, 170	31, 578	98, 371
	262, 043	48, 734	126, 694
SPECIAL FUNDS AND DEPOSITS.....	310, 839	11, 676	1, 391
INVESTMENTS.....	18, 916	20, 150	44, 665
DEFERRED ODS RECEIVABLE (see contra).....	4, 181		
PROPERTY AND EQUIPMENT—NET DEPRECIATION:			
Vessels.....	687, 379	251, 238	59, 678
Other.....	52, 760	16, 626	54, 729
	740, 139	267, 864	114, 407
OTHER ASSETS.....	63, 710		31, 725
Total assets.....	1, 399, 828	348, 424	318, 882
LIABILITIES AND NET WORTH			
LIABILITIES:			
Current liabilities.....	133, 258	24, 974	90, 272
Voyages in progress—net.....	44, 617	4, 923	20, 262
Long-term debt.....	291, 032	232, 887	44, 235
Other liabilities.....	18, 495	16, 953	31, 243
Deferred ODS (see contra).....	4, 181		
Operating reserves.....	18, 251	1, 914	8, 415
Total liabilities.....	509, 834	281, 651	194, 427
NET WORTH:			
Capital stock.....	123, 322	28, 706	42, 039
Surplus.....	766, 672	38, 067	82, 416
Total net worth.....	889, 994	66, 773	124, 455
Total liabilities and net worth.....	\$1, 399, 828	\$348, 424	\$318, 882

SUBSIDIZED AND UNSUBSIDIZED OPERATORS

Combined Condensed Income and Surplus Accounts, December 31, 1964. See Note. (Stated in thousand dollars)

	Subsidized	Unsubsidized	
		Tanker	Cargo
WATER-LINE OPERATING REVENUE.....	\$790, 113	\$83, 756	\$488, 881
WATER-LINE OPERATING EXPENSE—NET:			
Wages.....	220, 717	11, 710	61, 740
Depreciation.....	41, 480	15, 365	20, 731
Overhead.....	94, 400	4, 499	55, 869
Other.....	561, 282	40, 028	330, 590
Operating-differential subsidy.....	(206, 664)		
	711, 215	71, 602	468, 930
GROSS PROFIT FROM SHIPPING OPERATIONS.....	78, 898	12, 154	19, 951
OTHER INCOME.....	14, 691	5, 114	6, 387
	93, 589	17, 268	26, 338
OTHER DEDUCTIONS FROM INCOME:			
Interest expense.....	12, 239	11, 815	3, 598
Other.....	2, 902	1, 959	1, 173
	15, 141	13, 774	4, 771
NET PROFIT FROM SHIPPING OPERATIONS.....	78, 448	3, 494	21, 567
PROFIT (LOSS) FROM NONSHIPPING OPERATIONS.....	19		(293)
NET PROFIT BEFORE FEDERAL INCOME TAXES.....	78, 467	3, 494	21, 274
PROVISION FOR FEDERAL INCOME TAXES.....	23, 826	(425)	10, 340
NET PROFIT AFTER FEDERAL INCOME TAXES.....	54, 641	3, 919	10, 934
ADD SURPLUS—BEGINNING OF YEAR.....	722, 200	33, 484	80, 651
Total surplus available.....	776, 841	37, 403	91, 585
DEDUCT:			
Dividends.....	19, 139	4, 003	7, 863
Other surplus adjustments—net.....	¹ (3, 970)	² (4, 667)	³ 1, 306
	10, 169	(664)	9, 169
SURPLUS—END OF YEAR.....	\$766, 672	\$38, 067	\$82, 416

¹ Adjustments include: (\$10,879) capital gains; \$323 stock dividends; \$2,321 subsidy recapture adjustment.

² Adjustments include: (\$3,400) additional paid-in surplus; (\$1,061) reduction in accumulated depreciation from increase in vessel life from 20 to 25 years; (\$206) prior year adjustments.

³ Adjustments include: (\$1,227) capital gains; \$400 stock dividends; \$981 property write-downs; \$1,152 prior year adjustments.

NOTE: The data were obtained from the year end Forms MA-172 filed by 15 subsidized operators and by 27 tanker and 22 cargo operating companies, for fiscal years ending during fiscal year July 1, 1964-June 30, 1965 (321 subsidized ships, 33 tankers, and 177 cargo ships).

APPENDIX IV

EMPLOYMENT OF U.S. FLAG MERCHANT SHIPS AS OF JUNE 30, 1965, OCEANGOING SHIPS OF 1,000 GROSS TONS AND OVER

(Excludes ships on the inland waterways, the Great Lakes, and 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			Vessel type								
				Combination passenger and cargo			Freighters			Tankers		
	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons
Total all ships ¹	2, 425	21, 029	28, 755	² 236	2, 273	1, 558	1, 840	14, 000	19, 561	349	4, 756	7, 636
ACTIVE SHIPS.....	779	8, 152	11, 821	19	269	158	561	4, 813	6, 679	199	3, 070	4, 985
Privately owned.....	761	8, 023	11, 642	19	269	158	543	4, 684	6, 500	199	3, 070	4, 985
Foreign trade.....	492	4, 676	6, 491	18	250	153	427	3, 677	5, 115	47	749	1, 223
Foreign to foreign.....	9	166	268				2	11	16	7	155	252
Domestic trade.....	212	2, 559	3, 905	1	19	4	87	755	1, 008	124	1, 785	2, 892
Other U.S. agency operations.....	48	622	979				27	241	361	21	381	618
Maritime Administration ships.....	18	129	179				18	129	179			
Foreign trade.....	11	82	118				11	82	118			
Foreign to foreign.....												
Domestic trade.....	5	30	48				5	30	48			
Other U.S. agency operations.....	2	16	14				2	16	14			
INACTIVE SHIPS.....	1, 646	12, 878	16, 932	217	2, 005	1, 401	1, 279	9, 188	12, 881	150	1, 686	2, 651
Privately owned.....	193	2, 137	3, 022	12	174	115	101	900	1, 206	80	1, 064	1, 702
Temporarily inactive.....	163	1, 865	2, 620	9	145	90	85	780	1, 022	69	941	1, 508
Laid up.....	30	272	403	3	29	25	16	120	185	11	123	194
Government owned.....	1, 453	10, 741	13, 910	205	1, 831	1, 286	1, 178	8, 288	11, 675	70	622	949
Temporarily inactive.....	7	62	81	1	16	10	4	26	38	2	21	33
National Defense Reserve Fleet.....	1, 446	10, 678	13, 830	204	1, 815	1, 277	1, 174	8, 262	11, 638	68	601	916

¹ Excludes 24 Government-owned ships originally constructed as merchant types but not available for commercial purposes since they are under the custody of the Defense, State, and Interior Departments and 83 U.S. Government-owned ships transferred to U.S.S.R. (lend-lease).

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 type.

NOTE: Tonnage figures are not additive since the detailed figures have been rounded to the nearest thousand.

APPENDIX V

OPERATING-DIFFERENTIAL SUBSIDIES

*Total Subsidies Payable and Expenditures for the Period
January 1, 1947 to June 30, 1965*

Calendar year	Subsidies accrued	Recapture	Net payable	Payments	Payable ¹ June 30, 1965
1937-46	\$48,725,478	\$32,124,267	\$16,601,211	\$16,601,211	
1947	13,438,553	10,228,591	3,209,962	3,209,962	
1948	28,077,303	14,505,998	13,571,305	13,571,305	
1949	44,213,377	14,531,294	29,682,084	29,682,084	
1950	57,873,647	9,247,287	48,626,359	48,626,359	
1951	71,968,636	25,928,163	46,040,473	46,040,473	
1952	89,361,880	25,813,568	63,548,312	63,548,312	
1953	106,296,046	12,955,934	93,340,112	93,340,112	
1954	107,357,156	2,847,388	104,509,769	104,509,769	
1955	115,145,468	11,954,857	103,190,611	103,190,611	
1956	128,193,328	22,445,613	105,747,715	105,520,499	\$227,216
1957	146,419,710	24,694,292	121,725,418	117,134,052	4,591,366
1958	147,138,578	6,427,833	140,710,745	139,366,644	1,344,101
1959	159,912,903	652,787	159,260,116	157,579,552	1,680,564
1960	167,892,620	4,931,380	162,961,239	157,889,126	5,072,113
1961	170,953,048	1,982,808	168,970,239	161,452,505	7,517,734
1962	185,573,771	4,193,588	181,380,183	169,600,124	11,780,059
1963	192,813,157	(1,527,383)	194,340,540	179,762,145	14,578,395
1964	210,047,132	1,458,400	208,588,732	186,442,427	22,146,305
1965	106,051,894	702,897	105,348,998	57,267,132	48,081,866
Total	2,297,453,685	226,099,562	2,071,354,123	1,954,334,404	117,019,719

¹ Estimated.

APPENDIX VI

OPERATING-DIFFERENTIAL SUBSIDY CONTRACTS AS OF JUNE 30, 1965

Name of operator	Expiration date of agreement	Trade Routes	Minimum and maximum number voyages	Number of ships assigned as of June 30, 1965	
				Passenger and cargo combination	Cargo
American Export Isbrandtsen Lines, Inc.	Dec. 31, 1979	R-W-E ¹ 10, 34, 18, 32, 5-7-8-9.	179-235	3	38
American Mail Line Ltd.	Dec. 31, 1978	29	36-42		9
American President Lines, Ltd.	Dec. 31, 1976	R-W-W ² 29, 17.	103-120	4	20
Bloomfield Steamship Co.	Dec. 31, 1965	21	23-27		4
Delta Steamship Lines, Inc.	Dec. 31, 1977	20, 14-2	62-79	3	10
Farrell Lines Inc.	Dec. 31, 1977	15-A, 14-1	60-78		21
Grace Line Inc.	Dec. 31, 1977	2, 4, 25	218-259	11	13
Gulf & South American Steamship Co., Inc.	Dec. 31, 1978	31	30-36		5
Lykes Bros. Steamship Co., Inc.	Dec. 31, 1977	19, 21, 13, 22, 15-B.	274-326		50
Moore-McCormack Lines, Inc.	Dec. 31, 1977	1, 6, 24, 15-A	185-223	2	39
The Oceanic Steamship Co.	Dec. 17, 1972	27	22-29	2	3
Pacific Far East Line, Inc.	Dec. 31, 1978	29	53-63		10
Prudential Lines, Inc.	Dec. 31, 1979	10	28-35		5
States Steamship Co.	Dec. 31, 1977	29	58-74		13
United States Lines Co.	Dec. 31, 1969	11, 12, 16	333-393		45
Cargo service SS <i>United States</i>	June 20, 1967	5-7-8-9.		1	
Total			1664-2019	26	285
Total passenger/cargo-combination					26
Total cargo					285
Grand total					311

¹ R-W-E=round-the-world eastbound.

² R-W-W=round-the-world westbound.

APPENDIX VII

AID TO SHIPS OVERAGE

Or Which Will Become Overage Prior to Delivery of Scheduled Replacements, Approved Under Section 605(b), Merchant Marine Act, 1936, as Amended

Company	Vessel	End of economic life	Scheduled replacement
APPROVED DURING FISCAL YEAR 1965			
American Export Isbrandtsen Lines, Inc.-----	Excalibur.....	1964.....	1965.
	Exeter.....	1965.....	1965.
	Flying Spray.....	1964.....	1967.
	Flying Independent.....	1964.....	1967.
	Extavia.....	1961.....	1967.
	Exiria.....	1962.....	1967.
	Exemplar.....	1960.....	1969.
	Brooklyn Heights.....	1965.....	1969.
	Flying Trader.....	1965.....	1969.
	Flying Gull.....	1961.....	1969.
	Flying Hawk.....	1961.....	1969.
	Flying Endeavor.....	1961.....	1969.
	Flying Fish.....	1961.....	1970.
	Expedito.....	1963.....	1970.
	Exlona.....	1963.....	1970.
	Excelsior.....	1963.....	1971.
	Exminster.....	1964.....	1971.
	Flying Enterprise II.....	1964.....	1971.
	Express.....	1964.....	1971.
	Flying Eagle.....	1964.....	1972.
	Flying Clipper.....	1964.....	1972.
	Flying Cloud.....	1964.....	1972.
	Exchester.....	1965.....	1972.
	Executor.....	1965.....	1973.
	Exchequer.....	1963.....	1973.
	Exford.....	1971.....	1973.
	Exbrook.....	1971.....	1973.
	Exporter.....	1965.....	1973.
United States Lines Company.....	American Producer.....	1963.....	1965.
	American Miller.....	1963.....	1965.
	American Scientist.....	1963.....	1965.
	American Packer.....	1963.....	1965.
Pacific Far East Line, Inc.-----	Canada Bear.....	1965.....	1968.
Grace Line, Inc.-----	Santa Ana.....	1960.....	1964. ¹
	Santa Juana.....	1962.....	1969.
	Santa Adela.....	1962.....	1969.
	Santa Flavia.....	1963.....	1969.
	Santa Anita.....	1964.....	1969.
	Santa Olivia.....	1964.....	1964. ²
	Santa Malta.....	1964.....	1970.
	Santa Catalina.....	1964.....	1966.
	Santa Elisa.....	1964.....	1965.
	Santa Rita.....	1964.....	1965.
	Santa Ines.....	1964.....	1966.
	Santa Fe.....	1964.....	1970.
APPROVED IN PRIOR YEARS			
American Export Lines, Inc.-----	Excellency*.....	1960.....	1963.
	Exemplar.....	1960.....	1965.
	Excelsior.....	1963.....	1965.
	Exchequer.....	1963.....	1965.
	Exlona.....	1963.....	1967.
	Exminster.....	1964.....	1967.
	Expedito.....	1963.....	1967.
	Express.....	1964.....	1967.
	Exchester.....	1965.....	1969.
	Executor.....	1965.....	1969.
	Exporter.....	1965.....	1969.
	Exford.....	1971 (May).....	1971 (July).
	Extavia.....	1961.....	1971.
	Exiria.....	1962.....	1971.
	Brooklyn Heights.....	1965.....	1967.
	Flying Trader.....	1965.....	1967.
	Flying Endeavor.....	1961.....	1970.
	Flying Fish.....	1961.....	1970.
	Flying Gull.....	1961.....	1970.
	Flying Hawk.....	1961.....	1970.
	Flying Enterprise II.....	1964.....	1970.
	Flying Eagle.....	1964.....	1972.
	Flying Clipper.....	1964.....	1972.
	Flying Cloud.....	1964.....	1972.
	Flying Spray.....	1964.....	1972.
	Flying Independent.....	1964.....	1972.

See footnotes at end of table.

AID TO SHIPS OVERAGE—Continued

Company	Vessel	End of economic life	Scheduled replacement
American Mail Line Ltd.	India Mail*	1963	1965.
	Canada Mail	1964	1965.
	Java Mail	1964	1965.
	Alaska Mail*	1965	1968.
	American Mail	1965	1968.
American President Lines, Ltd.	Oregon Mail	1965	1968.
	President Monroe	1960	1965.
	President Polk	1961	1965.
	President Hoover	1959	1964.
	President Harrison	1963	1966.
	President Johnson	1963	1966.
	President Van Buren	1963	1966.
Delta Steamship Lines, Inc.	President Taft	1965	1966.
	Del Campo	1962	1967.
	Del Aires	1962	1968.
	Del Alba	1964	1968.
	Del Santos	1964	1968.
	Del Mundo	1964	1968.
	Del Valle	1964	1969.
	Del Monte	1964	1969.
	Del Norte	1971	1972.
	Del Sud	1972 (March)	1972 (April).
	Del Mar	1972 (May)	1972 (July).
	Farrell Lines Incorporated	African Grove	1964	1968.
African Glen		1965	1968.
Grace Line Inc.	Santa Ana	1960	1964.
	Santa Teresa	1960	1964.
	Santa Malta	1964	1967.
	Santa Clara	1964	1967.
	Santa Juana	1962	1967.
	Santa Adela	1962	1967.
	Santa Flavia	1963	1967.
	Santa Anita	1964	1968.
	Santa Fe	1964	1968.
Gulf & South American Steamship Co., Inc.	Gulf Trader	1963	1965.
	Gulf Shipper	1964	1965.
	Gulf Merchant	1964	1965.
	Sue Lykes	1965	1966.
Lykes Bros. Steamship Co., Inc.	Frederick Lykes	1960	1966.
	Almeria Lykes	1965	1966.
	Tillie Lykes	1965	1966.
	Doctor Lykes	1965	1966.
	Norman Lykes	1965	1967.
	Lipscomb Lykes	1965	1967.
	Howell Lykes	1960	1967.
	Mallory Lykes	1963	1967.
	Helen Lykes	1964	1967.
	Sylvia Lykes*	1965	1968.
	Gibbes Lykes	1964	1968.
	Frank Lykes	1964	1968.
	Genevieve Lykes	1964	1968.
	Mason Lykes	1964	1968.
	Letitia Lykes*	1964	1969.
	Kenneth McKay	1965	1969.
	Rueben Tipton	1965	1969.
	Harry Culbreath	1965	1970.
	Jesse Lykes	1965	1970.
	William Lykes	1965	1970.
Moore-McCormack Lines, Inc.	Robin Locksley	1961	1964.
	Mormactide	1961	1964.
	Robin Sherwood	1961	1964.
	Mormacmar	1963	1965.
	Mormacsun	1963	1965.
	Robin Trent	1963	1965.
	Robin Gray	1963	1965.
	Robin Kirk	1963	1965.
	Robin Mowbray	1963	1967.
	Mormacteal	1964	1968.
	Mormacdove	1964	1968.
	Mormacowl	1964	1968.
	Mormacwind	1964	1969.
	Mormacwren	1964	1970.
	Mormacoak	1964	1970.
	Mormacwave	1964	1969.
	Mormacrey	1964	1970.
	Mormacsurf	1964	1970.
	Robin Goodfellow	1965	1971.
	Mormaguide	1965	1972.
	Mormapine	1965	1972.

See footnotes at end of table.

AID TO SHIPS OVERAGE—Continued

Company	Vessel	End of economic life	Scheduled replacement
	Robin Hood	1965	1972
	Mormachawk	1965	1973
	Mormacelm	1965	1974
	Mormacrio	1965	1974
	Mormacfir	1965	1973
	Mormacgulf	1971	1974
	Mormacisle	1971	1974
	Mormacdawn	1971	1974
	Mormacland	1971	1974
	Mormacmail	1971	1975
	Mormacpenn	1971	1975
	Mormacsaga	1972	1975
The Oceanic Steamship Co.	Sierra	1965	1969
	Sonoma	1964	1969
	Ventura	1965	1969
Prudential Lines, Inc.	Moline Victory*	1965	1966
	Attleboro Victory	1965	1968
	Newberry Victory	1965	1969
	Biddeford Victory	1965	1969
	San Angelo Victory*	1965	1966
States Steamship Company	Idaho	1963	1966
	Texas	1961	1966
	Michigan	1961	1967
	Ohio	1964	1967
	New York	1965	1967
United States Lines Company	American Producer	1963	1965
	American Planter*	1963	1964
	American Miller	1963	1965
	American Scientist	1963	1965
	American Packer	1963	1965
	American Chief*	1964	1965
	American Builder*	1965	1965
	American Veteran	1965	1966
	American Press	1965	1966
	American Flyer*	1965	1965
	American Manufacturer	1965	1966
	American Forester	1965	1966
	Pioneer Reef	1963	1968
	Pioneer Surf	1964	1968
	Pioneer Isle	1964	1968
	American Pilot	1965	1968
	Pioneer Glen	1965	1968
	Pioneer Star	1965	1968
	Pioneer Gem	1965	1969
	American Merchant	1965	1969
	American Shipper	1965	1969

¹ Sold in October 1964.

² To be replaced upon delivery of Grace Line's first C4 vessel.

*Traded in to Government and chartered back to operator for use during construction of replacement ship.

APPENDIX VIII

CONSTRUCTION RESERVE FUNDS

*Authorized Under Section 511 of the Merchant Marine Act,
1936, as Amended, as at June 30, 1965*

Operator	Amount	Operator	Amount
American Hawaiian S.S. Co.	\$11,645,401.96	Tug Thomas A. Feeney Corp.	\$74,061.31
W. F. & R. Boat Builders, Inc.	72,283.56	Penntrans Co.	261,838.51
The Feeney Marine Corp.	2,445.20	J. J. Tennant Co.	796,800.00
Tug Rose A. Feeney Corp.	47.50		
			\$12,852,878.04

Appendix IX

CAPITAL AND SPECIAL RESERVE FUNDS

Cash, Approved Interest Bearing Securities and Common Stocks Under Approved Common Stock Trusts on Deposit in the Statutory Capital and Special Reserve Funds of Subsidized Operators as of June 30, 1965

Operator	Capital Reserve Fund			Special Reserve Fund			Combined total
	Cash	Securities	Total	Cash	Securities	Total	
American Export Isbrandtsen Lines, Inc*-----	\$547, 504	\$8, 316, 076	\$8, 863, 580	\$13, 901	\$13, 438, 481	\$13, 452, 382	\$22, 315, 962
American Mail Line Ltd *-----	1, 280, 085	355, 671	1, 635, 756	1, 796, 544	1, 059, 587	2, 856, 131	4, 491, 887
American President Lines, Ltd*-----	177, 982	728, 008	905, 990	1, 064, 549	2, 768, 205	3, 832, 754	4, 738, 744
Bloomfield Steamship Co.-----	103, 761	1, 064, 000	1, 167, 761	166, 038	2, 558, 000	2, 724, 038	3, 891, 799
Delta Steamship Lines, Inc.-----	32, 975	3, 736, 654	3, 769, 629	2, 150	5, 302, 501	5, 304, 651	9, 074, 280
Farrell Lines Incorporated-----	535, 117	5, 148, 714	5, 683, 831	688, 814	602, 826	1, 291, 640	6, 975, 471
Grace Line Inc*-----	80, 522	4, 561, 098	4, 641, 620	762, 562	18, 797, 276	19, 559, 838	24, 201, 458
Gulf & South American Steamship Co., Inc.-----	38, 929	2, 195, 306	2, 234, 235	30, 909	1, 675, 088	1, 705, 997	3, 940, 232
Lykes Bros. Steamship Co., Inc*-----	119, 604	19, 274, 393	19, 393, 997	23, 357	49, 196, 827	49, 220, 184	68, 614, 181
Moore-McCormack Lines, Inc.-----	22, 841	758, 262	781, 103	4, 447	4, 246, 024	4, 250, 471	5, 031, 574
Oceanic Steamship Company, The*-----	460, 173	6, 682, 161	7, 142, 334	21, 316	240, 350	261, 666	7, 404, 000
Pacific Far East Line, Inc.-----	23, 088	2, 878, 272	2, 901, 360	1, 589	5, 090, 000	5, 091, 589	7, 992, 949
Prudential Lines, Inc.-----	646, 914	0	646, 914	7, 000	0	7, 000	653, 914
States Steamship Co.-----	3, 747, 882	0	3, 747, 882	2, 207, 325	0	2, 207, 325	5, 955, 207
United States Lines Co.-----	547, 504	8, 316, 076	8, 863, 580	2, 006, 970	18, 916, 639	20, 923, 609	29, 787, 189
Total -----	\$8, 364, 881	\$64, 014, 691	\$72, 379, 572	\$8, 797, 471	\$123, 891, 804	\$132, 689, 275	\$205, 068, 847

*Includes common stock trust funds aggregating-----	\$382, 964	-----	\$4, 149, 817
Market value as reported by the trustees-----	455, 403	-----	5, 194, 165
			\$4, 532, 781
			5, 649, 568

NOTE: Accrued mandatory deposits applicable to the resumption period (generally January 1, 1947, to December 31, 1964), not included in the above, amount to \$50,527,638, comprised of \$37,758,674 applicable to the Capital Reserve Fund (depreciation) and \$12,768,964 applicable to the Special Reserve Fund (excess profits).

Appendix IX—Continued

FISCAL YEAR 1965

Voluntary Deposits Pursuant to Section 607(g) of the Merchant Marine Act, 1936, as Amended

Operator	Amount	Operator	Amount authorized
Bloomfield Steamship Co.....	\$230,000	American President Lines, Ltd.....	\$225,000
The Oceanic Steamship Co.....	875,000	States Steamship Co.....	705,006
Pacific Far East Line, Inc.....	500,000	United States Lines Co.....	2,000,000
Farrell Lines Inc.....	500,000	American Export Isbrandtsen Lines, Inc.....	1,237,972
American President Lines, Ltd.....	753,316		
American President Lines, Ltd.....	1,500,000	Total.....	\$9,663,294

¹ Amount required pursuant to contract as an "Agreed Additional Deposit."

APPENDIX X

NEW SHIP CONSTRUCTION ON JUNE 30, 1965

	Number of ships	Type	Shipyard	Gross tonnage	Estimated completion date	Estimated construction cost	Estimated cost to Maritime Administration (including national defense allowances)	Owner	Estimated cost to owner
Ships under Construction, Title V—Merchant Marine Act of 1936.	1	C4-S-64a-----	Sun Shipbuilding & Drydock Co.	10,500	Oct. 15, 1965	\$11,400,000	\$5,600,000	U.S. Lines Co-----	\$5,800,000
"-----	4	C4-S-66a-----	Avondale Shipyard, Inc.---	45,600	Nov. 24, 1965	43,400,000	21,600,000	Avondale Shipyard, Inc.	21,800,000
"-----	6	C4-S-65a-----	Sun Shipbuilding & Drydock Co.	77,400	Apr. 11, 1967	84,800,000	45,500,000	Grace Lines, Inc-----	39,300,000
"-----	3	C4-S-1qa-----	National Steel & Shipbuilding.	29,400	Apr. 25, 1966	41,200,000	22,500,000	American President Lines.	18,700,000
"-----	4	C4-S-66a-----	Avondale Shipyard, Inc.---	45,600	July 2, 1966	44,200,000	24,300,000	Lykes Bros-----	19,900,000
"-----	2	C4-S-64b-----	Bethlehem, Sparrows Point	22,000	Sept. 11, 1966	22,300,000	12,000,000	Prudential Lines-----	10,300,000
"-----	4	C4-S-66a-----	Avondale Shipyard, Inc.---	45,600	Jan. 6, 1967	43,300,000	23,400,000	Lykes Bros-----	19,900,000
"-----	5	C4-S-68a-----	Sun Shipbuilding & Drydock Co.	57,000	Feb. 15, 1968	62,900,000	33,300,000	U.S. Lines-----	29,600,000
"-----	4	C4-S-69a-----	Ingalls Shipbuilding Corp. --	56,000	Dec. 1, 1967	57,200,000	30,900,000	American President Lines.	26,300,000
"-----	5	C3-S-76a-----	" " "	52,150	Sept. 10, 1968	53,800,000	28,800,000	Delta Steamship Lines--	25,000,000
Economy Act of 1932.	2	S2-MET-MA62a..	Aerojet-General Shipyard...	3,000	Mar. 15, 1966	15,000,000	-----	Coast & Geodetic-----	15,000,000
"-----	2	S1-MT-MA63a..	" " "	2,800	Sept. 21, 1967	8,100,000	-----	" "-----	8,100,000
"-----	2	S1-MT-MA70a..	Norfolk Shipbuilding & Drydock Co.	1,850	Nov. 6, 1966	5,400,000	-----	" "-----	5,400,000
"-----	2	S1-MT-MA71a..	Jakobson Shipyard, Inc.-----	300	Sept. 13, 1966	1,840,000	-----	" "-----	1,840,000
"-----	1	S1-MT-MA72a..	Aerojet-General Shipyard...	1,450	Aug. 13, 1966	4,800,000	-----	" "-----	4,800,000
"-----	1	C4-ST-67a-----	Lockheed Shipbuilding & Construction Co.	16,000	Feb. 1, 1966	16,600,000	-----	Department of Navy-MSTS.	16,600,000
Total-----	48	-----	-----	466,650	-----	516,240,000	247,900,000	-----	268,340,000

APPENDIX XI

NATIONAL DEFENSE RESERVE FLEETS

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

APPENDIX XII

APPROVALS OF TRANSFERS FOREIGN

Approvals Granted, Pursuant to Sections 9 and/or 37 of the Shipping Act, 1916, as Amended, of the Transfer to Foreign Ownership and/or Registry of Vessels of 1,000 Gross Tons and Over by Type, Number, Size and Age for Period 7/1/64 Through 6/30/65

	Pursuant to Section 9 (only)			Pursuant to Section 37 (only)			Total Sections 9/37 (combined)		
	Number of vessels	Gross tons	Average age	Number of vessels	Gross tons	Average age	Number of vessels	Gross tons	Average age
U.S. privately owned:									
(a) Tankers.....	24	190,391	24.3	3	31,464	19.6	27	221,855	22.3
(b) Cargo.....	27	177,547	36.9	4	22,203	36.5	31	199,750	36.9
(c) Cargo/Passenger.....	3	46,177	24.3				3	46,177	24.3
(d) Miscellaneous.....	15	42,127	14.2	17	52,980	5.5	32	95,107	9.6
Total.....	69	456,242	27	24	106,647	10.8	93	562,889	22.8
U.S. Government owned:									
(a) Tankers.....	1	7,190	23				1	7,190	23
(b) Cargo.....	1	10,257	22				1	10,257	22
Total.....	2	17,447	22.5				2	17,447	22.5
Drydock.....				1	12,000	47	1	12,000	47
Departure from U.S. port.....				1	1,490	20	1	1,490	20

APPENDIX XII—Continued

Recapitulation (by nationality) 7/1/64-6/30/65

	Section 9 (only)		Section 37 (only)		Sections 9/37 (combined)	
	Number	Gross tons	Number	Gross tons	Number	Gross tons
U.S. Privately owned:						
Nationality						
British.....	16	76,756	1	1,314	17	78,070
Greek.....	2	36,917			2	36,917
Liberian.....	12	106,673	4	28,034	16	134,707
Mexican.....			4	13,539	4	13,539
Netherlands.....			2	5,576	2	5,576
Nicaraguan.....	1	1,042			1	1,042
Pakistan.....			1	2,408	1	2,408
Panama.....	7	19,522			7	19,522
Philippine.....	1	3,403			1	3,403
Venezuelan.....	1	1,251			1	1,251
Total.....	40	245,564	12	50,871	52	296,435
Sale alien.....	29	210,678	12	55,776	41	266,454
	69	456,242	24	106,647	93	562,859

APPENDIX XIII

MARITIME LEGISLATION

[Fiscal year 1965]

Bill	Subject	MA action	June 30, 1965, status
H. R. 82, 88th Congress.	Amendment to 1936 Merchant Marine Act to provide for reimbursement of certain extra delivery costs sustained by various shipping lines whose ships were allocated to other than the low bidder.	Maritime Administration prepared Department of Commerce report requested by Congress.	On Aug. 10, 1964, the bill was signed and became Public Law 88-410.
S. 1006, 88th Congress.	Amendment to the Act of June 12, 1960, correcting certain inequities in the construction of fishing vessels (a Department of Interior function). (Increase of permissible subsidy from 33 $\frac{1}{3}$ % to 50%.)	Maritime Administration prepared report on the technical aspects of the proposals.	On Aug. 30, 1964, the bill was signed and became Public Law 88-498.
S. 2995, 88th Congress.	Amendment to Merchant Marine Act of 1936, as amended, to provide for an extension of time within which to use construction reserve funds after Title XI application.	Maritime Administration prepared favorable report for Commerce Department to both House and Senate committees considering the bill.	On Sept. 9, 1964, the bill was signed and became Public Law 88-595.
S. 1962, 88th Congress.	Transfer of vessel to State of Minnesota for use in the training of seamen, stevedores and other Merchant Marine personnel.	Maritime Administration prepared report on the costs involved in transferring the ship.	
S. 2687, 88th Congress.	Extension of Agricultural Trade Development and Assistance Act of 1954.	Maritime Administration reported to the Secretary of Commerce on certain aspects of the bill involving payment of transportation costs on Public Law 480.	On Oct. 8, 1964, the bill was signed and became Public Law 88-638.
H. R. 4346, 89th Congress.	Amendment to Section 502, Merchant Marine Act of 1936, to extend the 55% maximum subsidy allowable on construction to June 30, 1966.	Commerce and Maritime officials testified favorably on the Bill before committees of both Houses of Congress.	Passed the House.
H. R. 6164, 89th Congress.	Authorization by the Secretary of the Treasury to permit foreign flag vessels to transport passengers for the 7th Assembly of the World Convention of the Churches of Christ.	Maritime Administration testified favorably before committees of both Houses of Congress.	H. R. 6164 passed the House.

MARITIME LEGISLATION—Continued

Bill	Subject	MA action	June 30, 1965, status
No bill.....	Investigation of the participation of American flag vessels in Operation Steel Pike.	Maritime Administration testified before Congressional committee March 16, 1965.	
No bill.....	Investigation of Government Cargo Shipping rates.	Maritime Administrator testified before Congressional committee April 8, 1965.	
H. R. 5989.....	Exemption of certain types of containers from coastwise law.	Deputy Maritime Administrator testified before House committee, April 27, 1965.	H. R. 5989 passed the House.
H. R. 4526.....	Amendment of 1936 Merchant Marine Act to provide an extension of War Risk Insurance coverage for five years.	Deputy Maritime Administrator testified in favor of the bill before the House and Senate committees.	H. R. 4526 passed the House.
H. R. 729.....	Amendment to Section 510 of the 1936 Merchant Marine Act to provide for a redefinition of obsolete vessel to permit replacement when determined to be required by Secretary of Commerce.	Undersecretary of Commerce for Transportation testified in favor of the bill June 8, 1965.	No action had been taken.
H. R. 728, S. 2069	Amendment to Section 510(i) of 1936 Merchant Marine Act to broaden vessel exchange provisions of Act and extend them for five years to include non-war-built ships.	Undersecretary of Commerce for Transportation testified before both House and Senate Committees.	On June 28, 1965, the Senate reported the bill favorably.
S. 2118.....	Providing for a clearer definition of the status of preferred mortgages (see Westhampton case under Federal Ship Mortgage Insurance).	Testimony by Maritime official on June 23.	No action had been taken.
No bill.....	Investigation of water pollution problems.	Deputy Administrator testified before the Special Subcommittee on Air and Water Pollution of the Senate Committee on Public Works.	

FINANCIAL STATEMENTS
U.S. DEPARTMENT OF COMMERCE—Maritime Administration

Exhibit 1

Balance Sheet—June 30, 1965, and June 30, 1964 (note 1)

ASSETS	June 30	
	1965	1964
CASH AND FUND BALANCES (note 2).....	\$317,708,333	\$307,963,593
ADVANCES:		
U.S. Government agencies.....	7,272	62,177
Others.....	24,476	78,269
	<u>31,748</u>	<u>140,446</u>
NOTES AND ACCOUNTS RECEIVABLE:		
U.S. Government agencies.....	1,707,509	822,498
Domestic firms and individuals.....	7,799,441	9,793,421
Foreign governments and nationals.....	1,562,298	485,747
	<u>11,069,248</u>	<u>11,101,666</u>
Less allowance for losses.....	663,986	1,482,090
	<u>10,405,262</u>	<u>9,619,576</u>
ACCRUED INTEREST RECEIVABLE (note 3).....	803,118	841,026
MATERIAL AND SUPPLIES (at cost or estimated cost) (note 9).....	1,425,251	1,280,973
INVESTMENTS—U.S. TREASURY SECURITIES.....	4,191,411	4,102,866
LOANS RECEIVABLE:		
Ship mortgage loans:		
Domestic firms and individuals.....	106,191,954	108,158,315
Foreign governments and nationals.....	69,371	3,568,705
	<u>106,261,325</u>	<u>111,727,020</u>
Other loans.....	379,000	664,395
	<u>106,640,325</u>	<u>112,391,415</u>
Less allowance for losses.....	6,686,797	6,268,986
	<u>99,953,528</u>	<u>106,122,429</u>
JUDGMENT RECEIVABLE.....	696,494	696,494
Less allowance for losses.....		438,791
	<u>696,494</u>	<u>257,703</u>
VESSELS UNDER CONSTRUCTION.....	43,140,311	30,786,260
FIXED ASSETS USED IN OPERATIONS (at cost, estimated cost or assigned amounts) (schedule 1):		
Facilities and equipment.....	33,984,692	32,716,292
Less accumulated depreciation.....	14,989,663	13,810,568
	<u>18,995,029</u>	<u>18,905,724</u>
Land and improvements.....	8,422,129	8,507,869
Construction in progress.....	451,027	264,670
	<u>27,868,185</u>	<u>27,678,263</u>
ASSETS HELD PRIMARILY FOR MOBILIZATION PURPOSES (at cost, estimated cost or assigned amounts):		
Vessels.....	3,353,395,100	3,485,560,147
Less accumulated depreciation.....	2,972,505,517	2,916,113,906
	<u>380,889,583</u>	<u>569,446,241</u>
Facilities and equipment.....	80,359,798	83,652,407
Less accumulated depreciation.....	49,459,124	51,885,654
	<u>30,900,674</u>	<u>31,766,753</u>
Land and improvements.....	11,560,283	10,735,537
Construction in progress.....	2,502	201,828
	<u>42,463,459</u>	<u>42,704,118</u>
Standby inventories (note 9).....	14,435,505	15,208,354
	<u>437,788,547</u>	<u>627,358,713</u>
OTHER ASSETS:		
Vessels held primarily for scrapping.....	449,531,615	685,638,252
Less allowance for losses.....	437,387,143	668,492,617
	<u>12,144,472</u>	<u>17,145,635</u>
Deferred charges:		
Unamortized construction-differential subsidies and national defense features (note 7).....	626,160,816	564,259,322
Other deferred charges and miscellaneous items.....	332,765	1,398,961
	<u>638,638,053</u>	<u>582,803,918</u>
	<u>\$1,582,650,241</u>	<u>\$1,698,955,756</u>

LIABILITIES

June 30

	<i>1965</i>	<i>1964</i>
ACCOUNTS PAYABLE AND OTHER LIABILITIES (note 4):		
U.S. Government agencies:		
Advances.....	\$72,218,428	\$58,483,775
Withholdings and contributions for Federal taxes.....	633,864	509,911
Accounts payable and accrued liabilities.....	324,059	233,946
	73,181,351	59,227,632
Other:		
Accrued operating-differential subsidies (note 5).....	117,094,016	120,778,951
Less estimated recapturable subsidies.....	74,295	3,325,592
	117,019,721	117,453,359
Amounts due shipbuilders for construction of vessels.....	19,290,214	18,766,723
Accounts payable and accrued liabilities.....	3,031,029	3,690,223
Accrued annual leave.....	2,555,131	2,593,535
Vessel trade-in allowances payable.....	1,092,162	1,189,598
Deposits by contractors, and others.....	591,855	880,056
Withholdings for purchase of savings bonds and payment of State and local taxes.....	94,776	93,912
Deferred credits.....	125,223	293,594
Unclaimed wages of seamen and others.....	-----	98,230
	143,800,111	145,059,230
	216,981,462	204,286,862
FUNDS BORROWED FROM U.S. TREASURY BY THE FEDERAL SHIP MORTGAGE INSURANCE REVOLVING FUND.....		
	5,305,000	9,900,000
EQUITY OF THE UNITED STATES GOVERNMENT (exhibit 3):		
Maritime regular.....	1,328,333,822	1,456,292,227
✓ Vessel Operations Revolving Fund.....	18,655,912	18,227,932
✓ Federal Ship Mortgage Insurance Revolving Fund.....	9,839,656	6,847,345
War Risk Insurance Revolving Fund.....	3,534,389	3,401,390
	1,360,363,779	1,484,768,894
	\$1,582,650,241	\$1,698,955,756

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

Exhibit 2

Statement of Operations for Years Ended June 30, 1965 and 1964 (note 1)

	YEAR ENDED JUNE 30	
	1965	1964
OPERATIONS OF MARITIME ADMINISTRATION:		
Net costs of operating activities (note 6):		
Reserve fleet program:		
Depreciation of reserve fleet vessels	\$154,816,640	\$152,073,713
Increase in estimated loss from scrapping of obsolete vessels	15,283,656	18,341,831
Maintenance and preservation	6,166,204	6,942,141
	176,266,500	177,357,685
Maritime training program	3,971,880	3,650,026
Maintenance of reserve shipyards	1,218,740	2,080,098
Operation of warehouses	262,280	456,216
	181,719,400	183,544,025
Direct subsidies and costs attributable to national defense:		
Estimated operating-differential subsidies (note 5)	212,900,772	186,610,967
Construction-differential subsidies (note 7)	22,432,048	21,648,968
Cost of national defense features (note 7)	1,552,136	1,373,316
	236,884,956	209,633,251
Financial assistance to State marine schools	1,543,004	1,452,761
Research and development (note 6)	7,791,173	7,925,256
Administrative expense (note 6)	9,426,862	8,655,150
Uncapitalized expense incidental to ship construction	2,835,831	2,722,779
	21,596,870	20,755,946
Other costs (-income):		
Depreciation on facilities and equipment not allocated to current programs	1,044,725	1,379,581
Loss on sale of fixed assets other than vessels	328,386	262,451
Loss on sale of surplus material and scrap	188,714	156,788
Loss on vessels sold	16,977	861,107
Adjustments applicable to prior years (net)	-3,540,749	-2,862,901
Interest earned	-3,447,558	-4,041,432
Inventory and other property adjustments	-454,841	-573,698
Decrease in allowance for uncollectible accounts and notes receivables	-218,256	-719,638
Miscellaneous (net)	-39,800	9,403
	-6,122,402	-5,528,339
Net cost of Maritime Administration operations	434,078,824	408,404,883
OPERATIONS OF REVOLVING FUNDS (-net income or loss):		
Federal Ship Mortgage Insurance Revolving Fund	-2,992,311	3,086,095
Vessel Operations Revolving Fund	-439,762	-550,823
War Risk Insurance Revolving Fund	-132,999	-154,098
	-3,565,072	-694,826
NET COST OF COMBINED OPERATIONS (exhibits 3 and 4)	\$430,513,752	\$410,786,057

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

Exhibit 3

Statement of Equity of the United States Government for the Years Ended June 30, 1965, and 1964 (note 1)

	YEAR ENDED JUNE 30	
	1965	1964
BALANCE, BEGINNING OF FISCAL YEAR	\$1,484,768,804	\$1,290,956,153
ADDITIONS:		
Funds appropriated by the Congress (note 8)	343,754,000	356,400,000
Vessels transferred from other Government agencies	6,142,825	24,117,741
Other property and costs transferred from others	1,233,162	1,599,388
Contributions received for Chapel at United States Merchant Marine Academy, Kings Point, New York	5,325	1,085
Liability for unclaimed wages transferred to Treasury Department		7,366,298
Unamortized ship construction costs (note 7)		508,365,556
	1,835,904,206	2,188,806,191
REDUCTIONS:		
Net cost of combined operations (exhibit 2)	430,513,752	410,786,057
Revaluation of vessels previously transferred in		257,582,170
Payments into general fund of U.S. Treasury	29,173,978	27,842,208
Vessels transferred to other Government agencies	14,511,628	6,375,913
Other property and costs transferred to others	896,721	1,156,523
Unobligated balance of appropriation transferred to U.S. Treasury	444,348	294,431
	475,540,427	704,037,297
BALANCE, CLOSE OF FISCAL YEAR (exhibit 1)	\$1,360,363,779	\$1,484,768,804

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

Exhibit 4

**Statement of Sources and Application of Funds for Year Ended
June 30, 1965 (note 1)**

SOURCES:		
Funds appropriated by the Congress (note 8)	.....	\$343, 754, 000
Collections on mortgage loans receivable	.....	13, 620, 445
Proceeds from sale of vessels owned	.....	9, 652, 147
Proceeds from sale of noncurrent assets other than vessels	.....	512, 625
Contributions received for construction of Chapel	.....	5, 325
Total funds provided	.....	<u>\$367, 544, 542</u>
APPLICATION:		
Net cost of combined operations (exhibit 2)	.....	\$430, 513, 752
Items considered in net cost of combined operations:		
Provision for depreciation	.....	-158, 730, 172
Loss on disposal of noncurrent assets:		
Vessels	.....	-14, 535, 632
Other	.....	-538, 752
Increase of allowance for losses on loans receivable	.....	-734, 894
Property adjustments	.....	3, 761, 025
		\$259, 735, 327
Unamortized construction-differential subsidies	.....	61, 901, 494
Payments into general fund of U.S. Treasury	.....	29, 173, 973
Repayment of borrowings from U.S. Treasury	.....	4, 595, 000
Expenditures for mortgages and other loans	.....	1, 340, 869
Expenditures for construction or purchase of vessels	.....	914, 900
Unobligated balances transferred to U.S. Treasury	.....	444, 348
Increase in investments—U.S. Treasury securities	.....	88, 555
Increase in working capital	.....	9, 350, 071
Total funds applied	.....	<u>\$367, 544, 542</u>

Summary of Changes in Working Capital

	YEAR ENDED JUNE 30		CHANGES IN WORKING CAPITAL	
	1965	1964	Increase	Decrease
ASSETS:				
Cash	\$317, 708, 333	\$307, 963, 593	\$9, 744, 740	
Advances	31, 748	140, 446		\$108, 698
Notes and accounts receivable	10, 405, 262	9, 619, 576	785, 686	
Accrued interest	803, 118	841, 026		37, 908
Materials and supplies (note 9)	1, 425, 251	1, 284, 280	140, 971	
Other assets	227, 648	1, 293, 844		1, 066, 196
Expenditures pertaining to libeled vessels	105, 117	105, 117		
Total	<u>330, 706, 477</u>	<u>321, 247, 882</u>		
LIABILITIES:				
Accounts payable and other liabilities (note 10)	173, 919, 715	173, 811, 191		108, 524
WORKING CAPITAL	<u>156, 786, 762</u>	<u>147, 436, 691</u>		
INCREASE IN WORKING CAPITAL				9, 350, 071
			<u>\$10, 671, 397</u>	<u>\$10, 671, 397</u>

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

Notes to Financial Statements—June 30, 1965, and 1964

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

2. Cash and fund balances consist of:

Fund Balances with U.S. Treasury:	1965	1964
Operating funds.....	\$278,887,998	\$284,822,853
Trust and deposit funds.....	5,887,895	6,124,852
Allocations from other agencies.....	32,409,877	15,980,642
Cash in banks, on hand, and in transit.....	522,563	1,035,246
	\$317,708,333	\$307,963,593

3. Accrued interest receivable:

On ship mortgage loans:	1965	1964
Domestic firms and individuals.....	\$755,154	\$784,969
Foreign governments and nationals.....	4,428	44,153
On other loans and investments.....	43,536	11,904
	\$803,118	\$841,026

4. The Maritime Administration was contingently liable under agreements insuring mortgages, construction loans and accrued interest payable to lending institutions totaling \$414,599,464 at June 30, 1965, and \$446,410,502 at June 30, 1964. Commitments to insure additional loans and/or mortgages amounted to \$6,991,940 at June 30, 1965, and \$8,056,940 at June 30, 1964. U.S. Government securities and cash of \$10,622,877 at June 30, 1965, and \$21,887,181 at June 30, 1964, were held in escrow by the Government in connection with insurance of loans and mortgages which were financed by the sale of bonds to the general public. There were also conditional liabilities for prelaunching War Risk Builder's Risk Insurance of \$4,210,974 at June 30, 1965, but none at June 30, 1964. The Maritime Administration was also contingently liable for undetermined amounts in connection with settlements to be made under 106 claims against the Administration aggregating \$22,543,369 at June 30, 1965, and 181 claims aggregating \$26,763,697 at June 30, 1964. These contingent liabilities were partially offset by contingent assets and claims receivable in connection with settlements to be made under 28 claims in favor of the Administration aggregating \$1,825,649 at June 30, 1965, and 51 claims aggregating \$2,838,790 at June 30, 1964. 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 settlements of these claims will be made for amounts substantially less than the gross amounts of the claims.

At June 30, 1965, and 1964 the U.S. Treasury held in safekeeping for the Maritime Administration \$2,970,000 and \$3,320,000, respectively, of U.S. Government securities which had been accepted from vessel charterers, subsidized operators, and other contractors as collateral for their performance under contracts.

5. Operating-differential subsidies are paid subject to final adjustments at the end of the operators' recapture periods which are established by contracts generally as 10-year terms. The Administration was contingently liable for subsidies in the amounts of \$125,816,601 and \$188,680,558 at June 30, 1965 and June 30, 1964, respectively, which had not been paid because of estimated recapturable excess profits in the same amounts pending final accountings for applicable recapture periods.

The estimated operating-differential subsidies shown on exhibit 2 have been adjusted for estimated recapturable subsidies. The adjustments decreased costs by \$1,388,621 for 1965 and increased costs by \$1,671,750 for 1964.

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

Costs shown for the following programs include:

	YEAR ENDING JUNE 30			
	1965		1964	
	Deprecia- tion	Revenue and reim- bursements	Deprecia- tion	Revenue and reim- bursements
Maintenance and preservation of reserve fleet vessels.....	\$725,917	\$103,294	\$1,006,225	\$1,102,562
Maritime training program.....	390,454	193,224	356,830	341,726
Maintenance of reserve shipyards.....	1,505,545	620,393	2,451,049	742,863
Operation of warehouses.....	47,817	19,421	321,237	118,075
Administrative expense.....	88,763	4,641,769	147,769	4,366,348
Research and development.....	110,311		126,960	

7. The Maritime Administration as of July 1, 1964, adopted the practice of amortizing the Government's interest in privately owned vessels, represented by the costs of construction and reconstruction-differential subsidies and national defense features (in excess of \$24,999 per vessel), over the statutory economic lives of the vessels. The financial statements as of June 30, 1964, and for fiscal year 1964 have been adjusted accordingly for comparative purposes, including adjustments to restate as intangible assets \$508,365,556 of subsidies and national defense features costs which had been charged to costs of operations in years prior to fiscal year 1964.

8. Congress has authorized the Maritime Administration, prior to the appropriation of funds, to enter into contracts for training of cadets at State marine schools. At June 30, 1965, \$2,283,200 of \$2,327,738 of unliquidated obligations were unfunded, and at June 30, 1964, \$2,143,800 of \$2,214,858 of unliquidated obligations were unfunded.

9. The amount of material and supplies shown at June 30, 1964, excludes \$2,797,527 of warehouse stock which was reclassified as standby inventories.

10. Accounts payable and other liabilities shown on exhibit 4 exclude \$43,061,747 at June 30, 1965, and \$30,475,671 at June 30, 1964, which were offset against related costs for vessels under construction.