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MARITIME LEGISLATION—1961

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HEARINGS
BEFORE THE
MERCHANT MARINE
AND FISHERIES SUBCOMMITTEE
OF THE
COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE
UNITED STATES SENATE
EIGHTY-SEVENTH CONGRESS
FIRST SESSION
ON
S. 576, S. 677, S. 682, S. 966, and S.J. Res. 21
BILLS PERTAINING TO MARITIME LEGISLATION AND
UNITED STATES COAST GUARD LEGISLATION

MARCH 9 AND 10, 1961

Printed for the use of the Committee on Interstate and Foreign Commerce



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MARITIME LEGISLATION—1961

THURSDAY, MARCH 9, 1961

U.S. SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
SUBCOMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m. in room 5110, New Senate Office Building, the Honorable E. L. Bartlett presiding. Senator BARTLETT. The committee will be in order.

This morning's session will usher in 2 days of public hearings on maritime bills aimed at resolving problems of importance both to the industry and to the Government agencies working in the maritime and related fields.

One bill, S. 677, introduced by the chairman, by request, would permit passenger vessels on essential routes, to depart from their regular routes during limited dull periods, for the purpose of conducting special cruises in more financially fruitful areas, without sacrificing their operating subsidies. Such cruises, it is argued, would enable the operators concerned to cut losses and possibly increase earnings during the off-season periods.

Of importance from the Federal administrative aspect is S. 576, which would clarify the status of the faculty and administrative staff at the U.S. Merchant Marine Academy by establishing suitable personnel policies.

It is our purpose to consider these two measures today, along with Senate Joint Resolution 21, which would authorize the Secretary of Commerce to sell 10 Liberty-type vessels to citizens of the United States for conversion into barges.

S. 677 and, possibly, Senate Joint Resolution 21 will be considered this morning, and we shall resume at 1:15 this afternoon to take up the Kings Point Academy bill.

Tomorrow we will take up the two Coast Guard bills—S. 966, to build three Coast Guard cutters, and S. 682, to permit vessels navigating under bridges to depart, where necessary, from the rules governing such operations. S. 885, to provide a flexible rate of interest for Government financing of vessels, will not be considered at this time.

(The bill follows:)

[S. 677, 87th Cong., 1st sess.]

A BILL To amend title VI of the Merchant Marine Act, 1936, to authorize the payment of operating-differential subsidy for cruises

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title VI of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1171-1182), is amended by inserting at the end thereof a new section 613 to read as follows:

"Sec. 613. (a) In this section, 'passenger vessel' means a vessel which (1) is of not less than ten thousand gross tons, (2) has a designed speed which before the vessel was built was approved by the Board but not less than eighteen knots, (3) has accommodations for not less than two hundred passengers, and (4) before the vessel was built was approved by the Secretary of Defense as desirable for national defense purposes.

"(b) If the Federal Maritime Board finds that the operation of any passenger vessel with respect to which an application for operating-differential subsidy has been filed under section 601 of this title is required for at least two-thirds of each year, but not for all of each year, in order to furnish adequate service on the service, route, or line with respect to which the application was filed, the Board may approve the application for payment of operating-differential subsidy for operation of the vessel (1) on such service, route, or line for such part of each year, and (2) on cruises for all or part of the remainder of each year.

"(c) Cruises authorized by this section must begin and end at a domestic port on the operator's essential service to which the vessel is assigned. When a vessel is being operated on cruises—

"(1) it shall carry no mail or cargo except passengers' luggage;

"(2) it shall carry passengers only on a round-trip basis;

"(3) it shall embark passengers only at domestic ports on the operator's essential service to which the vessel is assigned; and

"(4) it shall stop at other domestic ports only for the same time and the same purposes as is permitted with respect to a foreign-flag vessel which is carrying passengers who embarked at a domestic port.

Section 605(c) of this Act shall not apply to cruises authorized under this section.

(d) The Board may from time to time review operating-differential subsidy contracts entered into under this title for the operation of passenger vessels, and upon a finding that operation of such vessels upon a service, route, or line is required in order to furnish adequate service on such service, route, or line, but is not required for the entire year, may amend such contracts to agree to pay operating-differential subsidy for operation of such vessels on cruises, as authorized by this section, for part or all of the remainder, but not exceeding one-third, of each year.

"(e) Any operating-differential subsidy contract under which the Board contracts to pay operating-differential subsidy for the operation of passenger vessels on cruises, as authorized by this section, shall provide that (1) if at the end of the period specified in section 606(5) of this Act, the net profit on the operation of such vessels on cruises (after deduction of depreciation charges based upon a life expectancy of the vessels determined as provided in section 607(b) of this Act, for the period of such cruises) has averaged more than 10 per centum per annum upon the contractor's capital necessarily employed in the operation of such vessels on such cruises, the contractor shall pay to the United States an amount equal to 75 per centum of such excess, but not exceeding the amount of operating-differential subsidy paid for the operation of such vessels on such cruises during such period, and all of such net profit and the contractor's capital necessarily employed in the operation of such vessels on such cruises and the operating-differential subsidy paid for the operation of such vessels on such cruises shall be excluded in determining the amount that is otherwise payable to the United States under section 606(5) of this Act; and (2) if at the end of such period provided in section 606(5) of this Act, such net profit on the operation of such vessels on cruises has averaged less than 10 per centum per annum upon the contractor's capital necessarily employed in the operation of such vessels on cruises, all of such net profit or loss and the contractor's capital necessarily employed in the operation of such vessels on cruises and the operating-differential subsidy paid with respect to such cruises shall be included in determining the amount that is payable to the United States under section 606(5) of this Act."

SEC. 2. Section 601(a) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1171, is amended as follows:

(a) The first sentence thereof is amended by inserting immediately before the period at the end thereof the words "or in such service and in cruises authorized under section 613 of this title".

(b) By inserting in the second sentence thereof after the words "to promote the foreign commerce of the United States" the words "except to the extent such vessels are to be operated on cruises authorized under section 613 of this title".

(c) By inserting at the end thereof a new sentence to read as follows: "To the

extent the application covers cruises, as authorized under section 613 of this title, the Board may make the portion of this last determination relating to parity on the basis that any foreign flag cruise from the United States competes with any American flag cruise from the United States".

SEC. 3. Section 602 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1172), is amended by striking out the word "No" and inserting in lieu thereof the following: "Except with respect to cruises authorized under section 613 of this title, no".

SEC. 4. Section 603 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1173), is amended as follows:

(a) Subsection (a) is amended by inserting after the words "in such service, route, or line" the words "and in cruises authorized under section 613 of this title".

(b) Subsection (b) is amended by inserting after the words "operating-differential subsidy" a comma and the words "including such subsidy for any period during which the vessel is authorized to cruise as provided in section 613 of this title" and a comma; by inserting after the words "substantial competitors" the words "on the service, route or line", and by inserting at the end thereof the following new sentence: "For any period during which a vessel cruises as authorized by section 613 of this Act, operating-differential subsidy shall be computed as though the vessel were operating on the essential service to which the vessel is assigned."

SEC. 5. Section 606 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1176), is amended by inserting in subdivision (6) after the words "services, routes, and lines" a comma and the words "and any cruises authorized under section 613 of this title" and a comma.

SEC. 6. Section 607(b) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1177), is amended by inserting in the second sentence of the second paragraph thereof after the words "on an essential foreign-trade line, route or service approved by the Commission" the words "and on cruises, if any, authorized under section 613 of this title."

Senator BARTLETT. The first witness on S. 677 will be the Honorable Thomas E. Stakem, Jr., Chairman, Federal Maritime Board.

Mr. Stakem.

STATEMENT OF HON. THOMAS E. STAKEM, JR., CHAIRMAN OF THE FEDERAL MARITIME BOARD

Mr. STAKEM. Good morning, Senator.

Senator BARTLETT. Good morning, Mr. Stakem. The floor is yours.

Mr. STAKEM. The purpose of the bill, S. 677, is to authorize the removal of subsidized passenger ships from the essential trade routes during their slack season, with a continuation of the payment of operating-differential subsidy with respect to such ships while they cruise off the essential trade routes. The bill would not increase the amount of operating-differential that would be paid with respect to these ships, because the ships are now subsidized for the entire year. By improving the earnings of passenger-ship operators, the bill would enhance the possibility of subsidy recapture by the United States. With the amendment hereinafter proposed, with respect to the computation of subsidy, we recommend enactment of the bill.

Under the Merchant Marine Act, 1936, as amended, the Federal Maritime Board is authorized to contract to pay operating-differential subsidy for the operation of vessels on trade routes determined to be essential by the Secretary of Commerce under section 211 of that act.

The Federal Maritime Board has contracted under that act with six operators for the operation of both cargo and passenger vessels (as defined in the bill) on the essential trade routes. Under the provisions of the act, such contracts provide that if the average net

profit, over a 10-year period, of the combined fleet of cargo and passenger vessels operated by any contractor exceeds 10 percent of capital necessarily employed in the operation of such vessels, the contractor shall repay to the United States one-half of such excess profits but not exceeding the amount of operating-differential subsidy paid during the 10-year period.

Passenger ships are defined in the bill (sec. 1) as vessels of not less than 10,000 gross tons, with a designed speed which, before the vessel was built, was approved by the Board, but not less than 18 knots, with passenger accommodations for not less than 200 passengers, and which, before the vessel was built, was approved by the Secretary of Defense as desirable for national defense purposes. This definition is patterned on the definition of passenger vessel in section 503 of the act for the purpose of granting sole recourse mortgages.

There are 14 such ships in the subsidized segment of the U.S.-flag merchant marine, operated by 6 different operators which come under the definition. These ships, the owner, total passenger accommodations, and area served are as follows:

First, the American Export Lines, Inc., serving U.S. Atlantic/Mediterranean: *Constitution*, 1,088 passengers; *Independence*, 1,088 passengers; *Atlantic*, 854 passengers.

Second is the American President Lines, Ltd., serving U.S. Pacific/Far East: *President Cleveland*, 780 passengers; *President Wilson*, 780 passengers; *President Hoover*, 202 passengers.

Third is the Grace Line, Inc., serving U.S. Atlantic/Caribbean: *Santa Paula*, 300 passengers; *Santa Rosa*, 300 passengers.

Fourth is the Moore-McCormack Lines, Inc., U.S. Atlantic/east coast of South America is the regular service; ships usually make one to two voyages a year between U.S. Atlantic/Scandinavia and U.S. Atlantic/south and east Africa: *Brasil*, 553 passengers; *Argentina*, 553 passengers.

Next is the Oceanic Steamship Co. serving U.S. Pacific/Australasia: *Mariposa*, 365 passengers; *Monterey*, 365 passengers.

And last is the United States Lines Co., United States Atlantic/United Kingdom and Continent: *United States*, 1,982 passengers; *America*, 1,046 passengers.

In addition to the foregoing there are 15 combination passenger-cargo ships, ranging in passenger-carrying capacity from 52 to 124, operated by U.S.-flag subsidized carriers in regular service in the foreign commerce of the United States. These ships have not been included as passenger ships in the bill since too large a portion of the revenue accruing from the use of these ships is realized from the carriage of cargo, which would not be permitted under the bill, to make their use under the bill economically feasible.

Passenger vessels operated under operating-differential subsidy contracts have a slow season during which they earn little profit or even operate at a loss. This reduces the annual profits made by the contractor on his fleet of vessels and thus tends to reduce the fleet profits which are subject to recapture by the United States.

Analysis of passenger travel on passenger ships shows definite seasonal peaks. The high season for United States North Atlantic/Mediterranean outbound travel ranges from March to October reaching a peak in June or July; on the homebound leg the peak is August

or September. This same pattern exists in the entire United States/European passenger trade. As a rule the slack period of passenger travel both outbound and inbound occurs in January and February. Similar seasonal fluctuations in the volume of passenger traffic are evident in the South American and transpacific trades.

On outbound voyages in the slow season, utilization may range from 50 to 60 percent of available space with a corresponding reduction in revenue. Examination of voyage results of one operator of large passenger vessels shows a profit from the passenger ship operation before subsidy in the peak season, that is, second and third quarters; and a considerable loss in the slow seasons, the first and last quarters of the year.

To help offset the diminution of traffic in the offseason many foreign-flag operators schedule repairs, inspection, and drydocking of their passenger ships in the winter months and at the same time schedule attractive short cruises to warmer climates to accommodate this ever-growing type of business. The importance and extent of cruise business is evident by the number of cruises scheduled by foreign-flag vessels to the Caribbean and other South and Central American areas from New York. More than 80 cruise voyages were advertised in a leading trade publication for each of the months of January and February 1960 ranging from a few days to a month or more, with an average of about 2 weeks, by passenger ships normally assigned to other services, including such large ships as the *Nieuw Amsterdam* (passenger capacity, 1,214) of Holland-America Line; *Bremen* (passenger capacity, 1,122) of North German Lloyd Line; and the *Mauritania* (passenger capacity, 1,147) of the Cunard Line.

Some foreign-flag vessels also make cruises to other areas during the winter; the Italian Line usually transfers one or two passenger ships from its normal U.S. Atlantic/Mediterranean service to the Mediterranean/east coast South American service. Paid advertisements and press dispatches indicate a growing number of cruises by foreign-flag passenger vessels commencing their cruises at U.S. ports, principally New York, and such cruises exceed by far the number of the cruises advertised by U.S.-flag vessels as a part of the regularly scheduled services.

Most U.S. subsidized operators of passenger ships employ at least two passenger vessels on a service and the withdrawal of one vessel with a consequent reduction in the frequency of sailings on its regular service during the slack season should not adversely affect its overall service. The scheduling of cruises offers the added advantage of permitting an operator to schedule a short cruise or cruises during a period when a vessel might normally be idle awaiting its next scheduled sailing date after annual repairs or drydocking.

Review of space utilization on cruises indicates that on well known vessels, passenger demand ranges from good to excellent. Since the U.S.-flag passenger vessel fleet is well known they should meet with favorable acceptance by the growing number of tourists who take off-season cruises.

There is no doubt that with favorable acceptance, the cruises would provide revenue in excess of that which would be realized if the vessels were retained in the regular service at a low utilization level.

Cruises made under the proposed legislation would not have a seriously adverse effect on other U.S.-flag operators since under the

bill competitive factors with respect to other American flag operators would be minimized by (1) limiting the passengers to round-trip passengers, (2) prohibiting the carriage of mail or cargo, (3) requiring that cruises begin and end at a domestic port on the operator's essential service to which the vessel is assigned, (4) permitting the embarkation of passengers only at domestic ports on the operator's essential service to which the vessel is assigned, and (5) permitting the vessel to stop at other domestic ports only for the time and the same purposes as is permitted with respect to foreign flag vessels carrying passengers who embarked at domestic ports.

The length of time that foreign flag vessels carrying passengers who embarked at a U.S. domestic port are permitted, by the Bureau of Customs, to stop at another U.S. domestic port is indicated by Treasury Decision 55147(19) to be less than 24 hours, with passengers allowed ashore for sightseeing, but are not allowed to stay ashore overnight.

In addition to the reduction of competitive factors by the foregoing provisions of the bill, the way the Board would contract under the bill would protect other American flag operators from serious adverse affects. The Board would require in the operating-differential subsidy contract that each specific cruise would have to be approved by the Board. In determining whether to approve a specified cruise, the Board in the discharge of its obligation under the act to promote the entire American merchant marine, would consider whether the cruise would seriously adversely affect any other American flag operator and if it determined that this would be the result, the Board would not approve the cruise.

The bill provides that section 605(c) of the act shall not apply to cruises. Section 605(c) provides that no operating-differential subsidy contract shall be entered into with respect to a vessel which is to be operated on a service, route, or line, served by citizens of the United States, which would be in addition to existing services unless the Board, after hearing all interested parties, determines that the existing American flag service is inadequate. The section would not by its terms apply to cruises. We are not suggesting an amendment to make this section applicable to cruises, because 605(c) proceedings can be so prolonged and costly that this procedure would make impracticable the prosecution of any application for a cruise that would be contested. We think that the bill provides adequate safeguards for all operators without an amendment of section 605(c).

The bill would add a new section 613 to title VI of the Merchant Marine Act, 1936, which would authorize the Federal Maritime Board to subsidize cruises, subject to the conditions that have been mentioned, if the Federal Maritime Board determines that for the period of such cruises, operation of the vessel is not required in order to furnish adequate service on the service, route, or line to which the vessel is assigned or for which application is made. Operation of the vessel on cruises would be restricted by the new section to not exceeding one-third of each year.

The new section 613 provides that if at the end of a 10-year recapture period, the contractor has earned an average return of more than 10 percent per annum on his capital necessarily employed, he should pay to the United States 75 percent of such excess but not exceeding the amount of operating-differential subsidy paid with respect to such

cruises. This is in lieu of the 50 percent recapture provision of section 606(5) of the act. If the operator has earned less than an average return of 10 percent per annum, his recapture accounting would be under section 606(5) of the act.

The bill would amend section 601 of the act (which requires, as a prerequisite to the granting of operating-differential subsidy, a finding that operation of the vessel in a service, route or line is required to meet foreign flag competition and to promote the foreign commerce of the United States), to require a finding that the operation of the vessel in a service, route or line is required to meet foreign flag competition except to the extent the vessel is operated on cruises authorized under the new sections 613. Conforming changes would also be made in sections 602, 603, and 607(b).

The amendment to section 603(b) would provide that for the period during which the vessel is operated on cruises authorized by the new section 613, operating-differential subsidy shall be computed as though the vessel were being operated on the essential service to which it is assigned. The reason for this provision is that it would not be practical to make the computation on the basis of direct competition. After reconsideration, however, we have concluded that if the cruise ship calls at a foreign port that is not on its essential service, but which is on the essential service of another subsidized operator who has a lower subsidy rate, subsidy for the cruise should be computed at this lower rate. This amendment to the bill, which we recommend, could be made by (1) striking out of line 4, page 6, of the bill the words "a comma" and all after them down through the word "comma" in line 7, page 6, and inserting in lieu thereof the following: "for the operation of vessels on a service, route or line"; and by inserting in line 14, page 6, before the period, a colon and the following:

Provided, however, That if the cruise vessel calls at a port or ports outside of its assigned service but which is regularly served with passenger vessels (as defined in sec. 613 of this Act) by another subsidized operator at an operating-differential subsidy rate for wages lower than the cruise vessel has on its assigned essential service, the operating-differential subsidy rate for each of the subsidizable items for the period of the cruise shall be at the respective rates applicable to the subsidized operator regularly serving the area.

The bill is an effort to place the operator of U.S.-flag passenger vessels on a more favorable competitive basis with his foreign-flag competitors by permitting him to compete with them for available off-route cruise passengers during the slack season on the regular service of the vessels. Through anticipated improved financial results these operators will be able to further strengthen the future of the U.S. passenger fleet.

With the amendment proposed, we recommend enactment of the bill.

The Bureau of the Budget advises there is no objection to the submission of this statement from the standpoint of the administration's program.

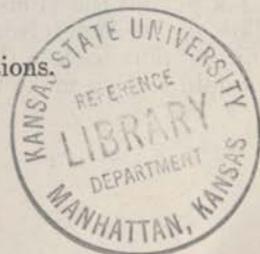
Senator BARTLETT. Thank you, Chairman Stakem.

Mr. Engle?

Senator ENGLE. I have no questions.

Senator BARTLETT. Mr. Bourbon?

Mr. BOURBON. I would like to ask a few questions.



Mr. Chairman, this bill is designed, is it not, primarily to permit subsidized vessel operators to cut their losses in their off-season by engaging in the very lucrative cruise operations? These cruise operations are pretty big business, aren't they?

Mr. STAKEM. Yes, they are. I recently saw some figures put out by the Immigration and Naturalization Service; I can't remember the figures, but I was surprised at the number.

Mr. BOURBON. Was it around 145,000 annually, or something like that?

Mr. STAKEM. Something like that, Mr. Bourbon. It is a big business and a lucrative business.

Mr. BOURBON. Most of the people are citizens or residents of the United States who take these cruises out of New York?

Mr. STAKEM. The biggest part of the people are U.S. citizens.

Mr. BOURBON. Who is getting most of that cruise business at the present time?

Mr. STAKEM. Foreign-flag ships are getting it at the present time.

Mr. BOURBON. They are piling in here at a great rate. As you say, 60 cruises were advertised from New York, for both January and February; is that right?

Mr. STAKEM. Yes, sir. I took the months of January and February of 1960 as indicative of the size of the number of cruises, and I found, in the leading advertisement publication, 80 for each of the 2 months for 1960.

Mr. BOURBON. Actually, aren't we some years late with this type of legislation? Haven't we kind of hogtied our own subsidized line to the advantage of any of these foreign lines that wanted to come over here and skim the cream off this business?

Mr. STAKEM. I agree, Mr. Bourbon, that the legislation is late. We wish that we had had it before the Congress before this time.

Mr. BOURBON. And there is no question about it: if more of our people were given an opportunity to cruise on American ships, more of them would cruise on American ships?

Mr. STAKEM. Very definitely. I think the American-flag ships are of outstanding quality and I think that they will be attractive to the tourist public and they will be well received.

Mr. BOURBON. Now, if the one and only purpose of this legislation is to give our lines a chance to be much more fully competitive in this cruise business, why can't we go all the way and permit American vessel operators to be fully competitive? For instance, why shouldn't they carry mail or cargo, to the extent that such carriage does not interfere with their cruising and does not tread on the toes of another American operator?

Mr. STAKEM. Mr. Bourbon, you have me in the same corner that Congressman Downing and Congressman Mailliard had me in yesterday before the House.

I can say to you, as I said to them, the purpose of the language in the bill was to lean over backward not to hurt another American-flag operator in whose territory these cruises may run.

I also told the House committee that we would study this idea of allowing in some circumstances the carriage of cargo and that we would report back to the committee the Board's final position on that. I would like to make the request of this committee that at the time

when the Board restudies this, we would supplement the statement that I am making here today in letter form to the committee of our final position on that.

Senator BARTLETT. We shall await that communication.

THE SECRETARY OF COMMERCE,
Washington, April 24, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Merchant Marine and Fisheries, Committee on
Interstate and Foreign Commerce, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: At the hearing on S. 677 before the Subcommittee on Merchant Marine and Fisheries, we were asked to furnish our views whether the bill should be amended to authorize vessels on cruises authorized under the bill to carry passengers, mail, and cargo.

After considering this matter, we have concluded that vessels operating on such cruises should be permitted to carry mail, cargo, and passengers between ports on the vessel operator's essential service. We do not, however, believe that this should be extended to other ports.

With respect to the amendment recommended by the Pacific American Steamship Association which would amend the definition of "passenger vessel" in the bill (a) by eliminating the requirement of the new section 613(a)(2) that the vessel "has a designed speed which before the vessel was built was approved by the Board but not less than 18 knots" and (b) by changing the requirement of the new section 613(a)(4) that the Secretary of Defense approved the vessel as desirable for national defense features before it was built to a requirement that the vessel is of a design and speed approved by the Secretary of Defense as desirable for national defense purposes, we recommend the amendment described in (a) above, and with respect to (b) above we recommend that the requirement of the new section 613(a)(4) be eliminated rather than be changed. The foregoing changes are desirable in order to qualify the *President Hoover*, which was built by the Panama Canal Company and not by the Federal Maritime Board, or its predecessors. To require that the Secretary of Defense approve these vessels currently would entail unnecessary administrative expense.

The Bureau of the Budget advises there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUDEMAN, *Under Secretary of Commerce.*

Mr. BOURBON. It can be argued, can it not, Mr. Chairman, that you are leaning over backward in that language, too, unintentionally I am sure, to make it more difficult for the American ships to realize fully the potential of their cruise business?

Mr. STAKEM. I would rather put in this way, Mr. Bourbon, that we have been under the impression that the attractiveness of the cruises themselves would result in considerable financial success of the particular voyages. I am not informed today as to extent to which the foreign-flag vessels themselves who are engaged in these cruises do pick up cargo and/or mail. We are going to make a study of that to get the most up-to-date information.

This will be part of the supplemental picture which we will submit to the committee.

Mr. BOURBON. I was going to ask that question, whether these foreign ships did operate under any such restriction?

Mr. STAKEM. My impression is that they do not operate under any restrictions, as such, because they are freewheelers in this business. But whether as a matter of practice they engage in the carriage of cargo and mail, I don't know. But we are going to try to find out.

Mr. BOURBON. Now why the severe penalties on the subsidized lines if they add a few extra stops to sweeten their cruises? The purpose, it must be remembered, is to permit the lines to make money on these cruises, and if they feel that stopping at a few points outside of their

regular calls would encourage more people and, again, it doesn't interfere with any other American line, why wouldn't they be able to do that without being penalized beyond the 3½ days?

Mr. STAKEM. Let me break that down, too, Mr. Bourbon.

If you are talking about additional calls into foreign ports, there is no limitation except the company's own scheduling as to how many foreign ports could be traveled by a ship on a cruise.

Mr. BOURBON. But there is a limitation if they deviate beyond 3½ days; they lose their subsidy?

Mr. STAKEM. Not on cruises. If a ship is on a cruise, and if this cruise under the language of this bill is approved by the Board, the deviation rule we have would not be applicable.

Mr. BOURBON. I am glad to hear that. I was under a misapprehension.

Mr. STAKEM. On this point, I would like to give an example.

In the contract with the Moore-McCormack Line, they have under their required service, the scheduling of several trips a year in their Scandinavian run. They also have in their required service that they will make one, or no more than two voyages that will go from the United States to South America, to Africa, and then they have an option to either come through the Mediterranean or to return by way of South Africa back to their regular port of call in the United States.

Now I want to make a specific distinction between that type of voyage and the cruise that we are talking about in this bill. This is part of Moore-McCormack's required service, and that trip that it makes once or twice a year, in that long area, would not, in my estimation, under the terms of this bill be considered a cruise. It is part of the Moore-McCormack required service.

Mr. BOURBON. On the Scandinavia route you don't require them to have a passenger service, do you?

Mr. STAKEM. They are required, and this is by request of the company who have applied to the Board for the right to make one or no more than four, I believe it is, trips a year with the *Argentine* and *Brasil* to Scandinavia on their trade route section. And this has been written into their contract.

Mr. BOURBON. So while it is in the nature, somewhat, of a cruise, you don't regard it as a cruise?

Mr. STAKEM. That is correct. It is not a cruise because it is the required service, and it would not be described as a cruise by the Board within the language of this bill if approved.

Mr. BOURBON. Would there be any reason why the bill could not be amended to take care of a situation like that, if you felt it desirable? After all, you still have the basic problem that you want these passenger ships to be able to make some money, and if you are going to penalize a ship \$40,000 or \$50,000 for being 4 or 5 days off the route, why it seems to me that you are negating the original purpose of the Commission to let them go up there.

Mr. STAKEM. It seems to me we are talking two different things here. This is not a cruise as such within the language of the bill, and I don't think that you could write language into this bill that would change the service description in the regular operating differential subsidy entered into between the company and the United States—at least under this bill.

If this deviation rule is a problem, it could be that it could be tackled someplace else, but not in this bill; because the deviation rule, as such, would not apply to any voyages, cruises, approved under this bill.

Mr. BOURBON. Just one more question: Why the 75 percent recapture applying only to the cruise? After all, these passenger ships are part of the entire fleet, and the purpose of the cruise is to help improve the result of the whole fleet.

If you have the 75 percent requirement and they don't make a profit all you do is require more bookkeeping—isn't that right?

Mr. STAKEM. It is problematical that any of the companies with the new costly units that are going into the fleets will be in excess of 10 percent of their capital necessarily employed. But the provision for 75 percent recapture, as to cruises, was put in the bill to improve the Government's position, shall we say.

Mr. BOURBON. If it weren't in there, you would still get any profits taken care of in the 50 percent?

Mr. STAKEM. Accounting would go back to regular provisions of 606(5), I believe, where it is 50 percent.

Mr. BOURBON. That is all I have.

Senator BARTLETT. Mr. Grinstein?

Senator ENGLE. Sir.

Senator BARTLETT. Senator Engle. Of course.

Senator ENGLE. How much is this going to cost?

Mr. STAKEM. Not a cent more than it is already costing us to subsidize these ships in their required service, because these passenger ships are subsidized the year around and it will not cost the Government additional subsidy. It will only mean that the financial position of the companies will be improved, and through this improvement, perhaps, our recapture may be improved.

Senator ENGLE. Why won't it cost more money?

Mr. STAKEM. Because the vessels are already subsidized the full year, whether they are operating on their regular services or whether they would be operating for short times under cruises. If they do not go on cruises under this legislation they would be required to maintain the service on their regular routes, and the subsidy would be paid for the full year.

Senator ENGLE. And they are not busy during those offseason periods?

Mr. STAKEM. It is a question whether you sail a ship with maybe 40 to 50 percent utilization of passenger space or whether you allow the ship to go off and make a short trip where it might be 100 percent filled.

Senator ENGLE. Do you require them at the same time to meet their regular schedules?

Mr. STAKEM. We would have to make a finding of the Board that the pulling of this ship off of its regular required service would not do harm to the regular service, and I think this can be done because if you have two ships that are operating in the service and both of them are operating at, say, 40 to 50 percent capacity, the net result of taking one off to put it on a lucrative cruise for a short period would be that you would have all of your passengers on the other ship on the required service. So it would have better utilization of its space.

Senator ENGLE. Would the net result be that you actually reduce the amount of subsidy?

Mr. STAKEM. I doubt that, Senator. I think there would be no change, except through the enhanced recapture. So to that extent the Government's position is better.

Mr. BOURBON. Haven't we had an example of the alternative to this cruise situation recently in the fact that the United States Lines laid up the *America* for one trip because she only had 300-some passengers as against her 1,000 capacity, and so they just did not make the trip?

Mr. STAKEM. I think that is a good example, Mr. Bourbon.

This did happen and it is typical of the situation which this bill would assist in correcting.

Mr. BOURBON. While that ship was laid up it still cost the company a certain amount of money per day, and there was no income?

Mr. STAKEM. That is right.

Mr. BOURBON. That is all.

Senator BARTLETT. Mr. Grinstein?

Mr. GRINSTEIN. Mr. Chairman, on page 8 of your testimony you said that the Federal Maritime Board would make a determination of whether or not the cruise would seriously adversely affect any other American-flag operator. Later you mentioned that you would make a determination of whether the service on the trade route would be affected adversely. In other words, you would make two determinations?

Mr. STAKEM. Two determinations; yes, sir.

Mr. GRINSTEIN. In the Immigration and Naturalization Service which you referred to, they list approximately 134,502 cruise passengers to the Caribbean Sea. This would mean, would it not, the passengers embarking and debarking from U.S. ports?

Mr. STAKEM. Yes, sir.

Mr. GRINSTEIN. How many of these are presently carried on American-flag ships?

Mr. STAKEM. There would be a small percentage of that number shown in the tabulation that you have that are on American-flag ships, and I have reference to the Grace Line. The Grace Line, with the *Santa Paula* and *Santa Rosa*, does service that Caribbean area and, after taking care of the normal one-way passage, their ships are allowed to carry passengers on a round-trip basis, and this could be well picked up in the statistics that you have as cruise people.

Mr. GRINSTEIN. Would it be possible for us to get the figures as to how many of 134,502 are presently being carried by American carriers?

Mr. STAKEM. Yes. I think we would have to go to the source of those figures and ask them for a breakdown, if they could, and we would be very happy to do that and submit something for the record.

Mr. GRINSTEIN. Good.

Is this a growing cruise business? Has it expanded over the last few years? Would you know?

Mr. STAKEM. Yes, it has. It is growing; no question about it.

Mr. GRINSTEIN. That is all.

Senator BARTLETT. I suggest we incorporate in the record at this point the table to which Mr. Grinstein referred, which is to be found in the report of the Commissioner of Immigration and Naturalization for the fiscal year ended June 30, 1960, with more specific reference to the heading entitled, "Cruise" on page 67.

TABLE 31.—Passengers arrived in the United States, by sea and air, from foreign countries, by country of embarkation, year ended June 30, 1960
 [Exclusive of Canadian travel over land borders]

Country of embarkation	By sea and air			By sea			By air		
	Total	Aliens	Citizens	Total	Aliens	Citizens	Total	Aliens	Citizens
	West Indies.....	846,933	299,762	547,171	97,636	44,096	53,540	746,297	255,696	493,631
Bahamas.....	234,842	35,442	199,400	24,808	2,123	22,685	210,034	33,319	176,715
Bermuda.....	115,698	16,938	98,760	8,240	7,315	98,445	107,458	16,013	91,445
British Virgin Islands.....	19,294	14,664	4,630	18,946	14,597	4,349	228,348	97	228,251
Cuba.....	254,548	137,271	117,277	26,268	17,872	8,396	119,399	119,399	108,881
Dominican Republic.....	22,394	8,647	13,747	2,473	2,115	3,358	19,921	8,492	11,429
Guadeloupe.....	5,354	4,405	949	3,729	3,539	190	1,625	866	759
Haiti.....	17,378	5,697	11,711	1,603	225	1,378	15,775	5,442	10,333
Martinique.....	3,212	1,878	1,334	1,577	551	1,026	2,635	1,327	1,308
Netherlands West Indies.....	23,979	13,059	10,920	4,789	2,664	2,125	19,190	10,395	8,795
The West Indies.....	150,234	61,761	88,473	6,203	1,385	4,818	144,031	60,376	83,655
Barbados.....	10,981	5,224	5,757	120	82	38	10,861	5,142	5,719
Jamaica.....	106,313	40,096	66,217	3,402	377	3,025	102,911	39,719	63,192
Leeward Islands:									
Antigua.....	10,277	4,229	6,048	65	41	24	10,212	4,188	6,024
Montserrat.....	67	17	50	433	398	35	67	17	50
St. Christopher.....	2,549	1,822	727	2,060	483	1,577	2,116	1,424	692
Trinidad and Tobago.....	19,413	9,946	9,467	2,000	483	1,517	17,353	9,463	7,890
Windward Islands:									
Dominica.....	11	2	9	102	1	101	11	2	9
Grenada.....	186	81	105	73	3	70	84	80	4
St. Lucia.....	413	340	73	21	3	18	413	340	73
St. Vincent.....	24	4	20	21	3	18	3	1	2
Central America.....	93,416	44,566	48,850	12,111	4,940	8,071	81,305	40,526	40,779
British Honduras.....	2,023	1,031	992	23	11	12	2,000	1,020	980
Canal Zone and Panama.....	44,078	15,333	28,745	10,230	3,284	6,946	33,848	12,046	21,799
Costa Rica.....	6,501	3,906	2,595	187	70	117	6,314	3,836	2,478
El Salvador.....	7,212	4,970	2,242	71	37	34	7,141	4,933	2,208
Guatemala.....	20,848	11,310	9,538	847	298	549	20,001	11,012	8,989
Honduras.....	7,908	4,579	3,329	700	315	385	7,208	4,264	2,944
Nicaragua.....	4,846	3,437	1,409	53	25	28	4,793	3,412	1,381

TABLE 31.—Passengers arrived in the United States, by sea and air, from foreign countries, by country of embarkation, year ended June 30, 1960—Continued

Country of embarkation	By sea and air			By sea			By air		
	Total	Aliens	Citizens	Total	Aliens	Citizens	Total	Aliens	Citizens
	South America.....	193,653	124,377	69,276	16,858	10,315	6,543	176,795	114,062	62,733
Argentina.....	21,685	14,602	7,083	3,079	1,115	1,964	18,606	13,487	5,119
Bolivia.....	2,139	1,341	798	.....	.....	.....	2,139	1,341	798
Brazil.....	26,198	15,165	11,033	2,861	1,334	1,527	23,337	13,831	9,506
British Guiana.....	648	422	226	12	8	4	636	414	222
Chile.....	9,087	6,577	2,510	686	323	363	8,401	6,264	2,147
Colombia.....	32,748	23,903	8,845	371	183	188	32,377	23,720	8,657
Ecuador.....	8,171	5,409	2,762	771	191	580	7,400	5,218	2,182
French Guiana.....	110	78	32	13	13	.....	97	65	32
Paraguay.....	674	401	273	1	1	.....	400	273	227
Peru.....	17,090	10,100	6,900	631	161	470	16,459	9,939	6,520
Surinam (Netherlands Guiana).....	238	113	125	28	20	8	210	117	93
Uruguay.....	845	609	176	192	189	3	653	480	173
Venezuela.....	74,020	45,597	28,423	8,213	6,777	1,436	65,807	38,820	26,987
Cruise.....	175,288	11,493	163,795	175,288	11,493	163,795	.....	.....	.....
Bermuda.....	23,518	955	22,563	23,518	955	22,563	.....	.....	.....
Caribbean.....	134,502	8,574	125,928	134,502	8,574	125,928	.....	.....	.....
Europe and Mediterranean.....	9,157	833	8,324	9,157	833	8,324	.....	.....	.....
Far East.....	1,551	762	789	1,551	762	789	.....	.....	.....
Southern South America.....	1,417	143	1,274	1,417	143	1,274	.....	.....	.....
World Cruise.....	2,336	169	2,167	2,336	169	2,167	.....	.....	.....
Other countries.....	2,807	557	2,250	2,807	557	2,250	.....	.....	.....
Flag of carrier:									
United States.....	1,471,536	408,355	1,063,181	178,517	39,960	138,557	1,293,019	368,395	924,624
Foreign.....	1,639,994	752,593	887,401	575,448	231,942	343,506	1,064,546	550,651	513,885

TABLE 32.—Passengers departed from the United States, by sea and air, to foreign countries, by country of debarkation, year ended June 30, 1960—Continued

Country of embarkation	By sea and air			By sea			By air		
	Total	Aliens	Citizens	Total	Aliens	Citizens	Total	Aliens	Citizens
	Asia.....	169,303	57,238	112,065	35,210	13,780	21,430	134,093	43,458	90,635
Aden.....	67	12	55	67	12	55			
Arabian Peninsula.....	20	19	1	20	19	1			
Afghanistan.....	9	7	2				9	7	
Bonin Volcano Islands.....	60	10	50				60	10	50
Burma.....	18	8	10	4	3	1	14	5	9
Cambodia.....	6	6	0						
Ceylon.....	66	32	34	46	25	21	20	7	13
Christmas Island.....	19	1	18				19	1	18
Cyprus.....	132	42	90	132	42	90			
Formosa.....	965	257	708	136	136	460	379	121	258
French Polynesia.....	4,812	1,516	3,296	2,046	653	1,393	2,796	863	1,933
Hong Kong.....	785	274	511	368	143	225	367	131	236
India.....	170	83	87	75	25	50	95	58	37
Indonesia.....	478	111	367	7		7	471	111	360
Iraq.....	54	17	37				54	17	37
Israel.....	13,887	4,052	9,835	6,532	2,317	4,215	7,355	1,733	5,622
Japan.....	104,515	36,016	68,499	15,700	6,823	8,877	88,809	29,191	59,618
Jordan.....	16	1	15				11	1	10
Korea.....	503	227	276	437	178	259	64	49	15
Laos.....	2,377	679	1,698	9		9	1,519	477	1,042
Lebanon.....	10	15	1	8	7	1			
Malaya.....	3,001	2,995	6	4		4	2,997	2,995	2
Netherlands (Netherlands).....	324	82	242	52	18	34	272	64	208
Philippines.....	26,343	9,186	17,157	6,591	2,964	3,627	19,752	6,222	13,530
Ryukyu Islands.....	6,878	771	6,107	1,123	110	1,013	5,755	5,094	661
Saudi Arabia.....	2,291	396	1,895	9		9	2,282	396	1,886
Surayak.....	1	1		2		2			
Singapore.....	693	180	513	295	77	218	368	103	265
Thailand.....	520	177	343	163	33	130	357	144	213
Vietnam.....	283	50	233	59	4	55	224	46	178
Other United Kingdom territory and dependencies.....	35	33	3				35	33	3

Senator BARTLETT. Do you have some figures?

Mr. STAKEM. The chief of our trade routes has handed me a record which he has compiled which shows the cruise travel between the United States and specific foreign areas, and he has for 1959 departures a total of 143,561. Of that the U.S.-flag carried 16,673; foreign-flag carried 126,888. For the year 1960 we have a total departure of 146,464, with the U.S.-flag carrying 19,341, and foreign-flag ships carrying 127,123.

Senator BARTLETT. Foreign-flag carriers dominate this trade.

Mr. STAKEM. Yes, sir.

Mr. GRINSTEIN. Also the American percentage would remain constant while the foreign-flag percentage increased?

Mr. STAKEM. Yes. There was an increase in just that 1 year from about—well, it is only about 500; 126.8 to 127.1.

Senator BARTLETT. This is, in your opinion, because the foreign ships are available and are dispatched on these cruises and there aren't a corresponding number of American-ship passengers available?

Mr. STAKEM. That is correct, Senator.

Senator BARTLETT. You said before, as I recall, that you believe that if U.S. passenger ships were available, the American public would use them?

Mr. STAKEM. Would support them; yes, I believe.

Senator BARTLETT. Would this possibly turn into an accounting problem?

Mr. STAKEM. No more than our accounting for operating differential subsidy.

Senator BARTLETT. Reference was made to SS *America* being laid up because there weren't enough passengers. Is a voyage such as that terminated by the owner on his own motion, or does permission first have to be had from the Federal Maritime Board?

Mr. STAKEM. The schedule of all ships that are operating under differential subsidy contracts must be submitted to the Board and are approved by the staff under delegated authority from the Board.

Senator BARTLETT. Is there any danger, in your opinion, Mr. Chairman, that if this bill were enacted into law the removal from the present trades of U.S.-flag carriers, thus lessening frequency of service, would either divert American passengers to foreign-flag carriers and this might become a habit or, alternatively, might divert them to another mode of transportation which might become permanent?

Mr. STAKEM. Senator, I don't think so. I think it would be the responsibility of the Board to see to it that the required service of the operator was adequately served and this would be one of the findings that the Board would make in connection with its approval of a particular cruise.

Senator BARTLETT. Has anything such as this ever been done before, or does this constitute a proposal for an advance to a sort of a New Frontier?

Mr. STAKEM. I would put it in the New Frontier class, Senator, because it seems to me that we are a little bit behind the foreign-flag operators. They have recognized the lucrateness of this traffic. They have gotten into it very strongly, as the figures that we have used would indicate, and I think we are just a little bit behind. It is time we caught up.

Senator BARTLETT. You have already stated that you do not believe that any hurt would be done to those operators in the trades now?

Mr. STAKEM. That I believe, Senator. I do not think that there would be serious adverse effects to the operator in the trade, and it would be—in my estimation—the responsibility of the Board to make sure that no one was hurt from the American side.

Senator BARTLETT. Do you know, for example, Chairman Stakem, if Grace Line is now operating at capacity or near capacity during the cruise season?

Mr. STAKEM. I may have those figures, Senator. Just one second.

Suppose I submit them for the record at this point as to what the utilization of the Grace ships has been during what we consider to be the cruise season.

Senator BARTLETT. Very well. Thank you.

(Subsequently, the following letter and statistics were received by the Board:)

FEDERAL MARITIME BOARD,
Washington, D.C., April 5, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Merchant Marine and Fisheries,
Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: At the hearing before the Subcommittee on Merchant Marine and Fisheries on S. 677, we were requested to furnish information with respect to the proportion of cruise passengers on cruises beginning in the United States which is carried on American-flag vessels, and the utilization of the Grace Line ships *Santa Paula* and *Santa Rosa*. This information is attached.

Sincerely yours,

THOS. E. STAKEM, *Chairman*.

Cruise travel from the United States to specified foreign areas for fiscal years ended June 30, 1959 and 1960¹

Area of destination	1959		1960	
	Departures	Percentage of total	Departures	Percentage of total
Bermuda.....	13,651	9.5	21,092	12.4
Caribbean.....	118,138	82.3	² 132,987	78.0
Europe and Mediterranean.....	6,947	4.8	10,282	6.0
Far East.....			1,361	.8
Southern South America.....	1,558	1.1	2,369	1.4
World Cruise.....			1,965	1.1
Other countries.....	3,267	2.3	526	.3
Total.....	143,561	100.0	² 170,582	100.0
U.S. flag.....	16,673	11.6	19,341	11.3
Foreign flag.....	126,888	88.4	² 151,241	88.7

¹ Only years for which reliable information is available.

² Revised figure.

Source: U.S. Department of Justice, Immigration and Naturalization Service.

Outbound passenger carryings of Grace Line's SS's "Santa Paula" and "Santa Rosa," calendar year 1955

	Number of sailings	Number of actual accommodations available ¹	Number of passengers carried	Percentage of utilization	Number of cruise passengers
Total.....	50	11,400	8,588	75	3,987
January.....	4	912	715	78	362
February.....	4	912	731	80	552
March.....	5	1,140	840	74	653
April.....	2	456	324	71	196
May.....	4	912	479	53	255
June.....	5	1,140	990	88	319
July.....	4	912	823	90	380
August.....	4	912	763	84	290
September.....	5	1,140	922	81	107
October.....	4	912	646	71	196
November.....	4	912	571	63	258
December.....	5	1,140	766	67	449

¹ Actual capacity is 228 passengers per sailing whereas salable capacity is 167 passengers per sailing.

Outbound passenger carryings of Grace Line's SS's "Santa Paula" and "Santa Rosa," calendar year 1956

	Number of sailings	Number of actual accommodations available ¹	Number of passengers carried	Percentage of utilization	Number of cruise passengers
Total.....	48	10,944	9,044	83	4,416
January.....	4	912	698	77	406
February.....	4	912	741	81	566
March.....	5	1,140	926	81	673
April.....	3	684	551	81	384
May.....	3	684	519	76	283
June.....	5	1,140	926	81	312
July.....	4	912	831	91	372
August.....	5	1,140	1,024	90	305
September.....	4	912	794	87	111
October.....	4	912	710	78	225
November.....	3	684	545	80	316
December.....	4	912	779	85	463

¹ Actual capacity is 228 passengers per sailing, whereas salable capacity is 167 passengers per sailing.

Outbound passenger carryings of Grace Line's SS's "Santa Paula" and "Santa Rosa," calendar year 1957

	Number of sailings	Number of actual accommodations available ¹	Number of passengers carried	Percentage of utilization	Number of cruise passengers
Total.....	51	11,628	9,239	79	3,983
January.....	5	1,140	935	82	484
February.....	2	456	368	81	264
March.....	5	1,140	742	65	532
April.....	4	912	551	62	387
May.....	5	1,140	840	74	414
June.....	4	912	857	94	204
July.....	4	912	798	88	370
August.....	5	1,140	1,032	91	304
September.....	4	912	851	93	85
October.....	5	1,140	968	85	260
November.....	4	912	672	74	292
December.....	4	912	615	67	357

¹ Actual capacity is 228 passengers per sailing, whereas salable capacity is 167 passengers per sailing.

Outbound passenger carrying of Grace Line's SS's "Santa Paula" and "Santa Rosa," calendar year 1958

	Number of sailings	Number of actual accommodations available ¹	Number of passengers carried	Percentage of utilization	Number of cruise passengers
Total.....	48	12,240	9,511	78	4,694
January.....	5	1,140	862	76	377
February.....	4	912	743	81	522
March.....	4	912	611	67	423
April.....	5	1,140	665	58	402
May.....	4	912	494	54	223
June.....	2	528	484	92	193
July.....	5	1,284	1,160	90	559
August.....	4	1,056	954	90	355
September.....	4	1,056	940	89	151
October.....	3	900	770	83	327
November.....	4	1,200	1,018	85	647
December.....	4	1,200	830	69	515

¹ Actual capacity on sailings from January-May, inclusive, was 228 passengers per sailing, whereas salable capacity was 167 passengers per sailing. From June-September, inclusive, when one old ship and one new ship were operated, the accommodations available were as follows: old ship—actual 228, salable 167; new ship, actual 300, salable 248. Beginning in October, actual capacity was 300 passengers per sailing, whereas salable capacity was 248 passengers per sailing.

Outbound passenger carryings of Grace Line's SS's "Santa Paula" and "Santa Rosa," calendar year 1959

	Number of sailings	Number of actual accommodations available ¹	Number of passengers carried	Percentage of utilization	Number of cruise passengers
Total.....	49	14,700	12,394	84	7,363
January.....	5	1,590	1,286	86	753
February.....	4	1,200	1,054	88	789
March.....	3	900	702	78	538
April.....	4	1,200	961	80	735
May.....	4	1,200	784	65	468
June.....	4	1,200	985	82	414
July.....	5	1,500	1,404	94	873
August.....	4	1,200	1,105	92	508
September.....	4	1,200	1,158	97	340
October.....	4	1,200	1,054	88	503
November.....	4	1,200	1,051	88	791
December.....	4	1,200	850	71	653

¹ Actual capacity is 300 passengers per sailing, whereas salable capacity is 248 passengers per sailing.

Source: Forms M.A. 7802 submitted by Grace Line.

Senator BARTLETT. The next witness is Mr. Bull, executive vice president, American Export Line.

You may proceed.

**STATEMENT OF W. LYLE BULL, EXECUTIVE VICE PRESIDENT,
AMERICAN EXPORT LINE**

Mr. BULL. I am W. Lyle Bull, executive vice president of the American Export Line, and I am preparing to present our position with respect to S. 677.

American Export is an American-flag line operating passenger ships and combination passenger and cargo ships to the Mediterranean and freighters to the Mediterranean and through the Suez Canal to India, Pakistan, and Burma. We have an operating-differential sub-

sidy agreement entered into with the Government under the provisions of the Merchant Marine Act of 1936. Our regular operations are confined, under this subsidy agreement, to specific trade routes.

In the case of our three passenger ships, the *SS Independence*, the *SS Constitution*, and the *SS Atlantic*, these operations are on trade route No. 10—that is, from U.S. North Atlantic ports to the Mediterranean.

I would like to interpose there, Mr. Chairman, where we say U.S. North Atlantic ports, it is in fact applicable to the U.S. east coast from New York to Florida, not including Key West.

Senator BARTLETT. Thank you.

Mr. BULL. The regular voyages of the *Independence* and *Constitution* normally require 20 days while those of the *Atlantic* require 30 days. In this trade, they are in regular competition with 10 passenger ships operated by 4 foreign-flag lines, i.e., the Italian Line, Greek Line, Home Line, and Israel's Zim Line—in addition to the frequent entry of ships of other companies on Mediterranean cruises.

Under the 1936 Merchant Marine Act, at present, subsidized operations can be conducted only on "essential trade routes" and then only if the Maritime Administration makes certain findings related to such trade routes. The proposed legislation, if enacted, would permit the Federal Maritime Board to include in subsidy contracts authority for a subsidized line to use the passenger ships it normally operates on its regular route in cruise voyages off its regular route. Such voyages could be authorized only when the ships are not needed on the regular route. The foreign-flag lines enjoy this flexibility. We feel strongly that the American lines should have a similar privilege.

The steamship industry has always had a serious seasonal problem, and particularly in the transatlantic steamship business. This results from the fact that most people want to go to Europe during summer vacations and when the weather is best. This has produced a highly seasonal traffic pattern over the years. It has meant that during the summer months our ships have been full—at least in one direction. In the winter or "off-season," however, if we operate the same capacity and the same schedules, we are lucky if more than half of this capacity is utilized.

This seasonal problem has been aggravated by the growth of transatlantic air transportation. In the summer, more people have the time and inclination to take advantage of the very real benefits that sea travel affords in contrast with air travel. In the late fall and winter, a larger proportion of the travelers are interested in the time factor alone, and a great many more passengers tend to go by air.

I would like to interpose there, if I may, sir, that for the year 1960 the comparison between air travel and sea travel, transatlantic, is that the air people had more than twice as many as the sea. As recently as 1958, the steamer lines were ahead of the airlines in total passengers carried and within the space of 3 short years, the airlines have not only equaled but have doubled their carriage over the passenger ship lines.

The seriousness of the seasonal problem is reflected in our record of the actual passenger carrying by months on our own two large passenger liners. It is also depicted in the combined monthly carryings of all transatlantic passenger lines, both American and foreign-flag.

We have prepared these statistics both in graph form and by figures for the calendar years 1957 to 1960, inclusive, showing the eastbound and westbound movements separately as well as both directions combined. I ask the chairman's permission to submit these statistics for the record.

Senator BARTLETT. Granted.

(The statistics follow:)

American Export Lines transatlantic passenger carryings—Eastbound and westbound combined

	1957	1958	1959	1959		1957	1958	1959	1960
January.....	2,644	2,218	2,306	1,498	August.....	4,922	4,202	4,999	5,009
February.....	1,542	3,042	857	3,738	September.....	5,564	5,432	6,135	4,478
March.....	4,305	2,736	2,436	2,724	October.....	4,720	4,763	4,914	4,793
April.....	4,362	4,088	2,187	3,409	November.....	3,036	3,030	3,116	2,087
May.....	5,306	6,237	4,679	4,554	December.....	4,432	4,636	3,906	3,427
June.....	3,860	4,488	6,000	6,780	Total.....	50,355	51,476	49,177	47,522
July.....	5,662	6,604	7,642	4,365					

Source: American Export Lines records.

American Export Lines transatlantic passenger carryings—Eastbound

	1957	1958	1959	1960		1957	1959	1959	1960
January.....	901	1,316	690	659	August.....	2,027	2,229	2,809	1,897
February.....	752	1,357	-----	2,301	September.....	2,649	2,516	2,892	2,481
March.....	2,098	965	1,685	1,008	October.....	1,925	1,943	1,962	1,978
April.....	2,110	2,118	1,491	1,824	November.....	1,166	1,214	1,298	884
May.....	2,776	2,453	2,656	2,524	December.....	1,679	2,136	1,367	1,262
June.....	1,987	2,945	3,169	4,160	Total.....	22,998	24,114	23,225	23,024
July.....	2,928	2,922	3,206	2,046					

Source: American Export Lines records.

American Export Lines transatlantic passenger carryings—Westbound

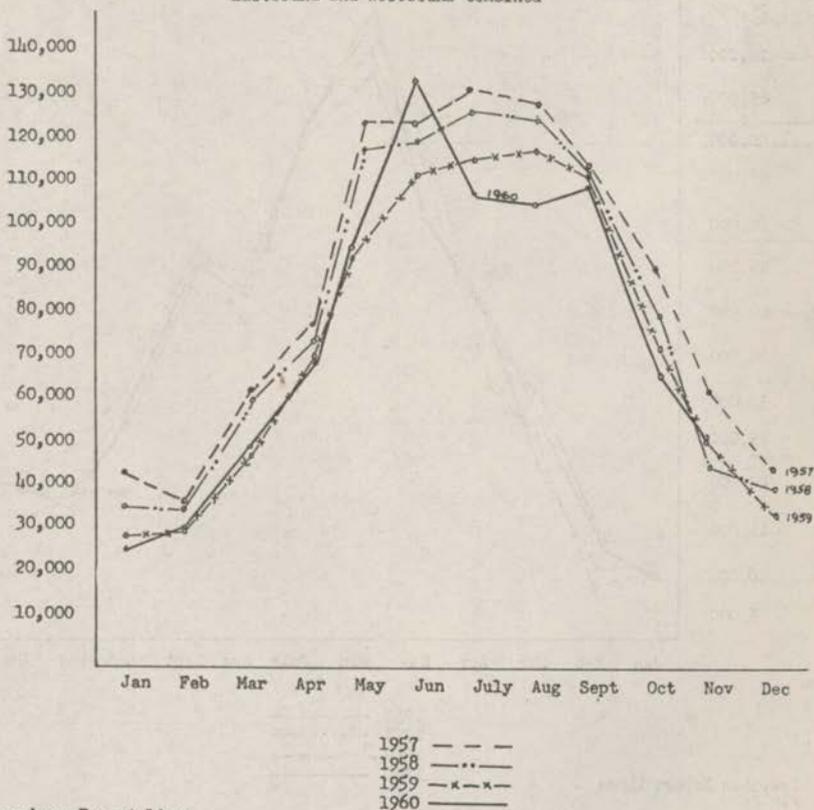
	1957	1958	1959	1960		1957	1958	1959	1960
January.....	1,743	902	1,616	839	August.....	2,895	1,973	2,190	3,172
February.....	790	1,685	857	1,437	September.....	2,915	2,916	3,243	1,997
March.....	2,207	1,771	751	1,716	October.....	2,795	2,820	2,952	2,815
April.....	2,252	1,970	696	1,685	November.....	1,870	1,816	1,818	1,803
May.....	2,530	3,784	2,023	2,030	December.....	2,753	2,500	2,539	2,165
June.....	1,873	1,543	2,831	2,620	Total.....	27,357	27,362	25,952	24,498
July.....	2,734	3,982	4,436	2,319					

Source: American Export Lines records.

TRANS-ATLANTIC PASSENGER CARRYINGS

As reported by
Member Lines of Trans-Atlantic Passenger Conference

Total Passengers Traveling by Ship
Eastbound and Westbound Combined



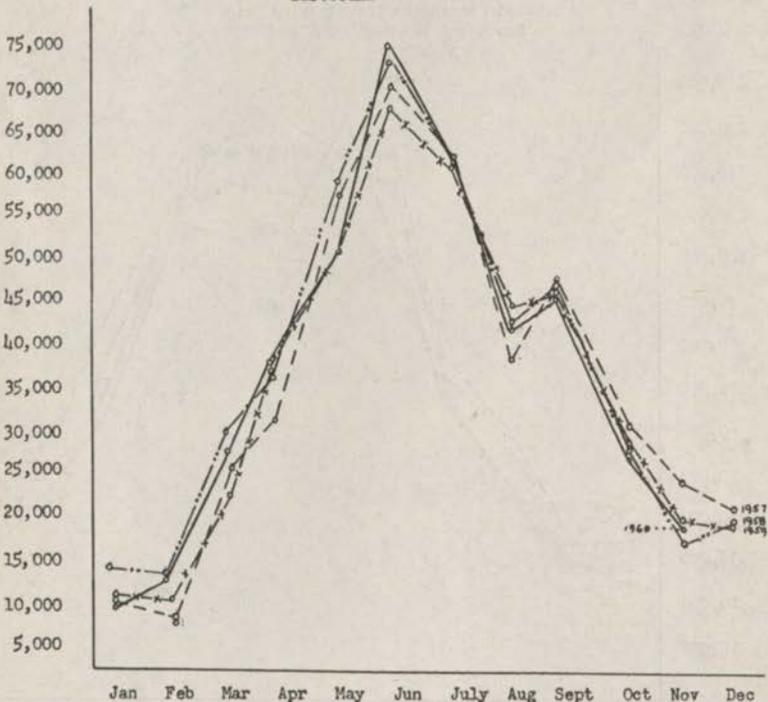
American Export Lines
Feb 61



TRANS-ATLANTIC PASSENGER CARRYINGS

As reported by
Member Lines of Trans-Atlantic Passenger Steamship Conference

Total Passengers Traveling by Ship
Eastbound



1957 — — — —
 1958 — · · — —
 1959 — x — x —
 1960 — — — —

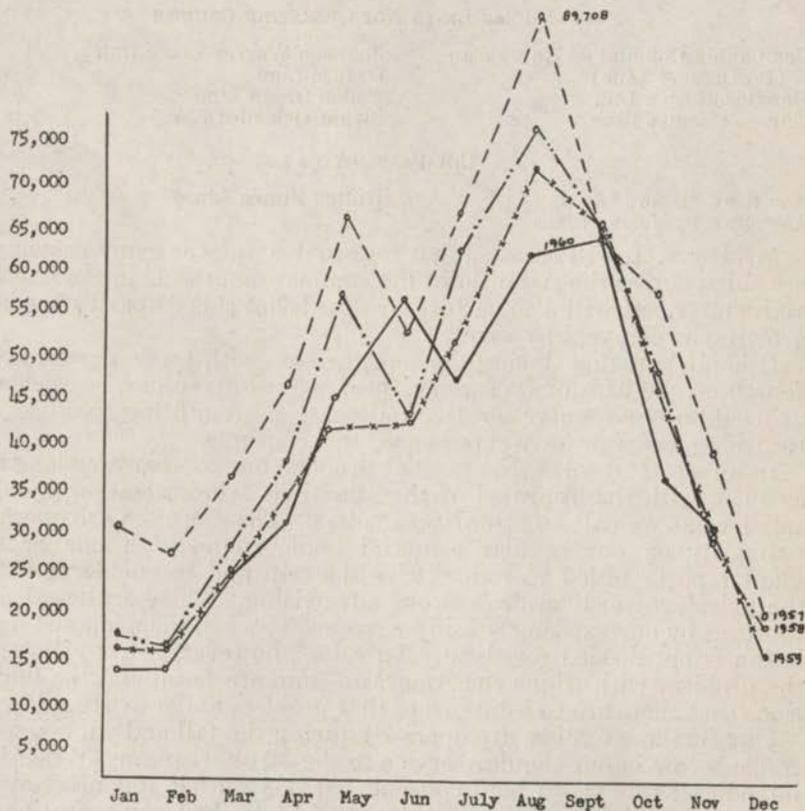
American Export Lines
Feb 61



TRANS-ATLANTIC PASSENGER CARRYINGS

As reported by
Member Lines of Trans-Atlantic Passenger Conference

Total Passengers Traveling by Ship
Westbound



1957 — — — —
1958 — — — —
1959 — x — x —
1960 — — — —

American Export Lines
Feb 61

FOREIGN-FLAG MEMBERS OF THE ATLANTIC PASSENGER STEAMSHIP CONFERENCE
WHICH OPERATE VESSELS IN CRUISE SERVICE FROM THE UNITED STATES TO THE
WEST INDIES AND ALSO TO OTHER AREAS

Canadian Pacific	Inces Steamship Co. Ltd.
Cunard Steam-Ship Co. Ltd.	Italian Line
French Line	National Hellenic American Line
Greek Line	North German Lloyd
Hamburg Atlantic Line	Norwegian American Line
Holland-America Line	Swedish American Line
Home Lines	Zim Lines

FOREIGN-FLAG LINES NOT OPERATING CRUISES

Companhia Colonial de Navegacao (Portuguese Line)	Johnson Warren Lines Ltd.
Donaldson Line Ltd.	Oranje Line
Europe-Canada Line	Polish Ocean Line
	Sicula Oceanica S.A.

U.S.-FLAG LINES

American Export Lines	United States Lines
American President Lines	

MR. BULL. It will be noted that four to five times as many passengers use ships across the Atlantic in the summer months as in the late fall and winter. It will also be further noted that this disparity has been growing larger, year by year.

It is obvious that during the slack season, with traffic down to one-fourth or one-fifth of its summer peak, our ships cannot be efficiently utilized on our regular service, and that, in attempting to do so, the recurring losses we have experienced will continue.

In an effort to solve the seasonal problem our company, as long ago as 1955, with the approval of the Maritime Administration, inaugurated what we call our Sunlane Cruises. These cruises are operated primarily on our regular essential trade route, with one or two glamor ports added to romanticize the trip and to enable us to use the priceless word "cruise" in our advertising. These cruises are authorized by our existing subsidy agreement and so the proposed legislation is not needed for them. This does, however, help to illustrate the problem with which the American lines are faced and the limitations that there are to solutions to that problem under existing law.

Our Sunlane Cruises are operated during the fall and winter, when traffic is low in our regular service to the Mediterranean. When first introduced this was a bold concept, but one we felt was necessary if we were to develop passenger traffic and to conduct our operations in the most economical manner. All things considered, the Sunlane Cruise operation has been quite successful. On our last few sailings 50 percent of the total number of passengers on board when we left New York were Sunlane Cruise passengers—that is, passengers who stayed on board for the entire round trip, as distinguished from one-way passengers.

From the very beginning of our passenger operations with the *Independence* and *Constitution*, it was recognized that a special incentive was needed to obtain traffic during the months of March and April. To provide this, we inaugurated our annual, long, spring

cruise to the Mediterranean. This operation, too, has been primarily on our own trade route, although extended beyond the ports usually served by our two big liners. Like the Sunlane Cruises, this spring cruise is authorized by our subsidy contract and is not the type of cruise covered by the proposed legislation.

The devising of cruises on one's own route affords a partial solution to the off-season problem but, in fact, it is something like rowing against the stream. Adding extra ports to create a more interesting itinerary such as is done on the Sunlane Cruise means extending the regular voyage by 4 or 5 days and an additional \$120,000 to \$150,000 in expense. Yet, without this attraction, our off-season liftings would be reduced by one-third or more.

Senator BARTLETT. Mr. Bull, if you will permit an interruption, the committee will stand in recess for 1 minute while the change is made for Senator Scott to take over the chair.

(Brief recess.)

Senator SCOTT (presiding). We are reconvened, Mr. Bull.

(Discussion off the record.)

Mr. BULL. Our onroute cruises have helped to reduce our losses during the off season, but even under the most favorable conditions they do not provide the real answer to the off-season problem.

The foreign-flag operators found this answer years ago and since then they have acted upon it to their distinct advantage and profit. In the late fall and winter season, when the demand for transatlantic space has abated to the point where the percentage of occupancy is insufficient to cover costs on the regular route, these operators shift certain of their vessels into cruise production, primarily into the Caribbean. Because of the limitations of the subsidy contracts, the operators of American-flag passenger ships do not enjoy this flexibility. They must continue sailings on their regular trade routes whether or not they carry sufficient passengers to pay the costs of such voyages. The ironical part of it is that the foreign-flag vessels that operate these cruises make their profit largely from carrying U.S. residents, a market which U.S.-flag lines should at least be permitted to share.

The operation of cruises is a substantial business. During the 1959-60 season, alone, foreign-flag lines operated some 200 cruises, the great majority of which were to the Caribbean area. I would like permission to place in the record, a listing of cruises operated by all lines in each of the seasons 1954-55 to 1959-60, inclusive.

Senator SCOTT. That may be done.

(Cruise carryings follow:)

Cruise carryings, season of 1954-55

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	

AMERICAN EXPORT LINES

Feb. 11, 1955	Independence.....	Mediterranean.....	57	502	18	34
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CANADIAN PACIFIC STEAMSHIPS

Jan. 20, 1955	Empress of Scotland...	West Indies-South America....	20	372	2	18
Feb. 11, 1955	.....do.....	.....do.....	19	389	1	16
Mar. 4, 1955	.....do.....	.....do.....	20	401	10	17

CUNARD STEAM-SHIP CO., LTD.

Dec. 21, 1954	Caronia.....	West Indies-South America....	12	659	-----	25
Dec. 29, 1954	Mauretania.....	.....do.....	29	542	14	27
Jan. 4, 1955	Caronia.....	.....do.....	14	585	-----	27
Jan. 21, 1955	.....do.....	World.....	106	520	17	21
Jan. 28, 1955	Britannic.....	Mediterranean.....	66	482	1	20
Jan. 29, 1955	Mauretania.....	West Indies-South America....	18	694	2	25
Feb. 19, 1955	.....do.....	.....do.....	17	719	11	26
Mar. 10, 1955	.....do.....	.....do.....	14	729	1	28
Mar. 26, 1955	.....do.....	.....do.....	15	743	9	27
May 11, 1955	Caronia.....	Mediterranean.....	37	574	2	20
July 11, 1955	.....do.....	North Cape.....	38	570	-----	18
Sept. 22, 1955	.....do.....	Mediterranean.....	44	512	6	18
Nov. 9, 1955	.....do.....	West Indies-South American....	13	713	-----	25

FRENCH LINE

Dec. 23, 1954	Ile de France.....	West Indies-South America....	12	641	-----	23
Jan. 28, 1955	.....do.....	.....do.....	17	572	23	23
Feb. 5, 1955	Antilles ¹.....	.....do.....	16	339	-----	10
Feb. 17, 1955	Ile de France.....	.....do.....	12	729	-----	21
Feb. 25, 1955	Antilles ².....	.....do.....	16	392	-----	9

¹ Sailed from Galveston.² Sailed from New Orleans.

GREEK LINE

Dec. 22, 1954	Olympia.....	West Indies-South America....	12	607	-----	29
Jan. 28, 1955	.....do.....	.....do.....	12	380	-----	32
Feb. 11, 1955	.....do.....	.....do.....	17	458	-----	28
Mar. 4, 1955	.....do.....	.....do.....	17	470	-----	27

HOLLAND-AMERICA LINE

Dec. 18, 1954	Nieuw Amsterdam...	West Indies-South America....	16	747	-----	30
Dec. 21, 1954	Maasdam.....	.....do.....	13	539	-----	23
Jan. 5, 1955	Nieuw Amsterdam...	.....do.....	13½	649	-----	27
Do.....	Maasdam.....	.....do.....	14	395	-----	24
Jan. 21, 1955	Nieuw Amsterdam...	.....do.....	14	710	-----	25
Do.....	Maasdam.....	.....do.....	15	332	-----	21
Feb. 7, 1955	Nieuw Amsterdam...	.....do.....	16	746	-----	30
Feb. 8, 1955	Maasdam.....	.....do.....	14	551	-----	21
Feb. 23, 1955	Ryndam.....	.....do.....	13	531	-----	22
Feb. 25, 1955	Nieuw Amsterdam...	.....do.....	12	749	-----	26
Mar. 12, 1955	.....do.....	Mediterranean.....	56	534	7	33
June 1, 1955	Maasdam.....	West Indies.....	13	560	-----	19
Aug. 5, 1955	.....do.....	Bermuda.....	7	610	-----	20
Oct. 4, 1955	Ryndam.....	.....do.....	7	441	-----	22

Cruise carryings, season of 1954-55—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
HOME LINES						
Feb. 3, 1955	Italia.....	West Indies-South America.....	14	306	4	27
Feb. 11, 1955	Queen Frederica.....	Mediterranean.....	42	241	6	12
Do.....	Homeric.....	West Indies-South America.....	18	614	-----	29
Feb. 19, 1955	Italia.....	do.....	14	363	12	24
Mar. 2, 1955	Homeric.....	do.....	15	638	-----	31
Mar. 19, 1955	do.....	do.....	15	632	-----	25
Apr. 6, 1955	do.....	do.....	11	665	-----	27
INCESS LINE						
Dec. 23, 1954	Nassau.....	West Indies.....	11	383	4	19
Feb. 25, 1955	do.....	Nassau-Havana.....	10	412	18	11
Apr. 29, 1955	do.....	do.....	10	445	12	10
July 17, 1955	do.....	West Indies.....	10	422	13	10
Sept. 9, 1955	do.....	do.....	15	350	-----	15
Sept. 25, 1955	do.....	do.....	15	350	-----	15
ITALIAN LINE						
Dec. 22, 1954	Conte Blancamano....	West Indies-South America.....	12	529	2	40
NORTH GERMAN LLOYD						
Jan. 22, 1955	Berlin.....	West Indies-South America.....	15	245	2	15
NORWEGIAN AMERICA LINE						
Feb. 10, 1955	Oslofjord.....	Mediterranean.....	56	348	-----	21
Nov. 16, 1955	do.....	West Indies.....	12	368	-----	17
SWEDISH AMERICAN LINE						
Jan. 8, 1955	Kungsholm.....	Around the world.....	97	292	63	30
Nov. 4, 1955	Stockholm.....	Bermuda.....	7	182	-----	7

Cruise carryings, season of 1955-56

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
AROSA LINE						
Feb. 11, 1956	Arosa Sun ¹	West Indies	16	474	3	14
¹ Sailed from Boston.						
AMERICAN EXPORT LINES						
Feb. 2, 1956	Constitution.....	Mediterranean.....	58	473	18	34
CANADIAN PACIFIC STEAMSHIPS						
Jan. 18, 1956	Empress of Scotland...	West Indies-South America....	29	307	6	15
Feb. 9, 1956	do.....	do.....	29	376	3	15
Mar. 2, 1956	do.....	do.....	20	390	3	14
CUNARD STEAM-SHIP CO., LTD.						
Dec. 22, 1955	Mauretania.....	West Indies-South America....	11	765	-----	27
Jan. 5, 1956	do.....	do.....	13	633	-----	25
Jan. 19, 1956	do.....	Nassau-Havana.....	7	635	2	23
Jan. 20, 1956	Caronia.....	World cruise.....	108	520	-----	20
Jan. 27, 1956	Mediterranean.....	Britannic.....	66	470	2	20
Jan. 28, 1956	Mauretania.....	West Indies-South America....	17	617	10	27
Feb. 18, 1956	do.....	do.....	17	720	4	25
Mar. 8, 1956	do.....	do.....	14	728	2	28
Mar. 24, 1956	do.....	do.....	15	746	-----	26
Apr. 10, 1956	do.....	West Indies.....	12	570	1	48
May 11, 1956	Caronia.....	Mediterranean.....	39	544	-----	19
July 3, 1956	do.....	North Cape.....	38	554	-----	19
Sept. 7, 1956	do.....	Mediterranean.....	43	445	4	19
FRENCH LINE						
Dec. 22, 1955	Ile de France.....	West Indies-South America....	12	749	-----	19
Jan. 6, 1956	do.....	do.....	12	533	3	19
Jan. 17, 1956	Flandre ²	do.....	16	299	6	13
Jan. 20, 1956	Ile de France.....	do.....	17	412	17	22
Feb. 7, 1956	Flandre ²	do.....	15	370	8	10
Feb. 10, 1956	Ile de France.....	do.....	17	520	6	22
Feb. 25, 1956	Flandre ³	do.....	17	405	6	12
Mar. 2, 1956	Ile de France.....	do.....	12	523	10	20
² Sailed from Galveston.						
³ Sailed from New Orleans.						
GREEK LINE						
Dec. 27, 1955	Olympia.....	Nassau-Havana.....	7	676	-----	28
Feb. 10, 1956	do.....	West Indies-South America....	17	617	-----	34
Mar. 2, 1956	do.....	do.....	12	538	-----	26

Cruise carryings, season of 1955-56—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
HOLLAND AMERICAN LINE						
Dec. 17, 1955	Nieuw Amsterdam	West Indies-South America	17	752		28
Dec. 21, 1955	Maasdam	do	13	560		23
Jan. 4, 1956	Nieuw Amsterdam	do	13	681		29
Jan. 5, 1956	Maasdam	do	15	370		24
Jan. 19, 1956	Nieuw Amsterdam	do	13	756		33
Jan. 23, 1956	Maasdam	do	16	558		22
Feb. 4, 1956	Nieuw Amsterdam	do	18	749		29
Feb. 9, 1956	Ryndam	do	14	563		23
Feb. 24, 1956	Nieuw Amsterdam	do	14	760		26
Mar. 12, 1956	do	do	14	738		27
May 7, 1956	Ryndam	Mediterranean	30	427		24
May 26, 1956	Maasdam	West Indies	8	566		21
Oct. 10, 1956	do	do	13	541		25
Nov. 28, 1956	Rydam	do	13	495		21
* Sailed from Norfolk.						
HOME LINES						
Dec. 23, 1955	Homeric	West Indies-South America	11	640	2	25
Jan. 5, 1956	do	do	15	478		22
Jan. 21, 1956	do	do	16	590	1	25
Feb. 6, 1956	Italia	West Indies-South and Central America	16	386	5	23
Feb. 8, 1956	Homeric	West Indies-South America	19	537		23
Feb. 29, 1956	do	do	19	535		26
Mar. 21, 1956	do	do	15	640	1	26
Apr. 6, 1956	do	Havana-Nassau	8	643		25
INCESS LINES						
Dec. 18, 1955	Nassau	Nassau-Havana	8	272	33	15
Dec. 26, 1955	do	do	8	464	7	9
Feb. 24, 1956	do	do	10	441	17	10
Apr. 20, 1956	do	Havana-Nassau	10	454	19	10
May 25, 1956	do	West Indies-South America	14	(¹)	(¹)	(¹)
June 15, 1956	do	Nassau-Havana	10	(¹)	(¹)	(¹)
Sept. 7, 1956	do	West Indies-South America	15	(¹)	(¹)	(¹)
Sept. 23, 1956	do	do	15	(¹)	(¹)	(¹)
* Not available.						
ITALIAN LINE						
Dec. 22, 1955	Vulcania	West Indies-South America	12	524		29
NORTH GERMAN LLOYD						
Feb. 17, 1956	Berlin	West Indies-South America	17	332		13
NORWEGIAN AMERICA LINE						
Dec. 22, 1955	Oslofjord	West Indies-South America	12	369		12
Jan. 6, 1956	do	do	28	350		16
Feb. 7, 1956	do	Mediterranean	58	315		23
June 30, 1956	do	North Cape	39	367		20
Nov. 16, 1956	Bergensfjord	West Indies-South America	17	454		16
SWEDISH AMERICAN LINE						
Jan. 6, 1956	Kungholm	Around the world	97	363	4	29
May 16, 1956	do	West Indies-South America	5	459	1	4

Cruise carryings, season of 1956-57

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
AROSA LINE						
Feb. 9, 1957	Arosa Sun ¹	West Indies	16	442	3	20
Mar. 2, 1957	do	do	16	421		18

¹ Sailed from Boston.

CANADIAN PACIFIC STEAMSHIPS

Jan. 15, 1957	Empress of Scotland	West Indies-South America	14	337	7	16
Jan. 31, 1957	do	do	19	396	2	16
Feb. 21, 1957	do	West Indies	19	385		15
Mar. 14, 1957	do	do	14	403		15

CUNARD STEAM-SHIP CO., LTD.

Dec. 22, 1956	Carinthia	West Indies-South America	14	596		25
Do	Mauretania	West Indies-Rio	29	352	17	24
Jan. 19, 1957	Caronia	World cruise	108	501	7	27
Jan. 24, 1957	Mauretania	West Indies	12	712		27
Feb. 7, 1957	do	West Indies-South America	18	687		27
Feb. 28, 1957	do	do	17	645		27
Mar. 21, 1957	do	West Indies	14	682	3	25
Apr. 6, 1957	do	do	15	685	6	30
May 11, 1957	Caronia	Mediterranean	38	396	9	18
July 2, 1957	do	North Cape	39	552	1	20
Sept. 6, 1957	do	West Indies-South America	13	626	10	26
Sept. 21, 1957	do	West Indies	15	631	5	28

FRENCH LINE

Feb. 1, 1957	Ile de France	West Indies-South America	17	694	24	21
Feb. 21, 1957	do	West Indies	18	741	21	24

FURNESS LINE

Dec. 23, 1956	Queen of Bermuda	West Indies	13	632		14
Dec. 21, 1956	Ocean Monarch	Bermuda-Nassau	8	318	61	12
Jan. 18, 1957	Queen of Bermuda	do	8	431	136	13
Jan. 19, 1957	Ocean Monarch	West Indies	20	272	9	14
Jan. 31, 1957	Queen of Bermuda	Bermuda-Nassau	8	384	189	13
Feb. 9, 1957	do	West Indies	13	585	5	14
Feb. 15, 1957	Ocean Monarch	Bermuda-Nassau	8	282	138	12
Feb. 23, 1957	Queen of Bermuda	West Indies-South America	19	347	199	14
Mar. 1, 1957	Ocean Monarch	Bermuda-Nassau	8	239	113	12
Mar. 25, 1957	do	West Indies	20	278	10	13
Apr. 5, 1957	do	Bermuda-Nassau	8	259	116	12
Apr. 27, 1957	do	St. George-Nassau	7	251	64	12

GREEK LINE

Dec. 22, 1956	New York	West Indies	12	546		20
Jan. 26, 1957	Olympia	do	9	637	6	26
Feb. 8, 1957	do	West Indies-South America	17	680	2	35
Feb. 27, 1957	do	do	13	504	14	30
Mar. 14, 1957	do	do	13	597	4	35

Cruise carryings, season of 1956-57—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
HOLLAND AMERICA LINE						
Dec. 20, 1956	Maasdam.....	West Indies-South America....	14	562	-----	28
Jan. 9, 1957	Ryndam.....	do.....	14	558	-----	26
Jan. 25, 1957	do ¹	do.....	16	543	-----	25
Jan. 31, 1957	Nieuw Amsterdam.....	do.....	16	751	-----	29
Feb. 11, 1957	Ryndam.....	do.....	14	562	-----	22
Feb. 19, 1957	Nieuw Amsterdam.....	do.....	14	760	-----	27
Feb. 23, 1957	Statendam.....	do.....	17	643	1	28
Mar. 4, 1957	Maasdam.....	Bermuda-Nassau-Havana.....	12	323	2	22
Mar. 8, 1957	Nieuw Amsterdam.....	West Indies-South America....	14	750	-----	27
Mar. 16, 1957	Statendam.....	West Indies.....	11½	657	-----	27
Mar. 25, 1957	Nieuw Amsterdam.....	Port-au-Prince-Havana.....	8	703	-----	25
Mar. 29, 1957	Statendam.....	West Indies-South America....	15	425	-----	27
Apr. 25, 1957	Ryndam.....	Iberia-north Europe.....	28	248	4	15
Apr. 30, 1957	Nieuw Amsterdam.....	Nassau-Havana.....	8	661	-----	27
Nov. 1, 1957	do.....	West Indies-South American....	13	(²)	(²)	(²)
Nov. 27, 1957	do.....	West Indies.....	13	(²)	(²)	(²)
Dec. 10, 1957	Statendam.....	do.....	9½	(²)	(²)	(²)

¹ Sailed from New York and Norfolk.² Not available.

HOME LINES

Dec. 22, 1956	Homeric.....	West Indies-South American....	12	629	-----	26
Jan. 5, 1957	do.....	do.....	16	604	-----	30
Jan. 23, 1957	do.....	do.....	15	635	-----	23
Feb. 8, 1957	do.....	do.....	20	614	-----	34
Mar. 2, 1957	do.....	do.....	15	615	-----	27
Mar. 19, 1957	do.....	do.....	14	620	-----	27
Apr. 4, 1957	do.....	do.....	14	555	-----	28

INCESS NASSAU LINE

Dec. 23, 1956	Nassau.....	West Indies-South America....	15	430	17	14
Feb. 15, 1957	do.....	Nassau-Havana.....	10	475	17	12
Apr. 26, 1957	do.....	do.....	10	323	40	11

ITALIAN LINE

Dec. 22, 1956	Conte Biancamano.....	West Indies-South America....	16	551	-----	23
Dec. 29, 1956	Saturnia.....	Bermuda.....	5	534	-----	32

NORTH GERMAN LLOYD

Feb. 8, 1957	Berlin.....	West Indies-South America....	17	411	-----	12
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NORWEGIAN AMERICA LINE

Jan. 14, 1957	Oslofjord.....	West Indies-South America....	30	280	-----	17
Jan. 18, 1957	Bergensfjord.....	do.....	17	414	-----	17
Feb. 7, 1957	do.....	South Atlantic-West Africa....	57	351	-----	22
Feb. 15, 1957	Oslofjord.....	West Indies-South America....	54	320	-----	19
Apr. 12, 1957	do.....	West Indies.....	10	369	-----	17
July 2, 1957	Bergensfjord.....	North Cape.....	39	429	-----	17
Sept. 28, 1957	Oslofjord.....	West Indies-Bermuda.....	13	(²)	(²)	(²)
Oct. 12, 1957	do.....	West Indies-South America....	16	(²)	(²)	(²)
Oct. 29, 1957	Bergensfjord.....	West Indies.....	13	(²)	(²)	(²)
Nov. 19, 1957	Oslofjord.....	do.....	13	(²)	(²)	(²)

² Not available.

Cruise carryings, season of 1956-57—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
SWEDISH AMERICAN LINE						
Jan. 17, 1957	Kungsholm	West Indies-South America	18	367	2	18
Feb. 6, 1957	do.	Around South America	55	377	1	21
Apr. 5, 1957	do.	West Indies	11	393		13
Aug. 20, 1957	Stockholm	Scandinavian (1 way)	13	314		13
Oct. 11, 1957	Kungsholm	West Indies	12	(³)	(³)	(³)
Oct. 24, 1957	do.	do.	11	(³)	(³)	(³)
Nov. 5, 1957	do.	do.	10	356	1	15
Nov. 16, 1957	do.	do.	16	(³)	(³)	(³)

¹ Not available.

Cruise carryings, season 1957-58

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
AMERICAN EXPORT LINES						
Mar. 8, 1958	Independence	Mediterranean	37	509	10	25
AROSA LINE						
Dec. 20, 1957	Arosa Sky	West Indies	15	493	1	21
Jan. 7, 1958	do. ¹	West Indies-South America	18	288		14
Jan. 27, 1958	do.	West Indies	14	327		20
Jan. 28, 1958	do. ¹	West Indies-South America	16	382		10
Feb. 11, 1958	do.	do.	15	401		19
Feb. 14, 1958	do. ²	do.	19	408	2	8
Feb. 27, 1958	do.	do.	15	395	6	20
Mar. 6, 1958	do. ¹	do.	16	210	4	2
Mar. 15, 1958	do. ¹	do.	18	374		19
Apr. 5, 1958	do.	Bermuda	7	501		17

¹ Sailed from Miami.

² Sailed from New York and Wilmington.

CANADIAN PACIFIC STEAMSHIPS

Jan. 15, 1958	Empress of England	West Indies	14	556	16	23
Jan. 31, 1958	do.	do.	19	596	1	18
Feb. 21, 1958	do.	do.	19	614	2	20
Mar. 14, 1958	do.	do.	14	544	10	22

CUNARD STEAM-SHIP CO., LTD.

Dec. 21, 1957	Sylvania	West Indies	15	424		26
Jan. 21, 1958	Caronia	World cruise	108	388	1	20
Jan. 24, 1958	Britannic	Mediterranean	66	474		19
Jan. 27, 1958	Mauretania	West Indies	13	737		28
Feb. 11, 1958	do.	West Indies-South America	18	691	1	28
Mar. 5, 1958	do.	do.	15	716		27
Mar. 22, 1958	do.	West Indies	15	718	3	27
Apr. 8, 1958	do.	West Indies-South America	12	753	1	27
May 13, 1958	Caronia	Mediterranean	38	449		20
July 3, 1958	do.	North Cape	42	555		25
Oct. 3, 1958	do.	West Indies	12	482	12	25
Oct. 17, 1958	do.	do.	13	600	12	27
Nov. 1, 1958	do.	do.	12	552		26

Cruise carryings, season 1957-58—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
FURNESS LINE						
Dec. 20, 1957	Queen of Bermuda	West Indies	16	451	2	13
Do	Ocean Monarch	Bermuda-Nassau	8	303	35	8
Jan. 4, 1958	do	West Indies	14	249		8
Jan. 11, 1958	Queen of Bermuda	Bermuda-Nassau	8	255	75	8
Jan. 31, 1958	Ocean Monarch	do	8	265	45	8
Feb. 1, 1958	Queen of Bermuda	West Indies	13	541	4	12
Feb. 15, 1958	Ocean Monarch	do	13	302		8
Feb. 21, 1958	Queen of Bermuda	Bermuda-Nassau	8	459	203	8
Mar. 1, 1958	Ocean Monarch	West Indies	13	236		8
Mar. 7, 1958	Queen of Bermuda	Bermuda-Nassau	8	346	203	8
Mar. 21, 1958	Ocean Monarch	do	8	238	67	8
Apr. 4, 1958	do	do	8	332	58	8
Apr. 18, 1958	do	do	8	272	91	8
GREEK LINE						
Dec. 20, 1957	Olympia	West Indies-South America	17	610	8	36
Jan. 6, 1958	do	do	10	661		33
Jan. 17, 1958	do	Mediterranean	62	257		17
Sept. 8, 1958	do	do	34	575		
Dec. 12, 1958	do	West Indies	10	569		26
HOLLAND-AMERICA LINE						
Dec. 20, 1957	Nieuw Amsterdam	West Indies	16	756		26
Dec. 21, 1957	Statendam	do	14	627		25
Do	Maasdam	do	11	566		21
Jan. 3, 1958	do	do	14	178		16
Jan. 7, 1958	Statendam	World	110	361		26
Jan. 8, 1958	Nieuw Amsterdam	Port-au-Prince-Havana	8	729		28
Jan. 18, 1958	do	West Indies	14	765		26
Jan. 20, 1958	Maasdam	do	14	241		20
Feb. 3, 1958	Nieuw Amsterdam	West Indies-South America	15	761		26
Feb. 5, 1958	Maasdam	West Indies	14	566		21
Feb. 20, 1958	Nieuw Amsterdam	do	16	759		33
Feb. 21, 1958	Maasdam	do	13	514		23
Mar. 8, 1958	do	Nassau-Havana	9	605		21
Mar. 10, 1958	Nieuw Amsterdam	West Indies	14	603		27
June 20, 1958	Statendam	Scandinavian	32	528		29
Aug. 20, 1958	Ryndam	West Indies-South America	14	574		
Sept. 29, 1958	do	do	14	246		
Oct. 17, 1958	Nieuw Amsterdam	do	12	431		
Oct. 31, 1958	do	West Indies	14	418		
Dec. 1, 1958	Statendam	Bermuda	5	330		
Dec. 8, 1958	do	West Indies	10	570		
HOME LINES						
Dec. 21, 1958	Homerio	West Indies-South America	15	625		30
Jan. 6, 1958	do	West Indies	14	597	1	25
Jan. 22, 1958	do	West Indies-South America	15	609	4	26
Feb. 6, 1958	Italia	West Indies	16	496		24
Feb. 8, 1958	Homerio	do	19	612		33
Mar. 1, 1958	do	West Indies-South America	16	611	1	27
Mar. 19, 1958	do	West Indies	13	627	2	27
Apr. 2, 1958	do	do	9	628		27

Cruise carryings, season 1957-58—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
INCREAS-NASSAU LINE						
Dec. 20, 1957	Nassau	Nassau	7	450	78	13
Dec. 27, 1957	do.	Nassau-Havana	9	481	15	15
Feb. 15, 1958	do.	Nassau-Havana-Port Everglades	10	328	48	16
Feb. 25, 1958	do.	do.	10	210	51	13
Mar. 28, 1958	do.	Nassau-Port Everglades	8	243	55	13
Apr. 5, 1958	do.	do.	8	507	18	12
Apr. 16, 1958	do.	Nassau-Bermuda	9	311	42	11
NORTH GERMAN LLOYD						
Feb. 13, 1958	Berlin	West Indies	18	359	5	11
NORWEGIAN AMERICA LINE						
Jan. 10, 1958	Bergensfjord	South Pacific cruise	77	361	1	18
Jan. 17, 1958	Oslofjord	West Indies	17	341	19	19
Feb. 6, 1958	do.	South Atlantic-Africa	60	238	3	19
Apr. 1, 1958	Bergensfjord	West Indies	13	440	1	14
July 1, 1958	do.	North Cape	41	410	22	22
Oct. 10, 1958	do.	West Indies	13	(²)	(²)	(²)
Oct. 24, 1958	do.	do.	13	(²)	(²)	(²)
Nov. 7, 1958	do.	do.	11	(²)	(²)	(²)
Nov. 21, 1958	do.	do.	17	(²)	(²)	(²)
* Not available.						
SWEDISH AMERICAN LINE						
Dec. 21, 1957	Gripsholm	West Indies	14	427	18	18
Jan. 6, 1958	do.	West Indies-South America	37	397	18	18
Jan. 17, 1958	Kungsholm	South sea isles-Far East	98	342	25	25
Feb. 15, 1958	Gripsholm	South America	55	330	5	21
June 28, 1958	do.	North Cape	44	403	13	13
Aug. 13, 1958	do.	West Indies	8	429	4	13
Aug. 26, 1958	Stockholm	Scandinavian	27	332	11	11
Oct. 3, 1958	Kungsholm	West Indies	7	343	11	11
Oct. 11, 1958	do.	do.	12	316	11	11
Oct. 24, 1958	do.	do.	10	341	17	11
Nov. 4, 1958	do.	do.	10	406	12	14
Nov. 15, 1958	do.	do.	16	381	9	15
ZIM LINE						
Nov. 21, 1958	Jerusalem	West Indies	13	275	12	12
Dec. 12, 1958	do.	do.	8	167	12	12
CLIPPER LINE, INC.						
Jan. 7, 1958	Stella Polaris ⁴	West Indies	16	151	151	151
Jan. 24, 1958	do.	do.	22	156	156	156
Feb. 17, 1958	do.	do.	23	155	155	155
Mar. 13, 1958	do.	do.	16	255	255	255
Apr. 1, 1958	do.	do.	16	135	135	135
Apr. 18, 1958	do.	do.	16	126	126	126
May 5, 1958	do.	do.	14	151	151	151
May 20, 1958	do.	West Indies-Zeebrugge	24	51	51	51
Dec. 21, 1958	do.	West Indies	16	166	166	166

⁴ Sailed from New Orleans.

Cruise carryings, season 1958-59

[Where passenger numbers are not shown they are not presently available]

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
CANADIAN PACIFIC STEAMSHIPS						
Jan. 14, 1959	Empress of England	West Indies	14	522	2	15
Jan. 30, 1959	do	do	19	593	3	17
Feb. 20, 1959	do	do	19	620	4	16
Mar. 13, 1959	do	do	14	594	4	17

THE CUNARD STEAM-SHIP CO., LTD.

Dec. 23, 1958	Mauretania	West Indies	12	810	2	26
Jan. 6, 1959	do	do	13	772		27
Jan. 20, 1959	Caronia	World	108	350	6	17
Jan. 21, 1959	Mauretania	West Indies	13	769		28
Jan. 23, 1959	Britannic	Mediterranean	66	445	6	19
Feb. 7, 1959	Mauretania	West Indies	18	691	10	24
Feb. 27, 1959	do	do	18	651	13	26
Mar. 21, 1959	do	do	15	766	10	24
Apr. 7, 1959	do	do	12	791	1	27
May 12, 1959	Caronia	Mediterranean	39	446	5	20
July 2, 1959	do	North Cape	42	567		21
Oct. 3, 1959	do	Mediterranean	52	588	9	20

FURNESS LINE

Dec. 24, 1958	Ocean Monarch ¹	West Indies	14	237		11
Jan. 9, 1959	do ¹	do	13	291		11
Jan. 23, 1959	do ¹	do	13	296	2	11
Feb. 6, 1959	do ¹	West Indies-South America	20	297		12
Feb. 27, 1959	do	West Indies	10			
Apr. 4, 1959	do	Bermuda	5			
Apr. 10, 1959	do	Bermuda-Nassau	8	879		
Apr. 18, 1959	do	Bermuda	6			
Nov. 21, 1959	do	do	6	452		
Dec. 4, 1959	do	Bermuda-Nassau	8			
Dec. 18, 1959	do	Bermuda	6	1,038		

¹ Sailed from Port Everglades.

GREEK LINE

Dec. 23, 1958	Olympia	West Indies-South America	13	765		38
Jan. 6, 1959	do	West Indies	10	507		37
Jan. 17, 1959	do	Mediterranean	52	504		20
Jan. 20, 1959	Arkadia (New York) (Charleston)	West Indies-South America	17	107		24
Feb. 6, 1959	Arkadia	do	17½	501		22
Feb. 25, 1959	do	West Indies	12	589		24
Mar. 9, 1959	do	do	8	591		27

HAMBURG-ATLANTIC LINE

Feb. 11, 1959	Hanseatic	West Indies-South America	16	636	3	28
Jan. 31, 1959	do	West Indies	10			

Cruise carryings, season 1958-59—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
HOLLAND-AMERICA LINE						
Dec. 19, 1958	Nieuw Amsterdam	West Indies	16	768		31
Dec. 20, 1958	Statendam	do	14	653		25
Do	Maasdam	do	12	573		22
Jan. 5, 1959	do	do	13	430		20
Jan. 6, 1959	Statendam	World	111	290	4	23
Jan. 7, 1959	Nieuw Amsterdam	Nassau-Havana	8	578	2	24
Jan. 17, 1959	do	West Indies	14	770		26
Jan. 21, 1959	Maasdam ²	do	17	391		22
Feb. 2, 1959	Nieuw Amsterdam	West Indies-South America	15	770		27
Feb. 9, 1959	Maasdam	do	14	568		23
Feb. 20, 1959	Nieuw Amsterdam	do	15	759		34
Feb. 25, 1959	Maasdam	West Indies	14	561	1	22
Mar. 10, 1959	Nieuw Amsterdam	do	13	750	2	26
Mar. 14, 1959	Maasdam	do	10	500		23
Mar. 26, 1959	do	Bermuda	7	605		25
Apr. 4, 1959	do ¹	do	7	306		19
Aug. 17, 1959	Ryndam	do	6	616		18
Aug. 25, 1959	do	West Indies	14	566		21
Sept. 25, 1959	Nieuw Amsterdam	Bermuda	6	491		21
Oct. 2, 1959	do	West Indies	12	566		24
Oct. 22, 1959	Maasdam	Mediterranean	47	295		18
Oct. 23, 1959	Nieuw Amsterdam	Port-au-Prince, Havana	8	504		23
Nov. 27, 1959	Statendam ²	West Indies	15	658		18
Dec. 4, 1959	Nieuw Amsterdam	do	12	680		24
Dec. 11, 1959	Rotterdam	South America	49	536		26

¹ Sailed from New York and Norfolk.² Chartered.

HOME LINES

Dec. 20, 1958	Homerie	West Indies	16	612	1	26
Dec. 22, 1958	Italia	do	14	570		26
Jan. 7, 1959	Homerie	West Indies-South America	14	562	3	29
Do	Italia	West Indies	12	208	2	24
Jan. 21, 1959	do	do	14	237	2	23
Jan. 23, 1959	Homerie	do	13	622		27
Feb. 6, 1959	Italia	do	14	525	6	25
Feb. 7, 1959	Homerie	West Indies-South America	21	613		25
Feb. 21, 1959	Italia	do	14	599		24
Mar. 2, 1959	Homerie	do	16	626		30
Mar. 14, 1959	Italia ⁴	do	8	521		25
Mar. 20, 1959	Homerie	do	15	659		31
Mar. 23, 1959	Italia ⁴	do	8	573	1	26
Apr. 1, 1959	do ⁴	do	8	434	8	10
Apr. 6, 1959	Homerie	do	10	629		28
Apr. 13, 1959	Italia ⁴	do	4	572		26
Apr. 18, 1959	do ⁴	do	4	600		25
Apr. 23, 1959	do ⁴	do	5	592	6	27

⁴ Sailed from Galveston.⁴ Sailed from Charleston.⁴ Sailed from Wilmington.

Cruise carryings, season 1958-59—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
INCRÉS-NASSAU LINE						
Dec. 19, 1958	Nassau	Nassau	7			
Dec. 26, 1958	do	Nassau-Havana	9	529	2	11
Jan. 6, 1959	do	West Indies, Nassau, Port-au-Prince	10	211	10	10
Jan. 23, 1959	do	Nassau	7			
Jan. 30, 1959	do	do	7			
Feb. 6, 1959	do	do	7			
Feb. 13, 1959	do	do	7			
Feb. 20, 1959	do	Nassau-Havana	10	422	74	10
Mar. 6, 1959	do	Nassau	7			
Mar. 13, 1959	do	do	7			
Mar. 20, 1959	do	do	7			
Mar. 27, 1959	do	Nassau and Havana	9	545	14	10
Apr. 7, 1959	do	do	10	288	45	12
Apr. 17, 1959	do	Nassau	7			
Apr. 24, 1959	do	do	7			
May 1, 1959	do	San Juan-Bermuda	11			
May 12, 1959	do	Nassau-Bermuda	10			
May 22, 1959	do	Nassau	7			
May 29, 1959	do	do	7			
June 6, 1959	do	do	7			
June 13, 1959	do	do	7			
June 20, 1959	do	do	7			
June 30, 1959	do	do	7			
July 10, 1959	do	Nassau and Havana	10			
July 17, 1959	do	Nassau	7			
July 24, 1959	do	do	7			
July 31, 1959	do	do	7			
Aug. 7, 1959	do	do	7			
Aug. 14, 1959	do	do	7			
Aug. 21, 1959	do	Nassau and Havana	10			
Sept. 2, 1959	do	West Indies	15			
Sept. 18, 1959	do	Nassau	7			
Sept. 25, 1959	do	do	7			
Oct. 2, 1959	do	do	7			
Oct. 9, 1959	do	do	7			
Oct. 16, 1959	do	do	7			
Oct. 23, 1959	do	do	7			
NORWEGIAN AMERICA LINE						
Dec. 23, 1958	Oslofjord	West Indies	17	287		18
Jan. 14, 1959	do	Caribbean	26	348		17
Jan. 17, 1959	Bergensfjord	World	80	343		19
Feb. 12, 1959	Oslofjord	West Africa-Mediterranean	60	325	3	18
Apr. 17, 1959	do	West Indies	13	365		18
June 25, 1959	Bergensfjord	North Cape	41			
Oct. 2, 1959	do	West Indies	17			
Oct. 24, 1959	do [†]	San Juan/St. Thomas	6			
Nov. 20, 1959	do	West Indies	17			

[†] Sailed from and returned to Wilmington, N.C.

Cruise carryings, season 1958-59—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
SWEDISH AMERICAN LINE						
Dec. 20, 1958	Gripsholm.....	West Indies.....	16	420		15
Jan. 7, 1959	.....do.....	.....do.....	16	415	6	13
Jan. 10, 1959	Kungsholm.....	South Seas Pacific.....	98	241		24
Jan. 26, 1959	Gripsholm.....	Africa.....	72	352	3	25
Feb. 14, 1959	Berlin.....	West Indies.....	18	335	3	10
Mar. 26, 1959	Stockholm ⁸	Bermuda.....	6	423		4
Apr. 2, 1959	.....do ⁹	West Indies.....	12	390		7
Apr. 17, 1959	.....do ⁹	Bermuda.....	5	359		8
Apr. 23, 1959	.....do.....	.....do.....	5			
June 30, 1959	Gripsholm.....	North Cape.....	45			
Aug. 15, 1959	.....do.....	Saguenay River-Bermuda.....	9			
Aug. 26, 1959	Stockholm.....	North Cape.....	29			
Sept. 25, 1959	.....do.....	Mediterranean.....	36			
Oct. 1, 1959	Kungsholm.....	West Indies.....	13			
Oct. 14, 1959	.....do.....	Bermuda.....	6			
Oct. 22, 1959	.....do.....	West Indies.....	13			
Nov. 4, 1959	Stockholm ¹⁰.....	.....do.....	12			
Nov. 6, 1959	Kungsholm.....	.....do.....	10			
Nov. 17, 1959	Stockholm.....	Nassau.....	5			
Nov. 19, 1959	Kungsholm.....	West Indies.....	18			
Nov. 24, 1959	Stockholm ¹¹	Berlin/Nassau.....	7			
Feb. 14, 1959	Berlin.....	West Indies.....	18			

⁸ Sailed from Wilmington.⁹ Sailed from Boston, chartered.⁹ Sailed from New York and Wilmington, chartered.¹⁰ Sailed from and returned to Wilmington, N.C.¹¹ Sailed from and returned to Philadelphia.

ZIM LINES

Dec. 23, 1958	Jerusalem.....	West Indies.....	13	354	20	13
Jan. 6, 1959	.....do.....	.....do.....	10	310	13	13
Jan. 17, 1959	.....do.....	.....do.....	9	311	10	13
Jan. 31, 1959	.....do.....	.....do.....	13	318		12
Feb. 14, 1959	.....do.....	West Indies-South America.....	13	320		12
Feb. 28, 1959	.....do.....	West Indies.....	13	324		15
Mar. 14, 1959	.....do.....	West Indies-South America.....	13	304		14
Mar. 28, 1959	.....do.....	Bermuda.....	5	308		13
Nov. 11, 1959	.....do.....	West Indies.....	9	302		12
Nov. 21, 1959	.....do.....	.....do.....	13	246		13
Dec. 5, 1959	.....do.....	.....do.....	9	306		12

Supplement to cruise carryings, season 1958-59

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
AROSA LINE						
Jan. 20, 1959	Arosa Sun ¹	West Indies	14			
CLIPPER LINE, INC.						
Jan. 7, 1959	Stella Polaris ¹	West Indies	16	151		
Jan. 24, 1959	do. ¹	do.	22	153		
Feb. 16, 1959	do. ¹	do.	23	154		
Mar. 12, 1959	do. ¹	do.	19	157		
Apr. 3, 1959	do. ¹	do.	14	126		
Apr. 18, 1959	do. ¹	do.	16	136		
May 5, 1959	do. ¹	do.	14	146		
May 20, 1959	do. ¹	West Indies-Mediterranean	24	72		
Dec. 21, 1959	do. ¹	West Indies	16	130		
¹ Sailed from New Orleans.						
COSTA LINES						
Nov. 7, 1959	Franca C ²	Port-au-Prince	4	330		
Nov. 14, 1959	do. ²	West Indies	13	175		
Nov. 28, 1959	do. ²	do.	13	155		
Dec. 12, 1959	do. ²	do.	9	130		
Dec. 22, 1959	do. ²	do.	13	331		
² Sailed from and returned to Port Everglades.						
HAMBURG-AMERICAN LINE ³						
Jan. 31, 1959	Ariadne ¹	West Indies	16	134		
Feb. 16, 1959	do. ¹	do.	14	79		
Mar. 2, 1959	do. ¹	do.	16	198		
Mar. 23, 1959	do. ¹	West Indies-South America	34	132		
Apr. 27, 1959	do. ⁴	West Indies	15	176		
May 12, 1959	do. ⁴	do.	20	126		
June 2, 1959	do. ¹	West Indies-Europe	18	94		
Dec. 19, 1959	do. ¹	West Indies	16	206		

¹ Sailed from New Orleans.² The *Ariadne*, formerly the *Patricia*, was purchased by the Hamburg-American Line and operated as the *Ariadne*, then sold to Ariadne Cruise Lines, Inc.⁴ Sailed from and returned to Galveston.

Cruise carryings, season of 1959-60

[Where passenger numbers are not shown they are not presently available]

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
AMERICAN EXPORT LINES, INC.						
Mar. 12, 1960	Independence.....	Mediterranean.....	40	533	19	24
CANADIAN PACIFIC STEAMSHIPS						
Jan. 11, 1960	Empress of England...	West Indies.....	14	314	9	15
Jan. 18, 1960	Empress of Britain...	do.....	10	359	2	15
Jan. 27, 1960	Empress of England...	do.....	19	315	15	17
Jan. 30, 1960	Empress of Britain...	do.....	12	412	4	15
Feb. 13, 1960	do.....	do.....	14	638	8	17
Feb. 17, 1960	Empress of England...	do.....	19	414	16	15
Feb. 29, 1960	Empress of Britain...	do.....	14	552	22	14
Mar. 9, 1960	Empress of England...	do.....	19	439	24	15
THE CUNARD STEAM-SHIP CO., LTD.						
Dec. 22, 1959	Mauretania.....	West Indies.....	12	824	2	24
Jan. 6, 1960	do.....	do.....	12	765		26
Jan. 19, 1960	do.....	do.....	13	773	1	27
Do.....	Caronia.....	do.....	13	558	9	23
Jan. 22, 1960	Britannic.....	Mediterranean.....	66	470	5	21
Feb. 5, 1960	Caronia.....	World.....	95	487	8	20
Do.....	Mauretania.....	West Indies.....	18	666	10	23
Feb. 25, 1960	do.....	do.....	18	386	6	22
Mar. 18, 1960	do.....	do.....	15	602	13	23
Apr. 4, 1960	do.....	do.....	13	576	17	24
Apr. 19, 1960	do.....	West Indies.....	12	806	2	25
May 14, 1960	Caronia.....	Mediterranean.....	35	581	7	22
June 30, 1960	do.....	North Cape.....	45	560	1	19
Aug. 31, 1960	do.....	West Indies.....	14	709		23
Sept. 17, 1960	do.....	do.....	12	666	4	23
Oct. 4, 1960	do.....	Mediterranean.....	58	555	10	24
FURNESS LINE						
Dec. 26, 1959	Ocean Monarch.....	Bermuda-Nassau.....	9	369	8	8
Jan. 5, 1960	do.....	Bermuda.....	6			
Jan. 19, 1960	do.....	do.....	6			
Feb. 3, 1960	do.....	West Indies.....	14	259	7	10
Feb. 24, 1960	do.....	do.....	20	267	5	10
Mar. 12, 1960	do.....	do.....	16	308	1	9
Mar. 31, 1960	do.....	do.....	12	307	6	9
Apr. 9, 1960	do.....	Bermuda-Nassau.....	8			
Apr. 15, 1960	do.....	Bermuda.....	5			
Apr. 23, 1960	do.....	Bermuda-Nassau.....	8			
Apr. 29, 1960	do.....	Bermuda.....	5	1,352		
May 7, 1960	do.....	Bermuda-Nassau.....	8			
May 14, 1960	do.....	Bermuda.....	6			
May 21, 1960	do.....	do.....	6			
May 27, 1960	do.....	do.....	5			
June 4, 1960	do.....	Bermuda-Nassau.....	8	1,358		
June 18, 1960	do.....	West Indies.....	13			
June 25, 1960	do.....	Nassau.....	7			
July 2, 1960	do.....	Bermuda.....	6	977		
July 16, 1960	do.....	Saguinay, Quebec, Bermuda.....	13			
July 23, 1960	do.....	Bermuda.....	6			
Aug. 6, 1960	do.....	West Indies.....	13	1,039		
Aug. 13, 1960	do.....	Bermuda.....	6			
Aug. 26, 1960	do.....	Saguinay-Quebec-Bermuda.....	12	1089		
Oct. 22, 1960	do.....	West Indies.....	14			
Nov. 4, 1960	do.....	do.....	12	267		
Nov. 12, 1960	do.....	Bermuda-Nassau.....	8			
Nov. 26, 1960	do.....	West Indies.....	3	821		
Dec. 3, 1960	do.....	Bermuda.....	6			
Dec. 10, 1960	do.....	do.....	6			
Dec. 17, 1960	do.....	do.....	6	888		

1 Sailed from Port Everglades.

Cruise carryings, season of 1959-60—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
GREEK LINE						
Jan. 21, 1960	Olympia	West Indies	11	603	3	15
Feb. 2, 1960	do.	Mediterranean/Black Sea & Greek Islands	52	529	9	28
Oct. 31, 1960	Arkadia ²	Bermuda	5	531		32
Nov. 5, 1960	Arkadia ²	Kingston-Nassau	11	381		32

² Sails from and returns to Boston.

HAMBURG-ATLANTIC LINE

Feb. 8, 1960	Hanseatic	West Indies-South America	15	634	2	27
Feb. 25, 1960	do.	do.	15	512		29
Mar. 14, 1960	do.	do.	13	400		24
Mar. 29, 1960	do.	West Indies	13	306		26

HOLLAND-AMERICA LINE

Dec. 11, 1959	Rotterdam	South America	49	536		26
Dec. 18, 1959	Nieuw Amsterdam	West Indies	16	765		29
Dec. 21, 1959	Maasdam	do.	3	573		23
Jan. 5, 1960	Nieuw Amsterdam	do.	18½	710	1	25
Jan. 8, 1960	Statendam	do.	14	656		24
Jan. 15, 1960	Nieuw Amsterdam	do.	15	472		26
Jan. 25, 1960	Statendam	do.	15	568		24
Feb. 1, 1960	Rotterdam	Four continents	75	518	8	27
Feb. 2, 1960	Nieuw Amsterdam	West Indies	15	757		25
Feb. 11, 1960	Statendam	do.	17	673		23
Feb. 19, 1960	Nieuw Amsterdam	do.	17	701		26
Feb. 27, 1960	Statendam	do.	13	678		24
Mar. 9, 1960	Nieuw Amsterdam	do.	14	690		25
Mar. 14, 1960	Statendam	do.	11	653		23
Mar. 25, 1960	Nieuw Amsterdam	do.	12	744		25
Mar. 30, 1960	Statendam	do.	12	560		25
Apr. 7, 1960	Nieuw Amsterdam	West Indies-South America	16	678		26
Aug. 23, 1960	Maasdam	West Indies	14	562		23
Oct. 7, 1960	Nieuw Amsterdam	Port-au-Prince, Montego Bay	8	614		29
Oct. 17, 1960	do.	West Indies	13½	751		29
Nov. 4, 1960	Statendam	Bermuda	4½	445		24
Nov. 11, 1960	do.	West Indies	9½	608		27
Nov. 22, 1960	do.	do.	15	674		24
Dec. 2, 1960	Nieuw Amsterdam	do.	12	648		21
Dec. 9, 1960	Rotterdam	do.	8½	674		25

HOME LINES

Dec. 19, 1959	Homerick	West Indies	16	626		28
Dec. 23, 1959	Italia	do.	12	626		37
Jan. 6, 1960	Homerick	do.	14	611		28
Jan. 7, 1960	Italia ¹	do.	12	386	6	26
Jan. 20, 1960	do. ¹	do.	14	338		25
Jan. 22, 1960	Homerick	do.	15	607		31
Feb. 4, 1960	Italia ¹	West Indies-South America	16	356	2	26
Feb. 8, 1960	Homerick	do.	19	615		30
Feb. 21, 1960	Italia ¹	do.	14	518		32
Feb. 29, 1960	Homerick	do.	16	617		30
Mar. 6, 1960	Italia ¹	Nassau	3	638		31
Mar. 12, 1960	do. ¹	West Indies	7	458	3	28
Mar. 18, 1960	Homerick	West Indies-South America	15	636		28
Mar. 25, 1960	Italia ¹	do.	12	341	11	24
Apr. 4, 1960	Homerick	West Indies	14	340	3	29
Apr. 7, 1960	Italia ¹	do.	8	323	1	24
Apr. 16, 1960	do. ¹	Grand Cayman	6	368		25
Apr. 15, 1960	do.	Bermuda	6			
Apr. 18, 1960	Homerick	Quebec, Montreal (where cruise ends)	4			
Apr. 24, 1960	Italia ¹	Nassau	4	591	2	29
May 27, 1960	do.	Bermuda	6			

¹ Sailed from Port Everglades.² Sailed from New Orleans.⁴ Sailed from Galveston.³ Sailed from Tampa.

Cruise carryings, season of 1959-60—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
INCREAS NASSAU LINE						
Dec. 23, 1959	Nassau	Nassau, Port-au-Prince	11	398	3	13
Jan. 7, 1960	Nassau	Nassau	8			
Jan. 15, 1960	Nassau	do	7			
Jan. 22, 1960	Nassau	do	7			
Jan. 25, 1960	Victoria	West Indies	15	286		27
Jan. 29, 1960	Nassau	Nassau	7			
Feb. 5, 1960	do	do	7			
Feb. 11, 1960	Victoria	West Indies	14	294		15
Feb. 12, 1960	Nassau	Nassau	7			
Feb. 19, 1960	do	Nassau-Port-au-Prince	10			
Feb. 26, 1960	Victoria	West Indies	17	319		15
Mar. 4, 1960	Nassau	Nassau	7			
Mar. 11, 1960	do	do	7			
Mar. 15, 1960	Victoria	West Indies	14	270	2	18
Mar. 18, 1960	Nassau	Nassau	7			
Mar. 25, 1960	do	do	7			
Mar. 30, 1960	Victoria	West Indies	14	214	2	19
Apr. 1, 1960	Nassau	Nassau	7			
Apr. 8, 1960	do	do	7			
Apr. 14, 1960	Victoria	West Indies	16	195		18
Apr. 15, 1960	Nassau	do	10	525	6	10
Apr. 29, 1960	do	Nassau	7			
May 3, 1960	Victoria	Nassau-West Indies	12			
May 6, 1960	Nassau	Nassau	7			
May 13, 1960	do	do	7			
May 16, 1960	Victoria	Bermuda-Nassau-Port Everglades	9			
May 20, 1960	Nassau	Nassau	7			
May 26, 1960	Victoria	West Indies	13			
May 27, 1960	Nassau	Nassau	7			
June 3, 1960	do	do	7			
June 9, 1960	Victoria	West Indies	13			
June 10, 1960	Nassau	Nassau	7			
June 17, 1960	do	do	7			
June 24, 1960	Victoria	Scantle cruise (from Norfolk)	43			
June 28, 1960	Nassau	Nassau-Port-au-Prince	10			
July 8, 1960	do	Nassau	7			
July 15, 1960	do	do	7			
July 22, 1960	do	do	7			
July 29, 1960	do	do	7			
Aug. 5, 1960	do	do	7			
Aug. 9, 1960	Victoria	Mediterranean	40			
Aug. 12, 1960	Nassau	Nassau	7			
Aug. 19, 1960	do	Nassau-Havana	10			
Sept. 19, 1960	Victoria	Nassau	7			
Sept. 26, 1960	do	do	7			
Oct. 3, 1960	do	do	7			
Oct. 11, 1960	do	West Indies	11			
Oct. 21, 1960	Nassau	Nassau	7			
Oct. 24, 1960	Victoria	San Juan-St. Thomas	9			
Oct. 28, 1960	Nassau	Nassau	7			
Nov. 4, 1960	do	do	7			
Nov. 11, 1960	do	do	7			
Nov. 18, 1960	do	Nassau-Port-au-Prince	10			
NATIONAL HELLENIC AMERICAN LINE						
Feb. 8, 1960	Queen Frederica	West Indies-South America	15	568		24
NORTH GERMAN LLOYD						
Dec. 23, 1959	Berlin	West Indies	12	245	4	15
Jan. 15, 1960	Bremen	do	15	396	5	14
Feb. 1, 1960	do	do	24	468	10	14
Feb. 27, 1960	do	do	14	640	8	13

Cruise carryings, season of 1959-60—Continued

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
NORWEGIAN AMERICA LINE						
Dec. 22, 1959	Oslofjord.....	West Indies.....	13	354	-----	16
Jan. 8, 1960	do.....	Caribbean.....	24	315	-----	17
Jan. 15, 1960	Bergensfjord.....	World.....	87	266	15	18
Feb. 3, 1960	Oslofjord.....	Mediterranean grand.....	49	344	-----	20
Mar. 25, 1960	do.....	West Indies.....	13	350	-----	16
Apr. 8, 1960	do.....	do.....	10	360	-----	17
July 1, 1960	Bergensfjord.....	North Cape.....	42	-----	-----	-----
Sept. 24, 1960	Oslofjord.....	Mediterranean.....	42	-----	-----	-----
Oct. 11, 1960	Bergensfjord.....	West Indies.....	13	-----	-----	-----
Oct. 26, 1960	do.....	do.....	12	-----	-----	-----
Nov. 9, 1960	do.....	Bermuda-Nassau.....	8	-----	-----	-----
Nov. 18, 1960	do.....	West Indies.....	17	-----	-----	-----

SWEDISH AMERICAN LINE

Dec. 19, 1959	Gripsholm.....	West Indies.....	16	386	-----	16
Jan. 6, 1960	do.....	do.....	19	356	6	16
Jan. 21, 1960	Kungsholm.....	World.....	88	357	-----	24
Jan. 27, 1960	Gripsholm.....	West Africa and South America.....	38	373	2	20
Mar. 8, 1960	do.....	Mediterranean.....	50	371	-----	22
June 30, 1960	do.....	North Cape.....	45	-----	-----	-----
Aug. 16, 1960	do.....	Saguenay-Gaspe-Bermuda.....	9	-----	-----	-----
Sept. 30, 1960	Kungsholm.....	West Indies.....	13	-----	-----	-----
Oct. 14, 1960	do.....	do.....	13	-----	-----	-----
Oct. 19, 1960	Gripsholm ⁶	Bermuda.....	5	-----	-----	-----
Oct. 24, 1960	do.....	Nassau.....	6	-----	-----	-----
Oct. 28, 1960	Kungsholm.....	West Indies.....	10	-----	-----	-----
Oct. 31, 1960	Gripsholm ⁶	Bermuda-Nassau.....	7	-----	-----	-----
Nov. 9, 1960	do ⁶	do.....	7	-----	-----	-----
Do.....	Kingsholm.....	West Indies.....	9	-----	-----	-----
Nov. 19, 1960	do.....	do.....	16	-----	-----	-----

⁶ Sails from and returns to Philadelphia.

ZIM LINES

Dec. 19, 1959	Jerusalem.....	Caribbean.....	16	353	-----	12
Jan. 5, 1960	do.....	do.....	10	224	5	12
Jan. 16, 1960	do.....	do.....	11	313	-----	12
Jan. 28, 1960	do.....	do.....	13	208	3	12
Feb. 11, 1960	do.....	do.....	15	273	6	12
Feb. 27, 1960	do.....	do.....	13	236	-----	12
Mar. 12, 1960	do.....	do.....	12	291	6	12
Oct. 28, 1960	do.....	do.....	10	162	-----	12
Nov. 8, 1960	do.....	do.....	10	115	-----	12
Nov. 19, 1960	do.....	do.....	9	276	-----	12
Nov. 29, 1960	do.....	San Juan-St. Thomas.....	7½	173	-----	12
Dec. 7, 1960	do.....	Port-au-Prince-Nassau.....	8	159	-----	12

HOME LINES

Mar. 19, 1960	Italia ¹	Nassau.....	6	-----	-----	-----
May 1, 1960	do ¹	do.....	5	-----	-----	-----
May 7, 1960	do ¹	Bermuda.....	6	-----	-----	-----
May 14, 1960	do ¹	Nassau.....	4	-----	-----	-----

¹ Sailed from Port Everglades.² Sailed from New Orleans.³ Sailed from Charleston.

Supplement to cruise carryings, season 1959-60

Date	Ship	Nature of cruise	Number of days	Passengers		Staff
				Full cruise	Part cruise	
ARIADNE CRUISE LINES, INC. ¹						
Jan. 5, 1960	Ariadne ²	West Indies.....	9	79	-----	-----
Jan. 15, 1960	do. ²	do.....	9	197	-----	-----
Jan. 25, 1960	do. ²	do.....	20	132	-----	-----
Feb. 15, 1960	do. ²	do.....	21	175	-----	-----
Mar. 8, 1960	do. ²	do.....	17	126	-----	-----
Mar. 23, 1960	do. ²	Amazon-Caribbean.....	31	94	-----	-----
Apr. 27, 1960	do. ²	West Indies.....	10	266	-----	-----
May 9, 1960	do. ³	Nassau.....	4	-----	-----	-----
May 14, 1960	do. ³	Bermuda.....	5	-----	-----	-----
Dec. 21, 1960	do. ⁴	West Indies.....	17	-----	-----	-----

¹ The *Ariadne*, formerly the *Patricia*, was purchased by the Hamburg American Line, operated as the *Ariadne* and then sold to Ariadne Cruise Lines, Inc.

² Sailed from New Orleans.

³ Sailed from Savannah.

⁴ Sailed from Miami.

COSTA LINE

Jan. 8, 1960	Franca C. ¹	West Indies.....	7	130	-----	-----
Jan. 16, 1960	do. ¹	do.....	13	275	-----	-----
Jan. 30, 1960	do. ¹	do.....	13	250	-----	-----
Feb. 13, 1960	do. ¹	do.....	13	329	-----	-----
Feb. 27, 1960	do. ¹	do.....	13	325	-----	-----
Mar. 12, 1960	do. ¹	do.....	13	322	-----	-----
Mar. 26, 1960	do. ¹	do.....	11	242	-----	-----
Apr. 9, 1960	do. ¹	do.....	13	313	-----	-----
Apr. 23, 1960	do. ¹	Nassau-Port-au-Prince.....	5	241	-----	-----
Apr. 28, 1960	do. ¹	Port-au-Prince.....	4	271	-----	-----
May 3, 1960	do. ¹	West Indies.....	21	176	-----	-----
Nov. 3, 1960	do. ¹	Port-au-Prince.....	4	104	-----	-----
Nov. 9, 1960	do. ¹	do.....	5	142	-----	-----
Nov. 14, 1960	do. ¹	West Indies.....	8	159	-----	-----
Nov. 23, 1960	do. ¹	Port-au-Prince-Nassau.....	5	89	-----	-----
Nov. 28, 1960	do. ¹	West Indies.....	11	143	-----	-----
Dec. 10, 1960	do. ¹	do.....	11	69	-----	-----
Dec. 13, 1960	Bianca C. ¹	do.....	6	152	-----	-----
Dec. 20, 1960	do. ¹	do.....	14	459	-----	-----
Dec. 22, 1960	Franca C. ¹	Nassau-Port-au-Prince.....	5	154	-----	-----
Dec. 27, 1960	do. ¹	West Indies.....	7	265	-----	-----

¹ Sailed from and returned to Port Everglades.

CLIPPER LINE, INC.

Jan. 7, 1960	Stella Polaris ¹	West Indies.....	15	99	-----	-----
Jan. 23, 1960	do. ²	do.....	24	90	-----	-----
Feb. 17, 1960	do. ²	do.....	25	116	-----	-----
Mar. 14, 1960	do. ²	do.....	18	142	-----	-----
Apr. 4, 1960	do. ²	do.....	16	96	-----	-----
Apr. 21, 1960	do. ²	do.....	14	99	-----	-----
May 6, 1960	do. ²	do.....	14	132	-----	-----
May 21, 1960	do. ²	West Indies-Mediterranean.....	24	48	-----	-----
Dec. 21, 1960	do. ²	West Indies.....	16	164	-----	-----

¹ Sailed from New Orleans.

² Sailed from and returned to Port Everglades.

HAMBURG-ATLANTIC LINE

Oct. 12, 1960	Hanseatic ¹	West Indies.....	10	-----	-----	-----
Oct. 23, 1960	do. ¹	do.....	5	-----	-----	-----
Oct. 28, 1960	do. ¹	do.....	5	-----	-----	-----
Nov. 2, 1960	do. ¹	do.....	6	-----	-----	-----
Nov. 9, 1960	do. ¹	do.....	6	-----	-----	-----
Nov. 16, 1960	do. ¹	do.....	6	-----	-----	-----

¹ Sailed from and returned to Port Everglades.

Mr. BULL. Where the ships concerned are those which normally operate regularly in the transatlantic trade, we have indicated the number of cruise passengers carried. In the case of ships whose operators are not members of the Transatlantic Passenger Conference, we do not have these numbers.

From these listings it will be apparent that the cruise traffic has always been substantial. In recent years it has shown an increase over each previous year. All indications are that the 1960-61 season will be even larger than last year. We have made some computations which show that the revenue involved in this traffic during the 1959/1960 cruise season—from December through April only—was approximately \$41 million and that for the current cruise season this should increase to approximately \$46 million. This does not include the cruises operated by ships not normally engaged in the transatlantic trade. Since practically all of this traffic and all of this revenue originates in the United States, it seems entirely logical that the American passenger lines be placed in a position to compete with the foreign-flag line for this business.

One of the definite benefits stemming from the ability to cruise ships in season is the flexibility this provides in planning schedules. Occasionally, when lines have ships of different speed and itineraries, they will overlap their sailing dates. Just recently we had an illustration of this when our SS *Constitution* and SS *Atlantic* sailed within a day of one another. Their combined bookings would have produced a respectable number of passengers for one ship—separately they both did poorly and their voyages will show a loss. If it had been possible for us to operate cruises, this overlapping would have been anticipated well in advance and we could have planned a 12- or 14-day cruise for one of these ships during the height of the cruise season and returned it to its regular route under a schedule which would have removed us from the position of competing with ourselves.

Our support of this proposed legislation should not be construed as critical of the essential trade route concept contemplated in the Merchant Marine Act of 1936. On the contrary, we believe that over the past 25 years the soundness of this concept has been well established. We regard it as our primary obligation to provide adequate service on the essential trade routes we have been assigned and to devote our best efforts to the development of traffic on these routes. So far as passenger traffic is concerned, however, there are traditional seasonal impediments in this business that cannot be overcome and direct losses avoided. We are seeking to mitigate this situation by adopting the practices which our foreign-flag competitors have found to be effective. The legislation under consideration would make this reasonably possible.

We are aware that certain of the American-flag passenger lines are not in agreement with our position on this bill. This is regrettable because we realize that the lack of unanimity within the industry imposes a heavier burden of decision upon this committee. We look upon legislation of this type as designed for the common good of our merchant marine as a whole. In its application, it is possible that some operators may be benefited to a greater degree than others. But if, in the overall, the passenger-carrying segment of our merchant

fleet is strengthened, this would be in keeping with the intent and purpose of the Merchant Marine Act of 1936.

In the case of my own company, we fully expect that in the event of passage of the bill, other American companies may undertake cruise operations in our area during certain times of the year. As a matter of fact, this has already been done by the Moore-McCormack Lines. Not only did we not interpose objection, but we served their ships as agents at the Mediterranean ports they visited. We cannot stop the foreign lines from entering our trade and certainly could not object to an American company doing the same thing if all are given cruising privileges. In any event, there is no good reason to assume that the cruise traffic handled by one subsidized operator through the contract area of another subsidized operator would necessarily represent passengers taken from that operator. The preponderance of this business is now practically the private domain of the foreign lines and this is the source that would naturally be tapped.

I would like to interpose there, Mr. Chairman, during the testimony of the last witness, it was brought out in a report of the Immigration Service, for the fiscal year ended June 30, 1960, the total number of cruise passengers from U.S. ports by sea was 175,000. Of that total number, over 143,000 were cruises to the Caribbean area.

It is quite obvious the one American operator in that territory could not accommodate any great volume of that total.

By the terms of this bill, the American-flag operator authorized to cruise off its regular route would be prohibited from carrying one-way or port-to-port passengers or any cargo to, from or between ports on the trade route of the operator holding the subsidy contract for that trade route.

Additional safeguards against unreasonable encroachments are already available through the controls which, for the past several years, have been exercised effectively by the Maritime Administration in fulfilling its responsibilities under the 1936 act. Its primary insistence has been, and unquestionably will continue to be, that the contract requirements of an operator's assigned trade route be adequately covered at all times. It is not to be anticipated that the cruising authority which this bill would permit, will be granted by the Maritime Administration without due consideration for the effects of its determinations upon all of the interests concerned. In brief, we believe that existing administrative means are sufficiently comprehensive to eliminate the necessity for expanding this bill to provide for costly and time-consuming hearings to enable the Federal Maritime Board to decide whether cruising authority should be granted in each individual case. With or without hearings, Maritime will make the final decision in any event. It is our view, however, that if a requirement for hearings be included, the objectives of this bill will be entirely thwarted.

At that point, Mr. Chairman, I would like to point out that the suggestion that the provisions of 605(c) of the act be applied to this bill would mean hearings that might extend, judged by the duration of time for hearings in the past on other subjects, anywhere from 2 to 6 years. I would also like to explain that in the mechanics of setting up a cruise program, it isn't a case of deciding today that 3 weeks or a month from now you are going to operate a cruise, the preparation for a cruise requires a great amount of time. As we envision the situation, if this bill were enacted, we would lay out our schedule for a year,

which we would file with the Maritime Administration, we'll say at the beginning of the year, say in January, and we might provide for a cruise that is to take place in November or December. Again, using the foreign lines as a pattern, it would be of interest to know in the case of the *Kungsholm*, I believe it is of the Swedish line, they are already planning their 1963 cruises for that year, not 1962.

Senator SCOTT. How far ahead do you think you would have to plan your schedule to include cruises?

Mr. BULL. To be effective you should plan a cruise, the type we have in mind, at least 6 to 8 months in advance, to get your literature out, to make your arrangements for your shore excursions and see that everything jells on the way. I think this is probably a type of situation which has not been anticipated by those who suggest the necessity for hearings and I just want to reiterate that we believe that the mechanics or the administrative control now exercised by the Maritime Administration are sufficient for this purpose.

As to the computation of the operating-differential to be allowed for cruises, we consider the provision made in section 4(b), lines 7 to 10 on page 6, to be entirely justified. We would remind the committee that of the total subsidy paid, approximately 75 percent reverts to the labor we employ. During the relatively short cruise periods the ships will be off their regular routes, they will be manned by the same numbers in crew, at the same rates of pay and under the same working conditions; further, they will be competing for the most part with ships of the same foreign flags with which they compete on their contract routes. For instance, we compete with Italian and Greek ships in our regular routes and it is the Italian and Greek ships that go in to the cruise service in the off-season.

In these circumstances, any computation of the operating-differential for cruising which differs from that applied to the operator's regular route would mean more accounting detail, producing but little benefit to the Government and imposing an additional burden on the operator. So far as American Export Lines is concerned, we do not anticipate the privilege to cruise as a bonanza in any sense. Rather, if this privilege should enable us to approach the break-even mark in our off-season operations, we would consider ourselves quite fortunate.

The alternative to cruising our ships in the slack season is to periodically lay them up, although this would not eliminate our losses. Provision for depreciation and insurance must be made whether a ship is operating or laid up, but these charges, together with the caretaker expenses, would result in smaller losses than those incurred under full operation.

Another result would be the loss of employment by numbers of our trained and experienced seagoing personnel, many of whom have been with us for years. This is a step we would be most reluctant to take, but unless there is a marked improvement in the deteriorating situation we would be left but little choice.

I do not think it is necessary to remind this committee of the almost total lack of passenger ship construction in the United States in recent years. Nor does there appear to be any prospect of an improvement in this situation. Meanwhile, our foreign competitors continue to build. Last year the Italian Line brought out their *Leonardo da Vinci* and have two more 40,000-tonners under construction. The Zim Lines have placed order in a French yard for a 25,000-ton passenger

ship, while the French Line will bring out their new *France* at the end of this year. This is only a partial listing of foreign-flag building activity. In contrast, we seem to be going the other way. Not long ago the Farrell Line abandoned its American-flag passenger service to South Africa and, more recently, the Alcoa Steamship Co. took similar action on its routes.

All of this points up the fact that in the face of constantly mounting costs, our passenger fleet cannot be maintained successfully without the flexibility of operations that our foreign competitors enjoy. If our passenger ships are to be available to serve as military auxiliaries in times of national emergency, this flexibility during the conduct of peacetime operations is mandatory. It is earnestly hoped, therefore, that S. 677 will be favorably considered by this committee.

We have a few suggestions on details of the bill which we would like to offer to the committee:

1. It is clear from the first sentence of paragraph (c) of section 613 that the limitations imposed by this paragraph are intended to apply only to cruises authorized by section 613, and that they do not relate to on-line cruises such as our sunlane cruises or our spring cruise, which are already covered by operating differential subsidy agreements.

Similarly, we assume it is not intended that these limitations should be applicable to a company's on-line operation—this deals, Mr. Chairman, with restrictions to cargo and mail, and so forth, when it operates a cruise authorized under section 613 that is partly on and partly off its route. To clarify the first point and cover the second we suggest that the second sentence of section 613(c) (lines 16 and 17 on page 2) be revised to read as follows:

When a vessel is being operated on such cruises, except to the extent it is operated between ports it is authorized to serve pursuant to an operating differential subsidy contract authorized under other sections of this title.

2. Paragraph (e) of section 613 contains a separate recapture provision for cruises authorized by that section that would require an operator to repay to the Government 75 percent of its profits on such cruises in excess of 10 percent per annum on its capital necessarily employed in such cruises, even if the operator were losing money on its operations as a whole.

We object in principle to any condition the result of which would even theoretically make it more difficult for the industry to earn a reasonable profit on its investment. In its practical application, this provision would simply further complicate an already complicated bookkeeping system.

However, the possibility that we might earn any such profit on cruises is so remote and theoretical that we do not intend to press this point. We feel it is of no practical importance and, therefore, will not waste the time of the committee on it.

The final paragraph deals with merely technical changes which I will not bore the committee with, and in closing, I would like on behalf of American Export Lines to thank the committee for the opportunity to make this presentation.

We do suggest, however, some drafting changes in paragraph (e). The introductory language relates this provision to cruises "as authorized by this section" (p. 3, lines 18-19). When cruises are later referred to in paragraph (e) this is usually done by the words "such

cruises." In some cases, however, the word "such" is omitted. So that no possible claim could be raised that paragraph (e) was applicable to on-line cruises or voyages, such as our sunlane cruises, otherwise authorized under subsidy contracts, we suggest the insertion of the word "such" before "cruises" whenever that word is used in paragraph (e). This addition should be made in line 21 on page 3 and in lines 14, 16, and 18 on page 4.

I thank the chairman for the opportunity to make this presentation.

Senator SCOTT. Any questions, Senator Morton?

Senator MORTON. I have none.

Senator SCOTT. Mr. Bull, is the *Atlantic* a new vessel or is that one you bought and converted?

Mr. BULL. She was originally a Marine freighter.

Senator SCOTT. Originally what?

Mr. BULL. Mariner-type freighter which was converted by the Banner Line to operate to northeastern Europe, but they had only the one ship and the operation did not turn out too successfully and we acquired her last February, a year ago. She is really a tourist class ship and probably one of the finest of its kind and the only one of its kind, I think, in existence.

It is really a beautiful ship.

Senator SCOTT. Her travel time to complete the tour is 30 days instead of 20?

Mr. BULL. That ship extends its voyage all the way to Haifa, Israel, whereas the *Constitution* and *Independent* go to the west coast of Italy.

Senator SCOTT. How many freighters are you operating with passenger carrying capacity?

Mr. BULL. We have 4 of the older freighters with capacity for 12, and now we have, well we have 12 ships under contract in new construction, of which 4 have been delivered or will be next month, the fourth one. Four will be delivered the early part of next year, and the first four I mentioned have accommodations for 12 passengers, and quite superior accommodations, I might add.

Senator SCOTT. I take it the fall-off in passengers carried in 1959 and 1960 was due to foreign-flag competition?

Mr. BULL. Foreign-flag competition, plus air competition.

Senator SCOTT. What kind?

Mr. BULL. Air.

Senator SCOTT. Thank you very much.

Mr. BOURBON. Could I ask one question?

Senator SCOTT. Yes, sir.

Mr. BOURBON. Mr Bull, in your statement on page 9, you say—

By the terms of this bill, the American-flag operator authorized to cruise off its regular route would be prohibited from carrying one-way or port-to-port passengers or any cargo to—

Now with regard to the passengers, from your long experience, would you see any particular harm to anyone if on a space available basis, after you had sold all your cruise prospects, and you had some space, if you could take somebody from here to, we'll say, Israel, if you were making a cruise over there?

Mr. BULL. Let me explain, Mr. Bourbon. If we were going to Israel, that would be on our regular route.

Mr. BOURBON. All right, take another port you hit on a cruise?

Mr. BULL. Let's assume we are on a Caribbean cruise, where you have a regular American-flag operator already subsidized. Now the Grace Line, if we were to be calling at a port served regularly by the Grace Line, I think we should not be given authority to carry one-way passengers. However, if we were touching at a port in the Caribbean that is not regularly serviced by the Grace Line, I think we might have the privilege of carrying a one-way passenger if the circumstances necessitated.

Senator SCOTT. Do your freighters still operate in the Black Sea over Odessa?

Mr. BULL. We don't go beyond the Dardanelles, nowadays.

Senator SCOTT. Thank you very much.

Senator MORTON. The next witness is Mr. Ira L. Ewers, Ewers & Duff, representing Moore-McCormack Line.

STATEMENT OF IRA L. EWERS, EWERS & DUFF, REPRESENTING MOORE-McCORMACK LINE, INC., ACCOMPANIED BY A. J. KEENAN, VICE PRESIDENT IN CHARGE OF PASSENGER TRAFFIC OF THE MOORE-McCORMACK LINE, INC.

Mr. EWERS. My name is Ira Ewers, of Ewers & Duff. I appear here on behalf of the Moore-McCormack Lines.

Our president, Mr. W. T. Moore, had hoped to be here today to discuss this problem with you. Unfortunately, he was delayed in South America and asked that I present this paper to you, which he has read and approved. I have accompanying me, also with your permission, Mr. Al Keenan, our vice president in charge of passenger traffic.

We appear in favor of and urge the prompt enactment of legislation along the lines of Senate 677. We are suggesting some amendments which I will explain. But in whatever form the committee determines upon, we would ask that the action be prompt. We will be grateful for it and try and use it to alleviate our very, very precarious position.

We have the same problem confronting us that confronted the *America*. Some of our sailings are quite light. We are always confronted with the possibility and necessity of operating at substantial losses, laying them up or seeking employment for them elsewhere.

I concur generally in the suggestions made by American Export Lines, whose problem is similar to but differs somewhat from ours.

As most of you are aware, Moore-McCormack Lines is a subsidized operator serving South America, Africa, and Scandinavia with 43 cargo and 2 combination passenger and cargo vessels. The two combination vessels are newly built at a cost to us of about \$15,500,000 each. We have contracted for eight new cargo vessels, at a cost of \$5 million to \$6 million each to us, and are getting ready to invite bids for six more.

Since our replacement program was inaugurated, the national and international shipping picture has worsened and earnings have virtually disappeared, and we are having difficulty not only with additional replacements but in paying for those constructed and under construction.

As is well known, combination passenger and cargo vessels even under the best conditions seldom earn very much money, but their

losses are regarded as an adjunct to the problem of the fleet as a whole. Traditionally, our combination vessels, new and old, have lost \$1 million to \$1,500,000 a year, which has been picked up out of cargo ship earnings.

Until the last few years, the cargo ship earnings have been adequate for this purpose and still have a little for dividends. However, decreasing revenues on our operations are approaching an overall loss.

No longer can our overall earnings support the losses on our passenger ships. One of them incidentally is pledged to secure a \$10 million debt which is guaranteed by the Government, and the only recourse is to the vessel itself.

We do not want to give up the passenger vessels except as a last resort, but failure to enact the pending legislation may expedite the evil day unless things otherwise improve substantially. The enactment of the legislation will give us some chance to weather the storm, and will be without increased cost to the Government.

Let me give you the details.

In most every passenger trade, there is a heavy season and an off season. Naturally, the problem is what to do in the off season so that the profits of the good season may not be dissipated. We could, of course, lay the vessels up, but that will cost about \$3,000 per day per ship, to say nothing of the loss of employment of their regular crews. The other alternative is to transfer their operations to other trades where, even if they cannot make much money, their losses would be reduced. The latter has been the practice of the foreign lines serving the North Atlantic for many years.

Figures are available which show the highly seasonal nature of the North Atlantic, from 95,000 to 150,000 citizen departures a month in May through September down to 32,000 to 70,000 per month in the other months.

Figures available from several other sources indicate that in the off months in the North Atlantic, the unneeded vessels are employed in cruises to all areas of the world. Whether those vessels make a profit out of such cruises, or merely reduce their losses, we do not know, but it is probably the latter, which has also been our experience.

The passenger traffic between North and South America is also highly seasonal, as is illustrated by charts I and II attached to this statement.

I might interpolate here that attached to the export statement and attached to the Moore-McCormack statement are some very interesting statistical studies of the volume of this type of traffic and the participation of U.S.-flag vessels. But since the magnitude seems generally understood, I won't go into detail on it at this time.

Probably the greatest uncompensated disadvantage of U.S.-flag vessels is lack of flexibility in operations. In an effort to overcome this in part, the Maritime Administration has cooperated with us to the extent that they believed that the law allowed and permitted us to operate the combination vessels, which have primary allocation to South America, on our other routes.

For example, we make not to exceed four voyages, or cruises a year to Scandinavia, which have about broken even; and two voyages or cruises a year down to Buenos Aires on our route 1, thence across to Capetown, from Capetown to Aden on our route 15A, and from

Aden we can return to New York, either back around the Cape of Good Hope, or via the Mediterranean. Unsettled conditions in Africa have prevented those voyages from doing more than reducing losses, but we are hopeful of better results in the future.

In connection with the Scantic and African voyages, however, to make the cruises more attractive, we were granted permission to call but not to trade at ports not within our own trade routes, but if we do, our vessels go off subsidy for all time in excess of 3½ days. This is a harsh penalty on voyages which are made for the purpose of reducing losses, and we are suggesting an appropriate amendment.

I might interpolate here, Mr. Chairman, before the House committee in hearings upon a companion bill yesterday, it was explained that either in the legislation or in the report, it should be pointed out that the privileges granted by this legislation were intended to be in addition to and not in derogation of any privileges which the operators presently enjoy. I should like to add to that my own interpolation, or my contribution—upon not less favorable conditions.

The U.S.-passenger ship companies have discussed this problem without reaching complete accord.

There is a feeling that all of these off-berth cruises would be to the Caribbean area in competition with Grace. This would be true only to a limited degree. Our company believes that for cruises to be attractive there must be novelty—no one wants to cover the same route where different routes are available. Our program is considering—

(1) Cruises around North America: New York, Caribbean, Panama, Hawaii, west coast of United States, including Alaska, and then returning. I am sorry Senator Bartlett was not here when I mentioned Alaska.

(2) Cruises around South America.

(3) Voyages turning around at Rio, or other nearby ports, and so forth, which would all be longer cruises than the 2-week Grace turnaround.

However, our ships sail to South America on a 35-day spread, and it is desirable to maintain that separation, so if we schedule a cruise of say 55 days around North America, we would wish to supplement that with a shorter cruise to get the vessel back on the 35-day schedule. The shorter cruise could be in the Caribbean-Bermuda or the Canadian areas, all of which are attractive tourist areas, but by no means necessarily to the same ports that Grace serves.

For example, the *Santa Rosa* and *Santa Paula* list the following ports: New York, Curaçao, La Guaira, Aruba, Kingston, Port-au-Prince, and Port Everglades.

There are many other nearby cruise areas that would be just as attractive either independent of or in conjunction with some of the Grace ports.

Under our present contract, our vessels already have the privilege of serving Bermuda, Trinidad, Barbados, and the Bahamas, as well as north and east coast of South America, but only in connection with full voyages on trade route 1. This privilege without the pending legislation is not broad enough to permit short voyages to these areas for the purpose of balancing schedules.

Our subsidy contracts, and all subsidy contracts, provide that all voyages shall be upon sailing schedules, including sailing dates and

ports of call satisfactory to the Commission. This undoubtedly will control also cruises to the extent permitted.

Grace complains that the subsidy of other U.S.-flag vessels under the bill might be higher than that which it receives. So they might, but they might also be lower. In any event, Grace would have the advantage of being able to carry port-to-port passengers and cargo which the other U.S. cruise vessels would not be permitted to carry.

Question has been raised about the propriety of subsidizing cruises.

It has been established that combination vessels are necessary for the national defense to serve our foreign commerce and to meet foreign competition. It is also becoming apparent that such vessels cannot be maintained successfully without the privileges enjoyed by their foreign competitors. The privilege of serving other areas in off season where round-trip passages are called cruises, is a necessary privilege to the accomplishment of the primary purposes of national defense and foreign commerce, and is in entire accord with other privileges and permissions granted to aid in the maintenance of essential services.

I will not dilute the present discussions with the hearing of the problem upon balance of payments and the national economy. It is conceded that the amounts spent by Americans for foreign travel is over \$2 billion a year, of which \$770 million was for transportation.

The enactment of the present legislation would enable partially used U.S.-flag vessels to obtain a greater share of the travel transportation dollars.

The enactment of this legislation will materially assist in the continued operations of U.S.-flag passenger and combination passenger cargo vessels, whose continuance is otherwise precarious.

We heartily agree with the proposal to encourage travel to and within the United States to ease the balance of payment deficits. We believe it goes without specific mention that the increased use of U.S.-flag transportation facilities should be an integral part of that program.

There are 142,000 to 174,000 cruise passengers arriving in the United States each year, 1959-60, only 11 or 12 percent of whom are moving on U.S. flag carriers. Most of these are citizens of the United States. The United States has facilities to carry a much larger percentage if properly employed and we respectfully submit the United States is entitled to a larger percentage.

Lastly, we should point out that under the legislation, the vessels would receive only the same amount of subsidy as they would receive if they continued to operate in their regular berth services. The vessels would, however, lose less. While we cannot honestly predict increased recapture to the Government, we do believe that our taxable earnings might be greater.

If the legislation costs the Government no more, but will materially aid us, why should it not be enacted promptly?

I am appending to the remarks certain amendments that we would like to have considered in the light of the foregoing.

(The amendments follow:)

PROPOSED AMENDMENTS TO S. 677

Amendment No. 1: In section 613(b), page 2, delete the words "at least two-thirds" at the end of line 7 and at the beginning of line 8 and substitute therefor the word "part".

Explanation: The limitation of cruises to one-third of a year is an unnecessary one since Marad must find the vessels unnecessary for berth service.

Also a problem is presented. An operator has two ships. It can operate each for two-thirds of a year, but may run into difficulty if it decides to schedule one instead of two vessels to make the cruises.

Amendment No. 2: Add at the end of section 613(b), page 2, line 14, "without penalty for deviation".

Explanation: To reduce off-season losses on the primary berth, Marad and Mooremack were able to work out off-season cruises to other routes served by Mooremack, with some degree of lessened losses.

For example, four cruises a year were permitted to the area of its Scantic Route 6. To fill out the 35-day interval between sailings on the major berth, and to make the cruise more attractive, calls were made at several ports adjacent to route 6 for the amusement of passengers but not to load or discharge passengers or cargo. In granting such permission Marad felt that it had to penalize the operation by taking the vessel off subsidy for the time spent in such off-berth ports in excess of 3½ days. On one representative voyage this penalty amounted to about what the voyage lost, \$20,000 to \$25,000.

To grant novelty, similar cruises or voyages were authorized around Africa—down to Buenos Aires on Mooremack's route 1, thence over to Capetown, from Capetown to Aden on its route 15A, and from Aden thence to New York.

But if the vessel called homeward at Mediterranean ports for the pleasure of its passengers (but not to trade), here again comes the penalty. The vessel was placed off subsidy for the time in excess of 3½ days which it took to make the Mediterranean calls—on one representative voyage, about 8 days! The voyage lost money, but less than it would on its regular berth, or in layup, and to such losses was added this unfair penalty!

These penalties we would like to see eliminated in the proposed legislation.

Amendment No. 3: Add to section 613(c), page 2, line 18, after "cruises" the words "except in emergencies".

Explanation: This was obviously intended.

Amendment No. 4: Add at the end of section 613(c)(1), page 2, line 20, "except between ports upon the operator's essential service(s), or between ports not served by another United States flag operator".

Explanation: If space is available, we can see no reason for such a broad prohibition and the proposed amendment is coextensive with the discussions.

Amendment No. 5: Add at the end of section 613(c)(2), page 2, line 22, the same language as in amendment No. 4.

Explanation: Same as No. 4.

Amendment No. 6: Add at the end of section 613(c)(3), page 2, line 25, the same language as was added to (4) and (5).

Explanation: Same as (4) and (5).

Amendment No. 7: Amend section 613(d), page 3, by deleting all after the first comma in line 16.

Explanation: Same as (1).

Amendment No. 8: Delete in its entirety section 613(e), from line 17 on page 3 through line 23 on page 4.

Explanation: Financially, recapture of 75 percent instead of 50 percent with segregated accounting, would not cost Mooremack anything except trouble—because diversion into the cruise trades is not expected to produce substantial affirmative profits—only to reduce the losses incident to berth operations in the off seasons or layup—and we understand this is usually true of the diverted transatlantic liners, but such a requirement violates two philosophies which we think are salutary:

- (1) That subsidized accountings be kept on a consolidated basis as far as possible; and
- (2) That when an owner operates both passenger and cargo vessels, economic soundness be measured on a fleet rather than a unit basis.

AUGUST 22, 1960.

Memorandum

From: V. Fiorenza, Statistical Department.

To: Mr. A. J. Keenan, Jr., vice president.

Subject: Proposed Cruise Legislation.

As suggested by your memorandum of August 11, 1960, to Mr. Elmer E. Metz, we have investigated some of the characteristics of Latin American passenger business which may be of use in support of proposed cruise legislation.

In the brief study that follows three basic truths are evident:

- (1) Moore-McCormack passenger business falls into a fixed pattern or cycle.
 - (2) There is a similar pattern in the total passenger business to Argentina and Brazil.
 - (3) A tremendous market exists in the Caribbean short cruise business.
1. As can readily be seen from chart I the cycle of Mormac business has not varied over an 8-year period. Moreover, the decrease from a three-ship fleet to a two-ship fleet raised only the level of business but did not appreciably alter the pattern.

Although there are not sufficient data available for the new passenger vessels there is no reason to expect any deviation from the previously established pattern.

2. That this pattern will remain unchanged is substantiated by the similar pattern which is apparent in chart II; a 4-year study of passenger business to Argentina and Brazil.

A logical conclusion to be drawn therefore is that the Good Neighbor Fleet does not set the pattern but rather follows a predetermined cycle of passenger travel over which Moore-McCormack has little or no control.

To determine what factors contribute to this prevailing cycle would necessitate extensive research into market travel motivation, income levels, time available, etc., etc.

The investment of time and manpower required to accomplish this research is sizable enough to warrant definite indication of its need.

3. There is no doubt that Moore-McCormack is faced with recurring periodic depression of passenger business, especially in the early months of the year.

It is interesting to note that during this period, say March/April, some 60 Caribbean short cruises were advertised in 1959 and some 75 cruises in 1960.

More important, 14 of these cruises in 1959 and 25 in 1960 (a considerable increase) were ships that are not regularly employed in the Caribbean but have been drawn to this lucrative area during their off seasons. (See attachment A.)

We trust that the foregoing will be of some value and if you so require additional studies will be made.

V. FIORENZA.

EXHIBIT A

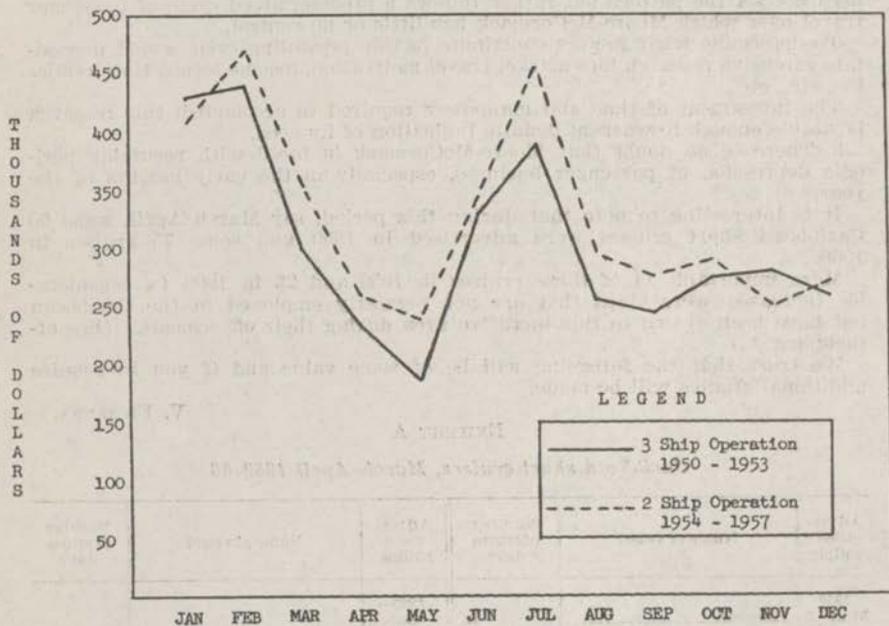
Caribbean short cruises, March-April 1959-60

Advertised sailing	Name of vessel	Number of cruise days	Advertised sailing	Name of vessel	Number of cruise days
<i>1959</i>			<i>1960—</i>		
Mar. 2	Homerie.....	16	Con.		
10	Nieuw Amsterdam.....	13	Mar. 14	Statendam.....	14
13	Empress of England.....	14	14	Hanseatic.....	13
14	Maasdam.....	10	15	Victoria.....	14
20	Homerie.....	15	17	Bianca C.....	12
21	Mauretania.....	15	18	Mauretania.....	15
23	Ariadne.....	34	18	Homerie.....	15
26	Maasdam.....	7	25	Oslofjord.....	13
Apr. 2	Stockholm.....	12	25	Nieuw Amsterdam.....	10
4	Maasdam.....	7	26	Franca C.....	11
6	Homerie.....	10	26	Ariadne.....	31
7	Mauretania.....	12	29	Hanseatic.....	13
17	Oslofjord.....	13	30	Statendam.....	12
27	Ariadne.....	14	30	Victoria.....	14
<i>1960</i>			Apr. 4	Mauretania.....	13
Mar. 4	Bianca C.....	12	4	Homerie.....	14
8	Ariadne.....	16	7	Nieuw Amsterdam.....	16
9	Nieuw Amsterdam.....	14	8	Oslofjord.....	10
9	Empress of England.....	19	9	Franca C.....	13
12	Franca C.....	13	14	Victoria.....	16
			19	Mauretania.....	12

Source: Official Steamship and Airways Guide, International, vol. LV, No. 3, March 1959, and vol. LVII, No. 2, February 1960.

CHART I

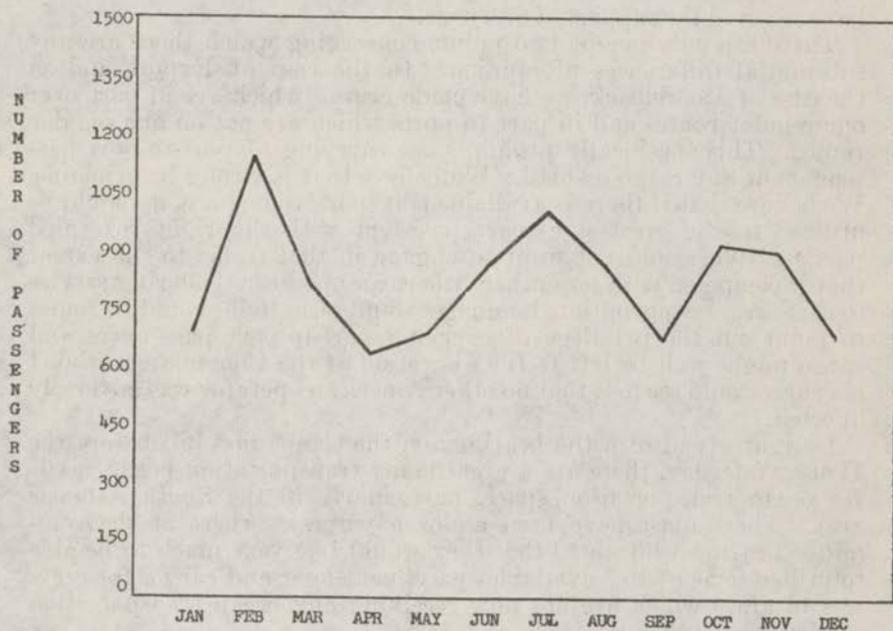
GOOD NEIGHBOR FLEET
 AVERAGE PASSENGER REVENUE PER VOYAGE
 BY MONTH OF SAILING 1950 - 1957



SOURCE: Voyage Account Records

CHART II

TOTAL PASSENGER TRAFFIC BY SEA
FROM THE UNITED STATES TO ARGENTINA AND BRASIL
AVERAGE PER MONTH OF EMBARKATION 1956 - 1959



SOURCE: The Department of Justice
Immigration and Naturalization Service

I will mention only one of those amendments, only one amendment offered by Maritime, not in the original legislation, which is to the effect that if a vessel on cruise service calls at a port, which is on the route of another operator, the law of the two subsidies shall prevail.

We think that is most unfair. We think they should revert to their original concept that the vessel would continue to receive the subsidy that she received on her regular berth. For example, on a vessel making a cruise from North Atlantic ports to ports on the east coast of South America, why should she take the Caribbean differential merely because she might happen to call at one port there which would only be a very small percentage of her business?

Now, there is general accord for this legislation. I say the need for the legislation is unanimously recognized and most of its features have received the support of everyone.

There are only one or two points concerning which there are any substantial differences of opinion. In the case of Export and in the case of Mooremack, we have made cruises which are in part over our regular routes and in part to ports which are not on our regular routes. This specifically prohibits the carrying of port-to-port passengers or any cargo or mail. We believe that is wrong in principle. We believe that if there is available transportation space, it should be utilized to the greatest extent consistent with the rights of third parties. We would not want to engage in that traffic to the extent that it competed with any other American operator rendering service to that area. Appropriate language would seem to me could be found to point out the privilege of carrying port-to-port passengers and cargo might well be left to the discretion of the Commission, who, I am sure, would see to it that no other American operator was adversely affected.

I might say also in the hearings on the companion bill before the House yesterday, there are a great many transportation needs, needs for ocean transportation space, particularly in the South Atlantic area. There must have been a dozen witnesses there at the committee hearing who stated that they would like very much to be able to utilize some of this available space, passenger and cargo, for services to areas which are not now receiving any ocean transportation service from U.S. ports.

We urge that the legislation permit the cruise vessels to carry passengers and cargo but not to ports which are regularly served by other American operators.

Now reference has been made in these proceedings to section 605(c) which requires very voluminous time-consuming hearings before one operator can trade at the ports being served by another. That section has never been extended to what we call tourist calls, where vessels merely call for the convenience of passengers and do not load nor discharge cargo. On the contrary, there have been a number of such calls requested. The requests are brought to the attention of the existing operator on the berth, and as Mr. Bull has pointed out to you, we can find no instance of any other American operator having ever objected to such tourist call. As a matter of fact, as Mr. Bull also explained to you, most of them act as our agents. We don't think

that situation is such as need cause our colleagues any fear. Maritime is going to see to it that whatever we do does not injure their opportunities.

So, in conclusion, Mr. Chairman, members of the committee, this situation is long overdue for remedy and the remedy which you give us today will not be enjoyed for the reasons that have been explained for a year or 2 years hence. In the meantime, we must live with the antiquated situation, so whatever you are going to do, whatever your judgment dictates is the proper thing to do, please do it promptly.

Senator MORTON. Thank you.

You and Mr. Bull are in substantial agreement?

Mr. EWERS. We have this one difference I think I should point out to you, Mr. Chairman. The *Atlantic* and the *Constitution* and the *Independence* are primarily passenger vessels, and they have capacity for 700, 800, 900 passengers and almost no capacity for cargo.

On the other hand, Mooremack vessels, the *Argentina* and the *Brasil*, are what we call combination vessels. We have a smaller number of passenger accommodations, but we have space available for 3,000 or 3,500 tons of cargo, so that while it may be that to the passenger vessels as such cargo is not an important problem, it is to us. But with or without the cargo privilege, we will be most grateful to you, sir, for any relief you can grant to us because we are confronted with the alternative of just what to do during these off-season voyages, whether to lay the vessels up or whether to give up the traffic because our earnings have declined from a high of \$17 million a few years ago, to a low of under \$1 million at the current earning level. We must put our house in order if we are going to continue in this business.

Senator MORTON. Your seasons would vary, I know, would they not?

Mr. EWERS. Our seasons are not coexistent with North Atlantic seasons. As a matter of fact, we have one of our best seasons in the middle of winter for the so-called carnival cruises. Then ours go soft right now. We have the April and May sailings very poorly patronized, and then we go soft again in October and November.

Our summer season is not as attractive also to South America as is the summer season on the North Atlantic. But the spread between the maximum and the minimum patronage would be in the same magnitude. Some times of the year they run substantially full and some other times in the year they follow a pattern of almost no one patronizing and that pattern, I might say to you, we have submitted as an attachment to our presentation, is a relatively constant pattern.

The high spots and the low spots occur each year about the same time.

Senator MORTON. Thank you very much, sir.

Mr. EWERS. I thank the committee for giving us this opportunity of presenting our problem.

Senator MORTON. We will now hear from Mr. Davis, vice president of the Mississippi Shipping Co., Inc.

STATEMENT OF C. T. DAVIS, VICE PRESIDENT, MISSISSIPPI SHIPPING CO., INC.

Mr. DAVIS. I have a very short statement.

Senator MORRON. You may proceed, Mr. Davis.

Mr. DAVIS. My name is C. T. Davis. I am vice president of Mississippi Shipping Co., Inc., commonly known as Delta Line.

Delta Line operates pursuant to an operating differential subsidy contract on essential trade route 20, between U.S. gulf ports and the east coast of South America, and on essential trade route 14, service 2, between U.S. gulf ports and the west coast of Africa.

Delta Line is cognizant of the problems of operators of passenger vessels on other trade routes, and understands and sympathizes with their desire to arrange for extension of the subsidy principle to permit aid for the operation of such vessels on cruises. Those same problems, to greater or lesser extent, are encountered by Delta Line in the operation of its own passenger vessels. These are three combination vessels, each equipped to carry 119 passengers, as well as some 6,000 tons of freight, which are operated on regular schedules between New Orleans and Buenos Aires, stopping at Houston, St. Thomas, Rio de Janeiro, Santos, Paranagua, and Curacao. These vessels, which were placed in operation immediately after World War II, are not of the speed and other specifications which would be required for subsidy under the proposed legislation, but are nonetheless fine vessels which are performing a valuable service in the foreign trade of the United States and constitute an important segment of our American merchant marine.

Delta Line does not seek inclusion of these vessels in the proposed cruise subsidy program. Its passenger vessels are dedicated to service on trade route 20, and will remain so. It has no objection to other operators being given the benefit of subsidy on cruises, but feels very strongly that such extension of the subsidy principle should be accompanied by safeguards which will prevent the operation of such subsidized cruises in any manner which would prejudice the established operations of other American-flag companies.

The passenger business is of considerable importance to Delta Line, as it returns average revenues of more than \$1,750,000 a year. Its passenger vessels required large capital outlays to provide suitable accommodations, and are extremely expensive to operate as they require large crews and facilities for providing the excellent meals and entertainment that must be a part of a modern ocean voyage. It should be noted that a large part of this expense is fixed, with the result that the company estimates that for every dollar lost in passenger revenue it has a reduction in expense of only about 15 cents.

There are two marked characteristics of the passenger business of Delta Line: first, a large number of its passengers, about one-third, are cruise passengers who embark for the round trip voyage; second, the company's passengers are drawn from all parts of the country.

Attached is a list showing the number of southbound and cruise passengers from each State carried during the period beginning with the inauguration of the operation of these three vessels in 1946, through 1959. It is obvious that Delta Line is in keen competition

for such passengers with carriers offering similar services from other coastal areas. This is particularly true with respect to the cruise passengers, whose interest often is more concerned with a pleasant voyage through pleasant climates on a vessel with proper accommodations and services, than in the matter of the foreign ports to be visited.

It has been our experience that one of its strong sales points in attracting passengers to its service is that a trip on one of its vessels includes an opportunity to visit the historic city of New Orleans, with its French Quarter, its famous restaurants, and its many points of historical interest. Similarly, its competitors operating from the North Atlantic can include the many and varied attractions of New York City in their sales package.

Cruises offered by competitors at other coastal areas which were advertised to include also a stop at New Orleans would, therefore, considerably reduce the pulling power of what is now one of Delta Line's important sales points, with consequent reduction in its passenger carryings, to the serious detriment of the company and of the services which it provides on its essential trade routes under its contract with the Government. This would be particularly true where the cruise itself were to follow an itinerary paralleling a major portion of Delta Line's route, as a cruise to Rio at carnival time particularly.

Delta Line does not ask that such cruises be strictly confined to service at domestic ports included in the operator's regular subsidized service, but does respectfully request that if the committee sees fit to report the bill, it do so only with amendments which will insure that operators of cruises originating at other coastal areas will not be permitted to stop at domestic ports off of their regular routes except with the specific prior approval of the Federal Maritime Board, to be granted only on the finding that such call will not prejudice the interest of any other American-flag operator.

Suggested language which we believe will accomplish that result is attached hereto.

(The attachments follow:)

ATTACHMENT No. 1

Mississippi Shipping Co., Inc.—Total number of southbound and cruise passengers carried on combination vessels, by State of residence, 1948 through 1959

Alabama.....	190	Kentucky.....	131
Arizona.....	129	Louisiana.....	973
Arkansas.....	97	Maine.....	18
California.....	4, 215	Maryland.....	99
Colorado.....	264	Massachusetts.....	194
Connecticut.....	63	Michigan.....	474
Delaware.....	42	Minnesota.....	211
District of Columbia.....	306	Mississippi.....	183
Florida.....	881	Missouri.....	607
Georgia.....	278	Montana.....	37
Idaho.....	41	Nebraska.....	90
Illinois.....	1, 933	Nevada.....	31
Indiana.....	349	New Hampshire.....	10
Iowa.....	149	New Jersey.....	155
Kansas.....	148	New Mexico.....	69

ATTACHMENT No. 1—Continued

Mississippi Shipping Co., Inc.—Total number of southbound and cruise passengers carried on combination vessels, by State of residence, 1948 through 1959—Continued

New York.....	755	Texas.....	1,360
North Carolina.....	181	Utah.....	56
North Dakota.....	33	Vermont.....	6
Ohio.....	802	Virginia.....	235
Oklahoma.....	278	Washington.....	293
Oregon.....	198	West Virginia.....	31
Pennsylvania.....	235	Wisconsin.....	214
Rhode Island.....	21	Wyoming.....	19
South Carolina.....	75		
South Dakota.....	18	Total.....	17,465
Tennessee.....	288		

ATTACHMENT No. 2

SUGGESTED MODIFICATION OF S. 677

Amend section 613(a) by inserting at the beginning thereof "Unless otherwise specified."

Change the period at the end of section 613(c) (4) to a comma, and add the following: "provided however, That where such cruises are to include such stop at another domestic port which is served by United States flag passenger or combination vessels of any size, speed and capacity, prior permission for each such stop must be obtained from the Board, and such permission shall not be granted unless the Board shall determine after opportunity for proper hearing that the award of subsidy for such cruise operation would not prejudice the interest of any United States flag operator."

Mr. DAVIS. In view of what Mr. Stakem said as to the cumbersomeness of 605-C hearings, I just thought I would point out here, that the language suggested does not suggest that the Board undertake a cumbersome and lengthy 605-C hearing before approving off-berth cruises. It merely assures the berth operator an opportunity to be heard before the Board authorizes a stop at a domestic port served by another U.S. flag passenger or combination passenger vessel.

My experience with those administrative hearings is that it is a matter of a day or two at the very most.

Mr. BOURBON. You are suggesting a proper hearing would be that your representatives would be given a chance to come before the Board?

Mr. DAVIS. I think that is very definitely a right that should be granted to us in the bill and there appears to be no objection either from the lines who are proponents of this bill nor from Mr. Stakem.

Now I don't mean by that that he has said specifically that he approves this language, but Mr. Stakem as well as Mr. Ewers have both stated that they would give full consideration, that full consideration should be given to the position of the other operators.

What we are seeking here is the assurance in the bill that it doesn't matter what the complex of the Board might be in the future, that we will have the assurance in the legislation.

Mr. BOURBON. You don't think there is any possibility that this "proper hearing" might be interpreted as a 605-C hearing?

Mr. DAVIS. If there is any such implication in the language of the suggested amendment, it should be stricken from it and the amendment so written as to accomplish what I have said.

Our counsel advises me that this does not suggest a 605 hearing.

Senator MORTON. I think, as far as I am concerned, as one member of the committee, the point is well taken. I think it should be accomplished, perhaps the actual language that you have submitted is not the necessary vehicle for accomplishing that end. The testimony here and the testimony I see from the Chairman of the Maritime Board, Mr. Stakem, I think he recognizes this point.

Mr. DAVIS. He does.

Senator MORTON. The committee will give serious consideration to pinning it down more definitely in the legislation if, in the opinion of the committee, that is necessary. I think we will be in agreement and I think the previous witnesses have testified—in other words, they don't want to damage by going to a foreign port; neither do they want to damage another regular carrier by going to its domestic port.

I wouldn't want to push that river up to New Orleans and back again. It is bad enough to take it one way.

Mr. DAVIS. Probably the only times we would object would be around Mardi Gras time, because those ships always fill up because people come up and get a two-way deal; they get to New Orleans for Mardi Gras and make the southern cruise, too.

The New York area, from which most of these cruises would originate, is the third largest passenger-producing area in the United States for Mississippi Shipping Co., so you can see we are in competition.

Senator MORTON. Yes.

Thank you very much.

Mr. McNeil, would you like to testify at this point?

Mr. W. J. McNeil, president of the Grace Line.

STATEMENT OF WILFRED J. McNEIL, PRESIDENT, THE GRACE LINE

Mr. McNEIL. Mr. Chairman, this opportunity to present our views on S. 677 is certainly appreciated.

Grace Line operates under an operating differential subsidy contract on essential trade route 4 from the Atlantic coast into the Caribbean, and trade route 2 from the Atlantic coast through the Caribbean to the west coast of South America, and on trade route 25 from the Pacific coast to the west coast of South America.

The bill before this committee would in essence authorize the payment of subsidy for the part-time operation of major U.S. passenger vessels solely on cruise voyages for up to a third of each year; that is, when not employed on the essential U.S. trade routes for which these vessels were constructed and to which they have been assigned by contract.

We have reviewed the proposed legislation in the spirit that all U.S.-flag operators should try to cooperate in resolving problems of mutual concern and to assist in the overall development and promotion of the American merchant marine.

Looking at it in that way, at first glance the proposal may seem reasonable. We are of the opinion, however, that this proposed legislation raises a number of questions, some of which concern basic precepts of the Merchant Marine Act of 1936. For this reason we feel that certain changes in the bill should be considered.



We are well aware of the problems facing many subsidized lines, including our own, in connection with the seasonal aspect of both cargo and passenger demands upon a trade route. For example, the Grace Line has severe seasonal fluctuations of passenger demand. Grace Line also has the same problem in the case of cargo. Such things as the seasonal refrigeration requirements of the Chilean fruit season, as well as other seasonal trade fluctuations, must be recognized as having the same inherent problems as the passenger business.

In the House hearings, as a matter of interest, one of the proponents of this bill has suggested that their two passenger vessels should, when possible, carry cargo on cruise voyages.

We are entirely sympathetic to the problems of seasonal passenger traffic demands faced by the subsidized lines and it has been hoped that the several interested companies could work out some mutually supportable program. It was and still is our desire to arrive at some solution which would provide on a sound basis an extension of the subsidy principle for the purpose of assisting the U.S.-flag passenger business—while making sure that the authority to do so was accompanied by safeguards to prevent its application in any manner as to prejudice already established operators.

We are of the opinion that the proposed legislation as originally worded, and even with certain modifications which have been proposed, raises a number of questions, some of which concern basic concepts of the Merchant Marine Act of 1936. For this reason we feel that additional examination of the bill is in order and that other changes in the bill should be considered.

While the bill as written is sufficiently broad to cover any area, it is our understanding that the bill now under consideration grew out of a specific problem faced by a single steamship line; namely, American Export's problem concerning the off-season operation of the SS *Atlantic*. This particular passenger vessel was acquired by American Export in February 1960 and was placed in operation on the Mediterranean run in May 1960.

This legislation, as it is now written, might help to alleviate the problem of the off-season use of the SS *Atlantic* and perhaps the *Argentine* and the *Brazil*. However, we feel that in attempting to solve this problem of one or two operators many other problems would be created for other subsidized operators—both passenger and cargo—now and in the future.

We believe that the passage of this bill as now written would have a harmful effect upon the Caribbean cruise business of the Grace Line, and in our opinion would set a precedent which would jeopardize the basic trade route concepts of the Merchant Marine Act of 1936. We must question the wisdom and practicality of legislation which would authorize any other subsidized U.S. line to make subsidized cruises into the Caribbean without the usual protection now guaranteed to us by the Merchant Marine Act. These cruises, which would not be on the regularly assigned trade routes of the vessels involved, would directly parallel or at least cover the same essential trade route area we now serve. Under the circumstances, these vessels would be in direct competition with the regular year-round, long-term contractual Caribbean service of the Grace Line. A solution which radically departs from the essential trade route concepts of the 1936 act, which

benefits one segment of an industry to the detriment of another, and which, if adopted, will materially harm an existing essential U.S.-flag service, can only add to the burdens of the industry rather than help overcome them.

When Grace Line entered into its subsidy contract with the Government, it agreed to provide regular passenger and freight service to ports of call on trade route 4 (between U.S. Atlantic ports and the Caribbean). Grace Line also agreed to invest about \$30 million of its funds in the new *Santa Rosa* and the new *Santa Paula* for operation on this service, which, as you are aware, are two of the most modern passenger-cargo vessels now flying the U.S. flag. When the funds were invested, Grace Line met its obligations in reliance upon the safeguards provided by the 1936 act and upon the agreements entered into thereunder.

The subsidized operation of the *Santa Rosa* and the *Santa Paula* between U.S. Atlantic ports and the Caribbean is based upon the determination that the operation of such vessels is required to meet foreign-flag competition and to promote the foreign commerce of the United States. However, fundamental to being able to operate these vessels to the Caribbean throughout the year upon a regular weekly basis, is the carriage of cruise passengers which augments the regular cargo and one-way passenger revenue. Without a steady cruise passenger demand, it would be uneconomic for any U.S.-flag operator to attempt to operate vessels of the size and characteristics of the *Santa Rosa* and *Santa Paula* on a regular basis in the Caribbean trade.

While the Grace Line ships are now protected by the provisions of the 1936 act when operating under their existing subsidy contract on the essential U.S. trade routes to which they are assigned, the proposed bill would permit other vessels to invade the Caribbean, not only during the portions of the year when there is an increased volume of travel to the area, but also during periods such as October and November when the passenger demand is also extremely light. These other ships would be able to offer cruise itineraries designed solely to attract cruise passengers and to call at domestic and foreign ports which the *Santa Rosa* and the *Santa Paula* cannot ordinarily serve due to their trade route obligations, all without consideration of the irreparable harm that will be done to the year-round weekly Caribbean service of Grace Line.

To indicate the importance of Caribbean cruise business to the Grace Line, in 1960, \$5,538,000 of our revenue came from this source.

We must now depend more and more on cruise business as the one-way business to South America is declining—primarily due to improved aircraft schedules.

I might add at this point that on Tuesday some of the House committee members in discussing cruises may have been left with the impression that a cruise, as normally referred to, consisted primarily of a single group such as bankers, bar associations, et cetera, which take over an entire ship for a given number of days. While there is a considerable amount of this group type of cruise business, the fact is that actually the great bulk of cruise business is a mass of individual round-trip passengers.

In short, if the proposed legislation is passed, the *Santa Rosa* and the *Santa Paula* will be faced with strong U.S.-flag competition, pos-

sibly tracing some or all of our ports of call, enhancing their itinerary by calls at nonessential ports, with the right to call at domestic ports such as San Juan and Port Everglades, able to vary the length of cruises offered, charging lower passenger fares, receiving higher subsidy rates than those received by Grace Line unless, of course, the bill is amended along the lines recently proposed by the Chairman of the Federal Maritime Board and, of course, with the sole aim of helping to carry their investments during their own off seasons at marginal profit levels. It is impossible for us to visualize how this can occur without having a substantial and material prejudicial effect upon Grace Line's ability to perform its contract obligations on a year-round basis upon the trade route. Certainly this past year was not profitable in this area.

I might say these two ships didn't make any money in the past year. There are several reasons: partly was the decline in business, and partly because of cargo rates. This has not been a profitable year for these two ships.

We believe, if the legislation is passed, it will substantially affect the basis upon which both the Maritime Administration and Grace Line found it economically feasible to construct the *Santa Rosa* and the *Santa Paula*, and economically sound to finance them.

I might point out to the committee that, while the passage of this bill would have an immediate and serious effect upon the Grace Line, it could, and probably would, lead to the invasion of other essential trade routes throughout the world which are now served by other subsidized operators.

It is a basic concept of our Merchant Marine Act of 1936 that the subsidized American-flag fleet should be regularly operated on assigned trade routes for the purpose of meeting foreign flag competition and to promote the foreign commerce of the United States. As the committee is well aware, no shipline is granted a subsidy contract or assigned an essential trade route until a full and complete investigation is made by the Federal Maritime Board to be certain that all of the criteria of the 1936 act are being met. Furthermore, under the provisions of section 605(c) of the act, no line shall be allowed to operate on a route served by another subsidized carrier unless, and until, the carrier over whose route the new applicant line seeks to operate shall be given an opportunity to be heard at a public hearing before the Federal Maritime Board, although interline agency-type agreements are permissible.

In essence, section 605(c) is that section of the 1936 act which gives a subsidized operator a fair opportunity to be heard and to present its case prior to any change in, or possible infringement upon, the rights or obligations of its operating subsidy contract. While I understand some section 605(c) hearings have in the past been protracted, I believe the Federal Maritime Board would respond within a reasonable time on cruise requests should the urgency so require.

It is a matter of great concern to us, and I am sure to many other subsidized operators, that the important protective provisions of section 605(c) are expressly exempted from the provisions of the present bill.

A basic underlying factor, at the time Grace Line agreed to build these two fine ships, was the justified assumption that as long as the

line continued to provide regular and frequent service on the trade route, it would be protected by the provisions of section 605(c) of the 1936 act. While other American operators might from time to time be admitted to the trade, this would only be permissible if the criteria and safeguards established by the act were met and followed.

The Chairman of the Federal Maritime Board recently indicated that the Board in discharging its obligations under the act would afford affected carriers an administrative hearing. We do not believe that this suggestion goes far enough. The affected carrier should be assured of a hearing as a right rather than as a privilege. While we have confidence that members of the present Board would be thorough and fair, we do not know the composition or possible action of some future Board. Grace and other subsidized operators, with investments running into the hundreds of millions of dollars, should, we believe, have statutory assurance that they can be heard.

Another matter which we believe should be considered carefully by the committee is the operating differential subsidy aspects of this bill.

It is a fundamental principle of the 1936 act that operating differential subsidy rates should be based on parity with the year-round foreign-flag competition on the essential trade route. Under this bill a cruise ship could operate for one-third of a year off its regular trade route and still receive operating subsidy at a rate based on parity with the foreign competition on its regular route.

Should the proposed bill be adopted without the recent recommendations made by the Maritime Administration, the new subsidized ships would be paid operating subsidy, while temporarily competing with the regular *Santa Rosa* and *Santa Paula* service at subsidy rates far higher than those paid throughout the year with respect to the operation of the Grace Line vessels.

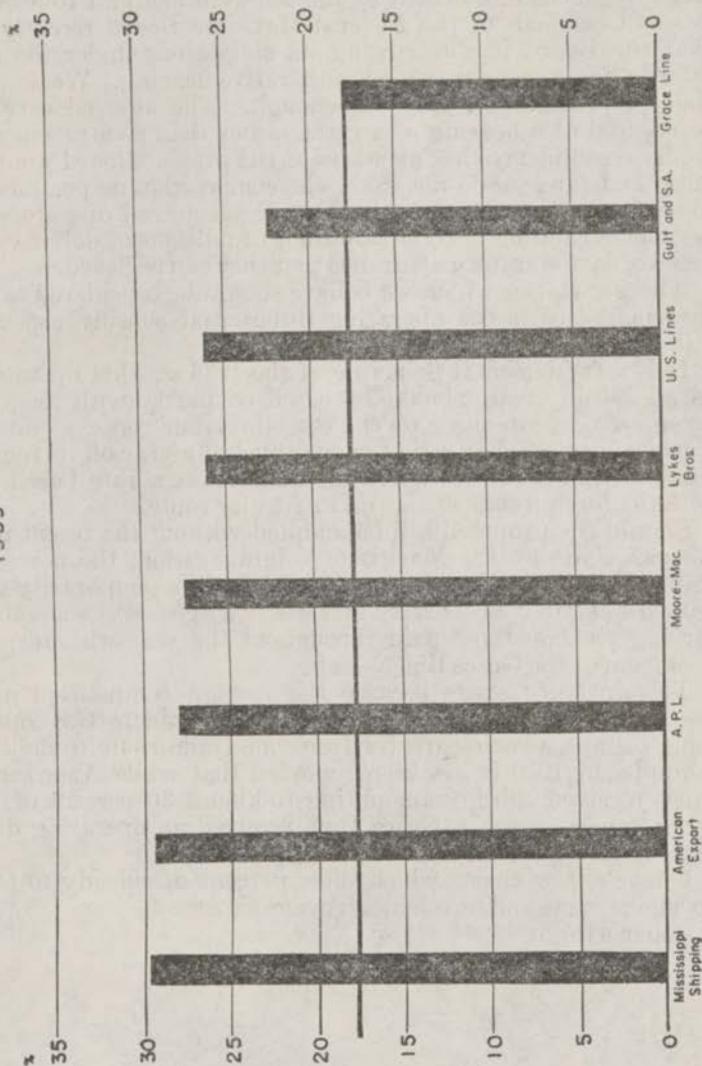
This inequity exists because the foreign competition and consequently the operating differential subsidy paid to U.S. operators in some instances varies greatly from one trade route to another. For example, in 1959 it has been reported that while American Export Lines received subsidy amounting to almost 30 percent of its terminated voyage expense, Grace Line received an operating differential subsidy which amounted to 18 percent.

I have a few charts which show percent of subsidy to terminated voyage revenue and terminated voyage expenses.

(Charts follow:)

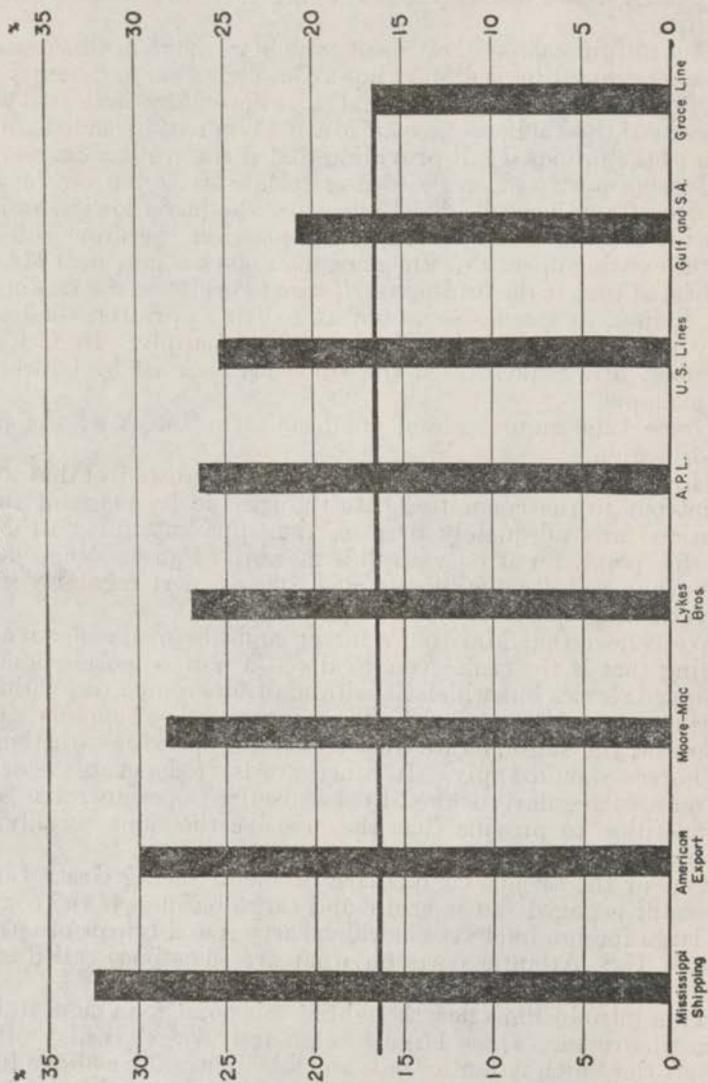
PERCENT SUBSIDY TO TERMINATED VOYAGE EXPENSE

1959



PERCENT SUBSIDY TO TERMINATED VOYAGE REVENUE

1959



Grace Line ships operating in the Caribbean area, in bad seasons as well as good, would receive approximately \$50 per passenger less in subsidy than ships normally operating from U.S. Atlantic ports to southern Europe and the Mediterranean area. These different subsidy rates would place Grace Line in a very unfavorable competitive position.

The unfair competitive result which we have outlined above has been recognized by the Maritime Administration as recently pointed out by the Administration, and I believe they indicated that the Bureau of the Budget agreed. Mr. Stakem recommended a modification of the proposed bill providing that if the cruise ships were to call at foreign ports not on its own essential service but on the essential service of another subsidized operator who has a lower subsidy rate, subsidy for the cruise should be computed at the lower subsidy rate of the existing operator. In enlarging upon his statement Mr. Stakem indicated that if the cruise vessel were to cruise in the trading area—not limited to specific ports—of an existing operator, the lower subsidy rate of such existing operator should apply. In fact, as I remember, Mr. Stakem used the trade area served by Grace Line as an example.

Grace Line supports and commends the intent of the proposed modification.

However, to carry out Mr. Stakem's proposal we feel that we should point out to the committee that the specific language of the modification fails adequately to meet the apparent intent of Maritime on this point, for it only applies the rate of an existing operator if the cruise vessel actually calls at a specific port regularly served by such existing operator.

We believe that Maritime's intent could be made effective by providing that if the cruise vessel calls at a port or ports outside of its assigned service but which lie within a trade route area, within which ports are regularly served by passenger vessels of another subsidized operator, the subsidy rate of the existing operator—whether higher or lower—should apply. In other words, if the cruise vessel cruises in an area regularly served by a subsidized operator, it is only fair competition to provide that they receive the same subsidy of such operator.

One of the serious competitive problems facing Grace Line as an operator engaged in the cruise and cargo business is the competition of large foreign liner vessels which carry round-trip cruise passengers out of U.S. Atlantic ports on what are sometimes called cruises to "nowhere."

I am introducing a new thought at this point for a moment if I may, Mr. Chairman. These large foreign liner vessels which every year desert the North Atlantic trade and schedule cruise sailings from New York to the Caribbean and return, are not interested in the transportation of cargo and one-way passengers on this essential U.S. trade route, but are after the U.S. dollar paid by U.C. citizen passengers who desire a 2 to 3 weeks' cruise to the Caribbean and return. While these vessels parallel essential U.S. trade routes and call at ports lying upon those trade routes, both foreign and domestic, they are in effect, when carrying almost exclusively U.S. cruise passengers, engaged in a U.S. domestic trade. While the carriage of one-way passengers between U.S. Atlantic and Caribbean ports is foreign trade of the United

States and open to all, we suggest that the almost exclusive transportation of cruise passengers by foreign liner vessels is wholly United States in character and rightfully should be subject to regulation and control by U.S. Maritime authorities including safety regulations. In this way we would lay the groundwork for protecting the interests of the U.S. merchant marine as a whole.

What I have reference to there, say, a plant located in Baltimore, and I drive by over there and see a foreign-owned plant. They live up to every law in the United States, the State of Maryland, and the city of Baltimore. Cruise ships operating in and out of Baltimore wouldn't have to. American-flag vessels probably would have little difficulty operating in and out of foreign ports on the same basis, but I think there is an opportunity here for the United States to do something that is not contemplated at this time.

We realize that any effort by our Government to solve this problem of foreign cruise ships operating out of U.S. ports might raise certain treaty questions with other nations and might lead to attempted foreign discrimination against U.S.-flag operators. Nevertheless, we believe this to be a matter which warrants serious study by the Congress and executive branch, and I think we in the industry should help, in an effort to find a solution to the off-season use of U.S.-flag cruise ships to the Caribbean and other areas.

Our statement here today has had to do with the immediate problems presented in the pending bill, mainly with off-season diversion of passenger vessels.

As has been previously pointed out in this statement, the operation of essential trade routes is one of the basic concepts of the 1936 act. However, if the bill as presently written is passed, it will result in a deviation from that basic concept with regard to cruise vessels. If those particular vessels are allowed to deviate from the principle of essential trade routes, it will set a precedent which some day may be used in an effort to reroute subsidized ships during the off season.

May I say at this point, it is a great temptation. We have had two vessels tied up in Baltimore for 14 months, in new conversion, which we have been unable to use in trade routes because we can't get people to unload in their terminals in South America. We would love to operate in Germany and Europe right now. It would be off our trade routes. It is a great temptation.

In the examination of the Chairman of the Federal Maritime Board by the House subcommittee, a question was raised on several occasions whether cruise ships temporarily operating off their regular route should not, under certain conditions, be allowed to carry cargo. We agree with the chairman of that committee, Chairman Bonner, that cargo as discussed should not be covered herein. The purpose of bringing up this subject here is merely to show how easy it is to move into a position which involves carrying cargo off route—and we believe there is no question but that such action would lead to breaking down the trade route concept.

In the House hearings the Chairman also made a statement with which we can all agree. He said:

Passenger vessels operating under operating differential subsidy contracts have a slow season during which they earn little profit or even operate at a loss. This reduces the annual profits made by the contractor on his fleet of vessels and thus tends to reduce profits which are subject to recapture by the United States.

This statement would be equally true; I want to emphasize this, if the word "cargo" were substituted for the word "passenger." However, the substitution of the word "cargo" would discard the whole trade route concept.

I know that at least some of our subsidized cargo carriers are very disturbed over this precedent-setting aspect of the pending bill, and we certainly hope it would be clearly provided that it wouldn't.

I might say finally that Grace Line is anxious to cooperate in helping to solve the problem of the off-season use of subsidized passenger ships. We believe that a solution to the knotty problem can be achieved without deviating from the basic principles of the 1936 act.

We suggest a revision of the present bill which would permit each year the subsidized operation of U.S. passenger vessels on a limited number of cruises, off of their regularly assigned trade routes, under the following conditions:

1. That the Federal Maritime Board find, after hearings, that the proposed cruises do not substantially adversely affect another U.S.-flag service and that passenger rates and conditions would not be disproportionate to those existing with respect to vessels of existing operators.

2. That subsidy rates payable to the operator of such new cruise vessels would not be in excess of the rates paid to the existing operator on the essential trade route areas involved. We think they should be the same.

3. That the new operator and the existing operator would enter into an agreement, valid under the shipping laws, which agreement the Board finds would adequately protect the performance and maintenance of the present service of the existing operator. Furthermore, it would be our idea that such an agreement would compensate the existing operator for the new operator and to offset losses caused by the intrusion of the new operator in the trade. Last year we proposed such a plan in our discussion which we hoped might become part of the legislative history of a bill which would extend the subsidy principle to off-route cruise ships.

While Grace Line wishes to reiterate its full support of any steps of real benefit to the U.S. merchant marine, it sincerely hopes that the Congress will give consideration to the effect upon an individual operator of the proposed legislation as submitted and to propositions such as have been suggested, as a means of protecting an existing operator faced with this new and grave departure from the concepts of the 1936 act.

Thank you very much.

Mr. BOURBON. Mr. McNeil, you suggest in your statement that the chairman of the Maritime Board might afford you an administrative hearing, or might afford any such carrier involved in a situation like this, an administrative hearing.

Would that be apart from the idea of a 605(c) hearing?

Mr. McNEIL. No. I think, sir, the Chairman suggested perhaps an administrative type. We do not think that is sufficient. We think it should be a right and not a privilege. We think it should be a 605(c) type of hearing, although perhaps with the rules of procedures such that it wouldn't be a protracted hearing. It wouldn't be long

and drawn out and would be one on which the Board could act with reasonable promptness.

Mr. BOURBON. It has been testified here that some of those hearings have gone on for 5 or 6 years. What would you think would be a reasonable time to prescribe for a hearing like that?

Mr. McNEIL. I would think 30 days. I would think it ought to be cleaned up in 30 to 60 days at the outside.

Now that might seem like quite a little time. If a cruise ship is going to operate off season, as I think testimony may have been given to your committee, it has to be planned quite a little way ahead. I wouldn't from either side of the fence like to see the hearing drawn out over a longer period of time.

I do think, however, that the operator who is running a service on a line, let us say, week in and week out, taking the good with the bad, and there are plenty bad seasons, it is rather disturbing to think of what it does to your investment when during the only season, the extra 20 or 30 or 40 or 50 passengers carried give you your profit for the year. It could easily be skimmed off by an operator coming with perhaps an advantage in subsidy, although I think the Chairman's recommendations would help take care of that, but perhaps with a reduced fare scale, and you end up the year, I say, rendering service good and bad, in the red ink. It is a little disturbing.

We think there should be an opportunity for hearing, although we would not like to see it drawn out. And I would say that if anybody found us dragging our feet and not doing a good job in presenting our case, I think it would be perfectly fair if the judge ruled a little bit against us if he caught us dragging our feet.

Mr. BOURBON. Maybe there couldn't be a maximum time for such a hearing set in the bill, but would you be satisfied if some such record could be made in the report on the bill that it was understood that this hearing would not extend beyond a certain length of time, and would specify that length of time?

Mr. McNEIL. If the right to a hearing could be left in the bill, so it was a 605(c) type of hearing, and perhaps in the committee report and legislative history indicate that the rules and procedure might well be established to provide quick, prompt action, I think it would do the job in that respect.

Mr. BOURBON. Then it would be a question of what prompt action would be.

Mr. McNEIL. I gave my thoughts as to what I thought. I think it would be fair if the situation were reversed. It so happens this is almost a Caribbean cruise bill, although the language applies anywhere in the world. I think the idea that started it was the Caribbean cruise, but I would feel the same way, I think, if the situation were reversed.

Mr. BOURBON. Do you know of any situation comparable on the part of the American merchant marine as obtains with regard to all these foreign ships coming in on cruises? Has there ever been an instance, to your knowledge, of any American-flag ship going somewhere else and conducting the type of cruises?

Mr. McNEIL. I don't know of any. But may I ask someone who has been in the business a long time? Apparently none of the assembly here know of any.

I can almost guarantee if U.S. ships did do it, we darned quick would be under control of that government.

Mr. BOURBON. It might almost seem to be in line with domestic shipping over here. However, we can be sure the foreign operators and their governments would protest vigorously any more to consider such cruises as being in U.S. domestic trades.

Mr. McNEIL. Almost like coastwise shipping. I grant you they may stop in for daylight hours at a little port, for example, but it is almost coastwise shipping. I agree with your remark; it is sufficiently different to cause some trouble.

I am really wondering, because they are hauling—the only people that are taking that cruise are U.S. citizens, at times a few from Canada—but essentially they are carrying U.S. people on these cruises. It is almost entirely U.S. business. I think perhaps we could all take a good look at that one to see if there is an opportunity in the days and months to come of some kind of control, perhaps, by Federal Maritime Board over cruise type traffic sold tickets New York to New York, and Baltimore to Baltimore.

Mr. BOURBON. The committee has that suggestion, I am sure.

Senator MORRON. Let me ask you just one more question.

You have your slack seasons, too, but you couldn't—if they came at a time when, let's say, the Atlantic crossing was heavy, when you might be slack—you couldn't take the *Rosa* off because you have to meet your regular schedules; is that right?

Mr. McNEIL. It might be that the Maritime Board might permit you to take one of them off, for example, but we would be a little bit reluctant because in the building of a business you have to be pretty regular.

If we started to get intermittent at times of the year, I wonder if we wouldn't lose our position.

This isn't all just as clear as it looks, and while in any 1 month I might say, "We are not making money. I would like to run over where the pasture is greener," I think we have to think a little bit about it in the longer pull, and I would hate to jeopardize our position for service in this area.

Senator MORRON. Thank you very much.

Mr. Noah M. Brinson, vice president of the American President Lines. He has asked for permission to make a short statement.

STATEMENT OF NOAH M. BRINSON, VICE PRESIDENT, AMERICAN PRESIDENT LINES

Mr. BRINSON. Mr. Chairman, I would like to just present a statement for the record and briefly say we are in favor of this legislation. We support it in principle. We do feel that it falls quite short of affording the existing operator protection on his own route or segments of a route. We feel however that a requirement that each application be made a subject of a hearing before the Maritime Board, directly before the Board, or maybe an administrative hearing, which could be conducted in short order, would afford us that protection.

We feel also that the definition of the eligibility of vessels to make these subsidized cruises is a little restrictive.

I refer to our S.S. *President Hoover*, which is operating in subsidized transpacific service, which we purchased from the Panama

Line. Our legal authorities don't feel it would qualify under the law as written. So we would like to see that broadened so as to make any passenger vessel, subsidized passenger vessel, eligible to qualify to make these cruises in case we ever have any desire.

Mr. BOURBON. You wouldn't propose any basic minimum as to the number of passengers carried?

Mr. BRINSON. No, I wouldn't. Any passenger vessel, subsidized passenger vessel, we feel should be eligible.

Senator MORTON. Your point is any vessel that is subsidized presently as a passenger vessel would be eligible?

Mr. BRINSON. That is right, sir.

Senator MORTON. Your statement will be made a part of the record. Thank you.

(The statement follows:)

STATEMENT OF NOAH M. BRINSON, VICE PRESIDENT, AMERICAN PRESIDENT LINES

Your committee is considering S. 677, legislation which provides for the subsidization of passenger vessels when they are operated on cruises. American President Lines, Ltd. operates three U.S.-flag passenger vessels, the *Presidents Cleveland*, *Wilson*, and *Hoover* in a service supported by the Merchant Marine Act, 1936 between California and the Far East. This company and its predecessor has operated passenger vessels on this route for over 35 years.

We support in principle the extension of operating differential subsidy to passenger vessels engaging in cruises off their regular routes. We strongly oppose the bill before you, however, because of its failure to protect existing passenger operators from invasion of their regular routes by other operators engaging in subsidized cruises.

From its inception, the Merchant Marine Act of 1936 has provided that no new operation supported by subsidy would be permitted on the existing route of a U.S.-flag operator without a hearing in which the existing operator could be heard. Section 605(c) of the act has provided this protection through the years. S. 677 would eliminate this protection insofar as cruising is concerned.

We urge that S. 677 be amended so as to require the consent of any existing operator upon whose regular route there are two or more ports that will be called by the proposed cruise itinerary. In the event consent is not given by the operator, the legislation should provide for a hearing by the Federal Maritime Board in which it would determine whether additional U.S.-flag service between the ports in question is needed.

To allow an operator to engage in service on an established route without obtaining such consent or approval would be completely inconsistent with the whole pattern of the 1936 act and would jeopardize the hard won competitive position on various regular passenger routes that has been developed by several of the U.S. passenger vessel operators, including American President Lines. They have served these routes in good times and bad. They deserve protection from casual, Government supported invasion. In this connection it must be remembered that pleasure travel with passenger motivation identical to that in cruise travel is an important part of the present traffic on passenger routes such as American President Lines, transpacific service.

We also note that the definition of the vessels is unnecessarily narrow. We believe that any nonfreighter U.S.-flag vessel which is under an operating-differential subsidy contract should be eligible for coverage under this legislation.

Senator MORTON. A letter from Mr. Philip A. Ray, the former Acting Under Secretary of Commerce, with a copy of a bill submitted to the President of the Senate, and an explanation of the bill, will be inserted in the record; a letter from the Deputy Secretary of Defense, addressed to the chairman of the full committee, the Honorable Warren Magnuson, will be inserted in the record. This letter strongly supports S. 677.

A statement of Mr. Claude Newman, of the Georgia Ports Authority, representing the South Atlantic Ports Association, with other material, will be inserted in the record.

A letter from the United States Lines, which believes the legislation to be necessary but asks for amendment, will be inserted in the record; also a letter from the Matson Line, asking for amendment. A letter from the Farrell Lines, Inc., suggesting a language change in the bill.

(The letters follow:)

THE SECRETARY OF DEFENSE,
Washington, March 2, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Merchant Marine and Fisheries, Committee on Interstate and Foreign Commerce, U.S. Senate.

DEAR MR. CHAIRMAN: Thank you for your letter of February 16, 1961, in which you advise that the Senate Subcommittee on Merchant Marine and Fisheries will conduct public hearings on March 9 and 10 on several bills of interest to the merchant marine. You ask that we advise if the Department of Defense will have a representative present to testify.

The bills mentioned in your letter appear to be of primary concern to the Department of Commerce and the Maritime Administration. Accordingly, this Department will not send a representative to testify.

We wish, however, to take this opportunity to express our strong support for S. 677, to authorize the payment of operating-differential subsidy for cruises.

If this bill is enacted into law, it should provide a new source of revenue for American passenger ships which could materially improve their financial position. From the viewpoint of the Department of Defense, the value of American flag passenger ships in our readiness posture would not be lessened by their occasional employment on cruises rather than on the traditional essential trade routes.

Thank you for advising us of the scheduled hearings.

Sincerely,

ROSSELL GILPATRIC,
Deputy.

THE SECRETARY OF COMMERCE,
Washington D.C., January 12, 1961.

THE PRESIDENT OF THE SENATE,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: There are enclosed herewith four copies of a draft bill, with an accompanying statement of purposes and provisions, which is designed to authorize the Secretary of Commerce to pay operating-differential subsidy under the Merchant Marine Act, 1936, for the operation of passenger vessels on cruises not on the essential trade routes during the slack season on the essential service to which the vessel is assigned.

The draft bill would not increase the amount of operating-differential subsidy that would be paid with respect to the vessel. The draft bill would authorize removal of the vessel from its essential service during the slack season for the purpose of cruising, and would authorize the continuation of payment of operating-differential subsidy for the period of such cruises.

The draft bill contains a special recapture provision which provides for recapture of operating-differential subsidy from 75 percent of profits earned on such cruises in excess of 10 percent of capital necessarily employed. This recapture is in lieu of the provision of the act which provides, with respect to other vessel operations, for recapture of subsidy from 50 percent of profits in excess of 10 percent of capital necessarily employed.

The purpose of the draft bill is to improve the earnings of passenger vessels without increasing the amount of subsidy.

On January 9, 1961, the Bureau of the Budget advised that there would be no objection to the submission of this draft legislation to the Congress.

Sincerely yours,

PHILIP A. RAY,
Under Secretary of Commerce.

A BILL To amend title VI of the Merchant Marine Act, 1936, to authorize the payment of operating-differential subsidy for cruises

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title VI of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1171-1182), is amended by inserting at the end thereof a new section 613 to read as follows:

"SEC. 613. (a) In this section, 'passenger vessel' means a vessel which (1) is of not less than ten thousand gross tons, (2) has a designed speed which before the vessel was built was approved by the Board but not less than eighteen knots, (3) has accommodations for not less than two hundred passengers, and (4) before the vessel was built was approved by the Secretary of Defense as desirable for national defense purposes.

"(b) If the Federal Maritime Board finds that the operation of any passenger vessel with respect to which an application for operating-differential subsidy has been filed under section 601 of this title is required for at least two-thirds of each year, but not for all of each year, in order to furnish adequate service on the service, route, or line with respect to which the application was filed, the Board may approve the application for payment of operating-differential subsidy for operation of the vessel (1) on such service, route or line for such part of each year, and (2) on cruises for all or part of the remainder of each year.

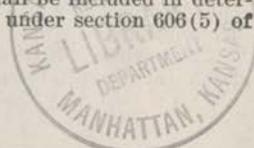
"(c) Cruises authorized by this section must begin and end at a domestic port on the operator's essential service to which the vessel is assigned. When a vessel is being operated on cruises—

- (1) it shall carry no mail or cargo except passengers' luggage;
- (2) it shall carry passengers only on a round trip basis;
- (3) it shall embark passengers only at domestic ports on the operator's essential service to which the vessel is assigned; and
- (4) it shall stop at other domestic ports only for the same time and the same purposes as is permitted with respect to a foreign flag vessel which is carrying passengers who embarked at a domestic port.

Section 605(c) of this Act shall not apply to cruises authorized under this section.

"(d) The Board may from time to time review operating-differential subsidy contracts entered into under this title for the operation of passenger vessels, and upon a finding that operation of such vessels upon a service, route or line is required in order to furnish adequate service on such service, route or line, but is not required for the entire year, may amend such contracts to agree to pay operating-differential subsidy for operation of such vessels on cruises, as authorized by this section, for part or all of the remainder, but not exceeding one-third, of each year."

"(e) Any operating-differential subsidy contract under which the Board contracts to pay operating-differential subsidy for the operation of passenger vessels on cruises, as authorized by this section, shall provide that (1) if at the end of the period specified in section 606(5) of this Act, the net profit on the operation of such vessels on cruises (after deduction of depreciation charges based upon a life expectancy of the vessels determined as provided in section 607(b) of this Act, for the period of such cruises) has averaged more than 10 per centum per annum upon the contractor's capital necessarily employed in the operation of such vessels on such cruises, the contractor shall pay to the United States an amount equal to 75 per centum of such excess, but not exceeding the amount of operating-differential subsidy paid for the operation of such vessels on such cruises during such period, and all of such net profit and the contractor's capital necessarily employed in the operation of such vessels on such cruises and the operating-differential subsidy paid for the operation of such vessels on such cruises shall be excluded in determining the amount that is otherwise payable to the United States under section 606(5) of this Act; and (2) if at the end of such period provided in section 606(5) of this Act, such net profit on the operation of such vessels on cruises has averaged less than 10 per centum per annum upon the contractor's capital necessarily employed in the operation of such vessels on cruises, all of such net profit or loss and the contractor's capital necessarily employed in the operation of such vessels on cruises and the operating-differential subsidy paid with respect to such cruises shall be included in determining the amount that is payable to the United States under section 606(5) of this Act."



SEC. 2. Section 601(a) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1171), is amended as follows:

(a) The first sentence thereof is amended by inserting immediately before the period at the end thereof the words "or in such service and in cruises authorized under section 613 of this title".

(b) By inserting in the second sentence thereon after the words "to promote the foreign commerce of the United States" the words "except to the extent such vessels are to be operated on cruises authorized under section 613 of this title".

(c) By inserting at the end thereof a new sentence to read as follows: "To the extent the application covers cruises, as authorized under section 613 of this title, the Board may make the portion of this last determination relating to parity on the basis that any foreign flag cruise from the United States competes with any American flag cruise from the United States".

SEC. 3. Section 602 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1172), is amended by striking out the word "No" and inserting in lieu thereof the following: "Except with respect to cruises authorized under section 613 of this title, no".

SEC. 4. Section 603 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1173), is amended as follows:

(a) Subsection (a) is amended by inserting after the words "in such service, route, or line" the words "and in cruises authorized under section 613 of this title".

(b) Subsection (b) is amended by inserting after the words "operating-differential subsidy" a comma and the words "including such subsidy for any period during which the vessel is authorized to cruise as provided in section 613 of this title" and a comma; by inserting after the words "substantial competitors" the words "on the service, route, or line", and by inserting at the end thereof the following new sentence: "For any period during which a vessel cruises as authorized by section 613 of this Act, operating-differential subsidy shall be computed as though the vessel were operating on the essential service to which the vessel is assigned."

SEC. 5. Section 606 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1176), is amended by inserting in subdivision (6) after the words "services, routes, and lines" a comma and the words "and any cruises authorized under section 613 of this title" and a comma.

SEC. 6. Section 607(b) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1177), is amended by inserting in the second sentence of the second paragraph thereof after the words "on an essential foreign-trade line, route, or service approved by the Commission" the words "and on cruises, if any, authorized under section 613 of this title".

STATEMENT OF THE PURPOSES AND PROVISIONS OF THE DRAFT BILL TO AMEND TITLE VI OF THE MERCHANT MARINE ACT, 1936, AS AMENDED, TO AUTHORIZE THE PAYMENT OF OPERATING-DIFFERENTIAL SUBSIDY FOR CRUISES

Under the Merchant Marine Act, 1936, as amended, the Federal Maritime Board is authorized to contract to pay operating-differential subsidy for the operation of vessels on trade routes determined to be essential by the Secretary of Commerce under section 211 of that act.

The Federal Maritime Board has contracted under that act with a number of operators for the operation of both cargo and passenger vessels on such essential trade routes. Under the provisions of that act, such contracts provide that if the earnings, over a 10-year period, of the combined fleet of cargo and passenger vessels operated by any contractor exceed 10 percent of capital necessarily employed in the operation of such vessels, such contractor shall repay to the United States one-half of such excess profits but not exceeding the amount of operating-differential subsidy paid during such 10-year period.

Passenger vessels operated under such contracts have a slow season during which they earn little profit or even operate at a loss. This reduces the annual profits made by the contractor on his fleet of vessels and thus tends to reduce the fleet profits which are subject to the foregoing recapture provision for the United States.

The purpose of the draft bill is to authorize the removal of passenger vessels from the essential trade routes during their slow season, to authorize such

vessels to cruise during such slow season off the essential trade routes, and to authorize the payment of operating-differential subsidy during such cruises. This would not increase the amount of operating-differential subsidy that would be paid with respect to such passenger vessels because under existing contracts such subsidy is payable for the entire year. The effect of the bill would be merely to authorize removal of such passenger vessels from the essential trade routes during their slow season and to authorize continuation of payment of such subsidy while they are cruising off the essential trade routes. To the extent that such cruising off the essential trade routes would increase the earnings, or reduce the losses, made with these passenger vessels during their slow season, the fleet profits of the contractors will be increased and thus the profits of the operators that are subject to recapture also will be increased. The amount of operating-differential subsidy that is paid with respect to such vessels will remain the same because the draft bill provides that for the period of such cruising the operating-differential subsidy shall be computed in the same way as though the vessel for such period had been operated on the essential service to which it is assigned.

Analysis of passenger travel on passenger ships shows definite seasonal peaks. The high season for United States North Atlantic-Mediterranean outbound travel ranges from March to October reaching a peak in June or July; on the home-bound leg the peak is August or September. This same pattern exists in the entire United States-European passenger trade. As a rule the slack period of passenger travel both outbound and inbound occurs in January and February. Similar seasonal fluctuations in the volume of passenger traffic are evident in the South American and transpacific trades.

On outbound voyages in the slow season, utilization may range from 50 to 60 percent of available space with a corresponding reduction in revenue. Examination of voyage results of one operator of large passenger vessels shows a profit from the passenger-ship operation before subsidy in the peak season (second and third quarters) and a considerable loss in the slow seasons (the first and last quarters of the year).

To help offset the diminution of traffic in the off season many foreign operators schedule repairs, inspection, and drydocking of their passenger ships in the winter months and at the same time schedule attractive short cruises to warmer climates to accommodate this ever-growing type of business. The importance and extent of cruise business is evident by the number of cruises scheduled with foreign-flag vessels to the Caribbean and other South and Central American areas from New York. More than 80 cruise voyages were advertised in a leading trade publication for each of the months of January and February 1960 ranging from a few days to a month or more, with an average of about 2 weeks by passenger ships normally assigned to other services including such large ships as the *Nieuw Amsterdam* of Holland-America Line, *Bremen* of North German Lloyd Line, and the *Mauretania* of Gunard Line. Some foreign-flag vessels also make cruises to other areas during the winter; the Italian Line usually transfers one or two passenger ships from its normal United States Atlantic/Mediterranean service to the Mediterranean-east coast South American service. Paid advertisements and press dispatches indicate a growing number of cruises by foreign-flag passenger vessels commencing their cruises at United States ports, primarily New York, and such cruises exceed by far the number of the cruises advertised by U.S.-flag vessels as a part of the regularly scheduled services.

Most United States subsidized operators of passenger vessels employ at least two passenger vessels on a service and the withdrawal of one vessel with a consequent reduction in the frequency of sailings on its regular service during the slack season should not adversely affect its overall service. The scheduling of cruises offers the added advantage of permitting an operator to schedule a short cruise or cruises during a period when a vessel might normally be idle awaiting its next scheduled sailing date after annual repairs or drydocking.

Review of space utilization on cruises indicates that on well-known vessels, passenger demand ranges from good to excellent. Since the U.S.-flag passenger vessel fleet is well known they should meet with favorable acceptance by the growing number of tourists who take off-season cruises.

There is no doubt that with favorable acceptance, the cruises would provide revenue in excess of that which would be realized if the vessels were retained in the regular service at a low utilization level.

Cruises made under the proposed legislation would not have a seriously adverse effect on other U.S.-flag operators since under the draft bill competitive

factors with respect to other American-flag operators would be minimized by limiting the passengers to round-trip passengers, prohibiting the carriage of mail or cargo, requiring that cruises begin and end at a domestic port on the operator's essential service to which the vessel is assigned, permitting the embarkation of passengers only at domestic ports on the operator's essential service to which the vessel is assigned, and permitting the vessel to stop at other domestic ports only for the time and the same purposes as is permitted with respect to foreign-flag vessels carrying passengers who embarked at domestic ports. The proposed legislation is an effort to place the operator of U.S. passenger vessels on a more favorable competitive basis with his foreign-flag competitors by permitting him to compete with them for available off-route cruise passengers during the slack season on the regular service of the vessels. Through anticipated improved financial results these operators will be able to further strengthen the future of the U.S. passenger fleet.

The draft bill would add a new section 613 to title VI of the Merchant Marine Act, 1936, which would authorize the Federal Maritime Board to subsidize cruises, subject to the foregoing conditions, if the Federal Maritime Board determines that for the period of such cruises, operation of the vessel is not required in order to furnish adequate service on the service, route, or line to which the vessel is assigned or for which application is made. Operation of the vessel on cruises would be restricted by the new section to not exceeding one-third of each year.

The new section 613 would also provide that if the end of a 10-year recapture period, the contractor has earned an average return of more than 10 percent per annum on his capital necessarily employed, he shall pay to the United States 75 percent of such excess, but not exceeding the amount of operating-differential subsidy paid with respect to such cruises. This is in lieu of the 50-percent recapture provision of section 606(5) of the act. If the operator has earned less than an average return of 10 percent per annum, his recapture accounting would be under section 606(5) of the act.

The draft bill would amend section 601 of the act (which requires, as a prerequisite to the granting of operating-differential subsidy, a finding that operation of the vessel in a service, route or line is required to meet foreign-flag competition and to promote the foreign commerce of the United States) to require a finding that operation of the vessel in a service, route or line is required to meet foreign-flag competition except to the extent the vessel is operated on cruises authorized under the new section 613. Conforming changes would also be made in sections 602, 603, and 607(b). The amendment to section 603(b) would provide that for the period during which the vessel is operated on cruises authorized by the new section 613, operating-differential subsidy shall be computed as though the vessel were being operated on the essential service to which it is assigned. The reason for this provision is that it would not be practical to make the computation on the basis of direct competition.

Attached is a comparative text showing the changes the draft bill would make in existing law.

COMPARATIVE TEXT SHOWING THE CHANGES THAT WOULD BE MADE IN TITLE VI OF THE MERCHANT MARINE ACT, 1936, BY THE DRAFT BILL TO AMEND THAT TITLE TO AUTHORIZE THE PAYMENT OF OPERATING-DIFFERENTIAL SUBSIDY FOR CRUISES

(Deletions are shown in brackets; new material is shown in italic.)

TITLE VI—OPERATING-DIFFERENTIAL SUBSIDY

SEC. 601. (a) The Commission is authorized and directed to consider the application of any citizen of the United States for financial aid in the operation of a vessel or vessels, which are to be used in an essential service in the foreign commerce of the United States *or in such service and in cruises authorized under section 613 of this title.* No such application shall be approved by the Commission unless it determines that (1) the operation of such vessel or vessels in such service, route, or line is required to meet foreign-flag competition and to promote the foreign commerce of the United States *except to the extent such vessels are to be operated on cruises authorized under section 613 of this title,* and that such vessel or vessels were built in the United States or have been documented under the laws of the United States not later than February 1, 1928, or actually ordered and under construction for the account of citizens

of the United States prior to such date; (2) the applicant owns, or can and will build or purchase, a vessel or vessels of the size, type, speed, and number, and with the proper equipment required to enable him to operate and maintain the service, route, or line, in such manner as may be necessary to meet competitive conditions, and to promote foreign commerce; (3) the applicant possesses the ability, experience, financial resources, and other qualifications necessary to enable him to conduct the proposed operations of the vessel or vessels as to meet competitive conditions and promote foreign commerce; (4) the granting of the aid applied for is necessary to place the proposed operations of the vessel or vessels on a parity with those of foreign competitors, and is reasonably calculated to carry out effectively the purposes and policy of this Act. *To the extent the application covers cruises, as authorized under section 613 of this title, the Board may make the portion of this last determination relating to parity on the basis that any foreign-flag cruise from the United States competes with any American-flag cruise from the United States.*

(b) Every application for an operating-differential subsidy under the provisions of this title shall be accompanied by statements disclosing the names of all persons having any pecuniary interest, direct or indirect, in such application, or in the ownership or use of the vessel or vessels, routes, or lines covered thereby, and the nature and extent of any such interest, together with such financial and other statements as may be required by the Commission. All such statements shall be under oath or affirmation and in such form as the Commission shall prescribe. Any person who, in an application for financial aid under this title or in any statement required to be filed therewith, willfully makes any untrue statement of a material fact, shall be guilty of a misdemeanor.

SEC. 602. [No] *Except with respect to cruises authorized under section 613 of this title, no contract for an operating-differential subsidy shall be made by the Commission for the operation of a vessel or vessels to meet foreign competition, except direct foreign-flag competition, until and unless the Commission, after a full and complete investigation and hearing, shall determine that an operating subsidy is necessary to meet competition of foreign-flag ships.*

SEC. 603. (a) If the Commission approves the application, it may enter into a contract with the applicant for the payment of an operating-differential subsidy determined in accordance with the provisions of subsection (b) of this section, for the operation of such vessel or vessels in such service, route, or line *and in cruises authorized under section 613 of this title* for a period not exceeding twenty years, and subject to such reasonable terms and conditions, consistent with this Act, as the Commission shall require to effectuate the purposes and policy of this Act, including a performance bond with approved sureties, if such bond is required by the Commission.

(b) Such contract shall provide that the amount of the operating-differential subsidy, *including such subsidy for any period during which the vessel is authorized to cruise as provided in section 613 of this title*, shall not exceed the excess of the fair and reasonable cost of insurance, maintenance, repairs not compensated by insurance, wages and subsistence of officers and crews, and any other items of expense in which the Commission shall find and determine that the applicant is at a substantial disadvantage in competition with vessels of the foreign country hereinafter referred to, in the operation under United States registry of the vessel or vessels covered by the contract, over the estimated fair and reasonable cost of the same items of expense (after deducting therefrom any estimated increase in such items necessitated by features incorporated pursuant to the provisions of section 501 (b)) if such vessel or vessels were operated under the registry of a foreign country whose vessels are substantial competitors *on the service, route or line of the vessel or vessels covered by the contract. For any period during which a passenger vessel cruises as authorized by section 613 of this Act, operating-differential subsidy shall be computed as though the vessel were operating on the essential service to which the vessel is assigned.*

SEC. 606. * * * ; (6) that the contractor shall conduct his operations with respect to the vessel's services, routes and lines, *and any cruises authorized under section 613 of this title*, covered by his contract in the most economical and efficient manner, but with due regard to the wage and manning scales and working conditions prescribed by the Commission as provided in title III, * * *

SEC. 607. (a) * * *
(b) * * *

The contractor shall also deposit in the capital reserve fund, from time to time, such percentage of the annual net profits of the contractor's business covered by the contract as the Commission shall determine is necessary to further build up a fund for replacement of the contractor's subsidized ships; but the Commission shall not require the contractor to make such deposit of the contractor's net profits in the capital reserve fund unless the cumulative net profits of the contractor, at the time such deposit is to be made, shall be in excess of 10 per centum per annum from the date the contract was executed. From the capital reserve fund so created, the contractor may pay the principal, when due, on all notes secured by mortgage on the subsidized vessels and may make disbursements for the purchase of replacement vessels or reconstruction of vessels or additional vessels to be employed by the contractor on an essential foreign-trade line, route, or service approved by the Commission *and on cruises, if any, authorized under section 613 of this title*, but payments from the capital reserve fund shall not be made for any other purpose. The contractor may, with the consent of the Commission, pay from said fund any sums owing but not yet due on notes secured by mortgages on subsidized vessels.

* * * * *

Sec. 613(a) *In this section, "passenger vessel" means a vessel which (1) is of not less than ten thousand gross tons, (2) has a designed speed which before the vessel was built was approved by the Board but not less than eighteen knots, (3) has accommodations for not less than two hundred passengers, and (4) before the vessel was built was approved by the Secretary of Defense as desirable for national defense purposes.*

(b) *If the Federal Maritime Board finds that the operation of any passenger vessel with respect to which an application for operating-differential subsidy has been filed under section 601 of this title is required for at least two-thirds of each year, but not for all of each year, in order to furnish adequate service on the service, route, or line with respect to which the application was filed, the Board may approve the application for payment of operating-differential subsidy for operation of the vessel (1) on such service, route or line for such part of each year, and (2) on cruises for all or part of the remainder of each year.*

(c) *Cruises authorized by this section must begin and end at a domestic port on the operator's essential service to which the vessel is assigned. When a vessel is being operated on cruises—*

(1) *it shall carry no mail or cargo except passengers' luggage;*

(2) *it shall carry passengers only on a round-trip basis;*

(3) *it shall embark passengers only at domestic ports on the operator's essential service to which the vessel is assigned; and*

(4) *it shall stop at other domestic ports only for the same time and the same purposes as is permitted with respect to a foreign flag vessel which is carrying passengers who embarked at a domestic port.*

section 605(c) of this Act shall not apply to cruises authorized under this section.

(d) *The Board may from time to time review operating-differential subsidy contracts entered into under this title for the operation of passenger vessels, and upon a finding that operation of such vessels upon a service, route or line is required in order to furnish adequate service on such service, route or line, but is not required for the entire year, may amend such contracts to agree to pay operating-differential subsidy for operation of such vessels on cruises, as authorized by this section, for part or all of the remainder, but not exceeding one-third, of each year.*

(e) *Any operating-differential subsidy contract under which the Board contracts to pay operating-differential subsidy for the operation of passenger vessels on cruises, as authorized by this section, shall provide that (1) if at the end of the period specified in section 606(5) of this Act, the net profit on the operation of such vessels on cruises (after deduction of depreciation charges based upon a life expectancy of the vessels determined as provided in section 607(b) of this Act, for the period of such cruises) has averaged more than 10 per centum per annum upon the contractor's capital necessarily employed in the operation of such vessels on such cruises, the contractor shall pay to the United States an amount equal to 75 per centum of such excess, but not exceeding the amount of operating-differential subsidy paid for the operation of such vessels on such cruises during such period, and all of such net profit and the contractor's*

capital necessarily employed in the operation of such vessels on such cruises and the operating-differential subsidy paid for the operation of such vessels on such cruises shall be excluded in determining the amount that is otherwise payable to the United States under section 606(5) of this Act; and (2) if at the end of such period provided in section 606(5) of this Act, such net profit on the operation of such vessels on cruises has averaged less than 10 per centum per annum upon the contractor's capital necessarily employed in the operation of such vessels on cruises, all of such net profit or loss and the contractor's capital necessarily employed in the operation of such vessels on cruises and the operating-differential subsidy paid with respect to such cruises shall be included in determining the amount that is payable to the United States under section 606(5) of this Act.

Senator MORTON. At this point a statement by Mr. Ralph B. Dewey, president of the Pacific American Steamship Association, will be inserted in the record.

(The statement follows:)

STATEMENT OF RALPH B. DEWEY, PRESIDENT, PACIFIC AMERICAN STEAMSHIP ASSOCIATION ON S. 677, 87TH CONGRESS, TO AUTHORIZE THE PAYMENT OF OPERATING-DIFFERENTIAL SUBSIDY FOR CRUISES

S. 677 would authorize the Maritime Administration to permit subsidized passenger vessels to go off route on cruise voyages when conditions warrant. It is a step forward in maximizing the earning potential of U.S.-flag passenger vessels and, therefore, has the support of Pacific American Steamship Association subject to certain clarifying amendments.

The bill contains a number of provisions which limit the cruising privilege to large high-speed vessels and to carriage of passengers only and from terminal ports on the vessel's normal route. It protects nonsubsidized carriers in domestic trades by prohibiting embarkation and debarkation of passengers between two U.S. ports. These provisions will minimize to a great degree the chance for unfair competition with existing carriers, subsidized or not, now serving ports on the cruise itinerary.

However, in order to more carefully protect existing carriers and in order to make the provisions of this legislation applicable to certain passenger vessels which would otherwise be excluded, we would urge the following amendments:

First, that Maritime Administration be required to make a finding as to the adequacy of the existing U.S.-flag service on the proposed cruise route, and to determine that undue advantage and undue prejudice is not created. This could be accomplished by deleting lines 5 and 6 from page 3 of the bill and thereby removing the exemption of cruise ship applicants from the requirements of section 605(c) hearing procedure.

If the simple deletion of the exemption from 605(c) is not deemed adequate to insure that existing carriers are entitled to a hearing under 605(c), then specific language should be incorporated in the statute amending section 605(c) to so provide.

The purpose of a hearing and a finding of this sort would be to determine, among other things, the competitive effect upon existing carriers of a cruise ship which might touch the ports of the competing carrier. It could also determine the effect of the differences in subsidy rates of the existing carriers and that of the cruise applicant. Such a finding could also take cognizance of the fact that in some cases existing carriers are actually engaged in cruising to a large extent already and that further cruise competition could be destructive to them.

Second, we take exception to the requirement that the designed speed of the vessel to be used for cruising must be approved by the Maritime Board before the vessel is built and that it must not be less than 18 knots. This provision would prohibit the use of passenger vessels whose designed speed was not approved by the Maritime Board at the time of construction. An example would be the former Panama Line ships. Furthermore, passenger vessels which have only 17 knots speed, or even 16½ knots, might be excellent cruise ships and should not be prohibited by a rigid requirement for an 18-knot ship.

A further unnecessary restriction in the bill is that a prospective cruising vessel must have had prior design approval by the Secretary of Defense before the vessel was built. Certain vessels which might be ideal for cruising could not qualify.

With the above in mind, we propose the following amendment, commencing in line 6, page 1, of the bill and extending to line 3, page 2, of the bill as follows:

"SEC. 613. (a) In this section, 'passenger vessel' means a vessel which (1) is of not less than 10,000 gross tons, (2) has accommodations for not less than 200 passengers, and (3) is of a design and speed approved by the Secretary of Defense as desirable for national defense purposes."

By means of this amendment, only fast vessels which have defense utility could be used but the amendment has the advantage of removing the rigid requirement of prior approval as to speed and defense utility.

With the above amendments, this legislation has the support of our association.

ATLANTA CHAMBER OF COMMERCE,
Atlanta, Ga., March 3, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR SIR: The World Trade Council of the Atlanta Chamber of Commerce wishes to go on record with the Committee on Interstate and Foreign Commerce of the Senate of the 87th Congress of the United States as being strongly in support of bill known as S. 677.

This organization feels that this legislation would give American passenger steamship operators the flexibility needed to compete on a businesslike basis with foreign operators.

The bill would not only secure American jobs and the future of the American merchant marine but would also uphold the value of the American dollar by helping to alleviate the present "gold outflow" situation.

Yours very truly,

WALKER N. PENDLETON, Jr.,
Chairman, World Trade Council.

BALTIMORE ASSOCIATION OF COMMERCE,
Baltimore, Md., March 3, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Senate Interstate and Foreign Commerce Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: The Baltimore Association of Commerce as an organization has taken no formal position on the cruise ship subsidy legislation contained in Senate bill 677.

However, we feel your committee should be advised that this proposed legislation has the support of the major maritime agencies in the port of Baltimore, including the Maryland Port Authority.

In the judgment of the export and import bureau, which is the maritime and foreign trade unit of the Association of Commerce, Senate bill 677 would strengthen the economic position of American-flag steamship companies by putting them in a more equitable and competitive relationship to foreign-flag carriers which now dominate the cruise business.

Very truly yours,

EDWARD A. BRANNON,
Director, Export and Import Bureau.

STATEMENT IN SUPPORT OF S. 677, AMENDMENT TO MERCHANT MARINE ACT OF 1936, WHICH WOULD PERMIT AMERICAN-FLAG PASSENGER LINERS TO OPERATE CARIBBEAN CRUISES IN THE SO-CALLED OFF SEASON

My name is Frank E. Hickey. I am Washington representative of the Massachusetts Port Authority, which has its principal office at 141 Milk Street, Boston, Mass. My office is located in the Albee Building, Washington, D.C.

The Massachusetts Port Authority is an agency of the Commonwealth of Massachusetts with broad powers included among which are directives to protect and promote the waterborne commerce of the port of Boston. The Massachusetts Port Authority directs me to appear here today in support of S. 677, which

if it becomes law, would permit American-flag passenger liners to operate in the winter Caribbean cruise trade in what would otherwise be the off-season for the vessel.

The port of Boston ranks next to the port of New York among the U.S. North Atlantic ports from the point of view of passenger steamship sailings. For the period from February 7, 1961, through the end of the calendar year, there are scheduled 39 sailings of passenger vessels from the port of Boston to overseas destinations. Every one of the vessels so scheduled is of foreign registration, and American-flag passenger liners are conspicuous by their absence. Some of the scheduled sailings from the port of Boston are in the so-called Caribbean cruise trade.

Many of the passenger liners sailing from the port of Boston use the facilities of Commonwealth Pier No. 5 in South Boston. This pier is one of the finest passenger piers in the country. It is a double-decked structure some 1,200 feet long, with ease of access over broad highways and automobile parking facilities under cover adjacent to the berth, which permits expedient embarking of passengers.

The staff of the Massachusetts Port Authority has been and is continually endeavoring to increase the Caribbean cruise sailings from the port of Boston, and it is regrettable that such promotional activities must always be conducted with foreign-flag steamship companies when this country has so many fine passenger liners of American registry, flying the house flags of American shipping companies known the world over.

If S. 677 becomes law, American-flag passenger liners will be permitted in the winter months to operate in the prosperous Caribbean cruise trade, and the Massachusetts Port Authority would thereby be permitted to invite American-flag steamship companies to bring their famous liners to Boston for such cruises.

American-flag participation in this business would not only enhance the prestige of the port of Boston, but would also enhance the prestige of the American-flag steamship companies, and would greatly assist the steamship lines in their revenue needs in what otherwise would be the poorly productive off-season.

UNITED STATES LINES CO.,
New York, N.Y., March 6, 1961.

HON. WARREN G. MAGNUSON,
U.S. Senate, Washington

DEAR SENATOR MAGNUSON: One of the major problems that has always faced the operators of passenger ships is the seasonal aspect of the passenger business. In recent years this has become more acute. United States Lines Co., along with other operators of American-flag passenger ships, is at a serious disadvantage vis-a-vis our foreign competitors because we have been unable as our foreign competitors have, to operate our passenger ships on a cruise basis in the off-season.

Basic in the Merchant Marine Act of 1936 is the principle of parity. This is supported by the provision of operating and construction differential subsidies, but with respect to the operation of passenger ships, American operators do not have parity of competitive opportunity.

Foreign-flag lines are able to operate their passenger liners more efficiently by scheduling them for cruises from the United States to the Caribbean, South America, and the Mediterranean areas. This winter there were 100 cruises scheduled out of New York by foreign ships diverted from their regular routes for this purpose. American subsidized passenger liners, by contrast, are restricted to operation on their essential trade routes even when the demand for service in the winter months has sharply declined.

We wholeheartedly subscribe to the principle of essential trade routes but we believe that arbitrary adherence to this principle in the case of passenger vessels is no longer practicable or desirable.

U.S. subsidized operators are required by their contracts to operate in an efficient and economical manner. In the passenger business this should mean that American operators should be permitted the necessary flexibility, under reasonable control, to permit them to improve earnings by giving them parity of competitive opportunity with foreign-flag ships. Only by such means can American operators be encouraged to maintain the essential passenger service under our own flag which is required for our commerce and defense.

S. 677 is intended to accomplish this purpose and we believe that it is necessary legislation.

We suggest that consideration be given to amending section 613(d) so as to provide that when the operating differential subsidy contracts are amended to authorize operating differential subsidy for cruises, it should also be provided that such authority shall be for a period of 1 year subject to annual extension during the life of the contract unless the Board finds that continuation of such permission would give undue advantage or be unduly prejudicial as between American-flag operators or is not otherwise justified. In our opinion, such a provision would serve as a protection to other American operators and the Government and would be a desirable amendment to the bill.

Subject to such amendment and for the reasons heretofore stated, United States Lines Co. supports the provisions of S. 677 and requests that this statement of support be made a part of the record of the hearings on this bill.

Very truly yours,

W. B. RAND, *Executive Vice President.*

MATSON NAVIGATION Co.,
Washington, D.C., February 20, 1961.

Re S. 677, a bill to amend title VI of the Merchant Marine Act, 1936, to authorize the payment of operating differential subsidy for cruises.

HON. WARREN G. MAGNUSON,
Chairman, Interstate and Foreign Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: I understand that you have set hearings on the above bill before your committee on February 23, 1961. I am submitting the following information on the subject matter of this bill, which we would very much appreciate having placed in the record.

S. 677 would authorize the payment of operating differential subsidy for passenger vessels while engaged in cruises on routes other than those presently authorized by operating differential subsidy agreements. This legislation would permit the removal of passenger vessels from their essential trade routes during their slow season and permit such vessels to cruise during such slow season without reduction in operating differential subsidy.

Although the principle of this legislation is desirable, and although Matson Navigation Co., a nonsubsidized line operating passenger ships in the California/Hawaiian service, and the Oceanic Steamship Co., a subsidized line operating passenger vessels on trade route No. 27 United States/Australia-New Zealand, have no objection to this principle, we urge that the details of such legislation be carefully examined before it is introduced in Congress.

There is one sentence in this bill to which we strenuously object. This appears in section 613(c) and simply states: "Section 605(c) of this act shall not apply to cruises authorized under this section." This simple and seemingly innocuous statement would deprive Oceanic of its rights to a public hearing under the 1936 act. At the present time, before any operator may receive operating subsidy on trade route 27, it must submit an application to the Federal Maritime Board for permission to serve such route, such permission to be granted only after a public hearing under section 605(c) has been held and Oceanic, or any intervener, has an opportunity to be heard.

In 1956, Oceanic invested \$27 million in the acquisition of the SS *Mariposa* and SS *Monterey*, and at the time of such investment section 605(c) protection was present and presumed to continue. Now, 5 years after such investment, legislation is being considered which would permit other subsidized operators to enter trade route No. 27 or any substantial segment of it, without requisite section 605(c) public hearings. This we believe to be tantamount to a breach of the Government's agreement with the Oceanic Steamship Co.

Our objections are not capricious since almost 50 percent of the passenger revenue of these vessels is derived from cruise passengers who remain with the vessels throughout their entire journey. An additional 25 percent of the revenue of these vessels is derived from round-trip business where the passengers may disembark at New Zealand or Australia and then join a subsequent voyage for the return segment of their journey.

A seemingly compelling argument has been advanced by some operators that the right of foreign lines to cruise at any time and to any area, places American-flag operators at a disadvantage. This is not convincing in that no similar

proposal has been made by such operators that this concept be applied to freighters. There is no reason for violating the essential trade route concept of the 1936 act for passenger vessels without doing similarly as regards freighters.

Each of the affected subsidized lines has invested substantially in the construction and purchase of passenger vessels. We appreciate that one or two ships may be facing financial burdens resulting from reduced passenger traffic. We, too, have felt the pinch. However, to alleviate one situation as regards a particular vessel of a particular company, and to create difficulties for other vessels of other companies, does not serve the immediate or the long-range objectives of the American merchant marine. Each of us must promote passenger traffic on American-flag vessels in our services, jointly and separately. Every effort should first be made to operate within the framework of the principles of the present law before moving forward unwisely on a program which would pit American-flag subsidized operators against American-flag subsidized operators. We wholeheartedly support the principle of legislation which would permit subsidy on cruises.

However, we do not believe that there is a reason for weakening or destroying the fabric of section 605(c) of the Merchant Marine Act.

Sincerely,

A. J. PESSEL.

FARRELL LINES,

New York, N.Y., March 21, 1961.

Re S. 677 (H.R. 3160) to authorize the payment of operating-differential subsidy for cruises

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: We understand that hearings on S. 677 (H.R. 3160) have been completed and that the bill is in conference, where certain changes may be made in what will become the final text of the bill.

As we understand it, S. 677 prohibits cruise ships from lifting off-route cargo and, if possible—for purposes of clarification—we suggest that this prohibition clearly state that it is applicable even if an operator has a cargo service on the cruise route and that he may not use an off-route, passenger ship to lift cargo.

Yours very truly,

W. CLIFFORD SHIELDS, *Vice President.*

STATEMENT OF THE GEORGIA PORTS AUTHORITY, ATLANTA, GA., ON S. 677

Mr. Chairman and members of the committee, the Georgia Ports Authority is an agency of the State, created by an act of the General Assembly of Georgia. As an instrumentality of the State of Georgia it is charged with the responsibility of developing activity, both freight and passenger at the seaports of Georgia, located at Brunswick, Ga., and Savannah, Ga.

Both seaports, Brunswick and Savannah are ideally situated and equipped to handle cruise ships and passenger ships. Ample hotel and motel accommodations are presently available to take care of passengers embarking and disembarking. Both seaports have port facilities to dock such ships and channels with ample depth (32 feet or more at mean low tide) to accommodate them. Both ports have inland regular passenger service by rail, air, and bus, and modern highways providing excellent access to the ports.

Notwithstanding these favorable aspects the two seaports have had cruise service in only one tourist season, during year 1960, and no regular passenger service by vessel since World War II.

Cruises by ship from our seaports are feasible as was borne out by the enthusiastic reception and support accorded the cruises in 1960.

The cruises in 1960 (six in number) were all foreign-flag ships sailing from Savannah. The American-flag ships simply could not compete without an operating-differential subsidy.

The Georgia Ports Authority supports the favorable consideration of S. 677 because we believe:

1. The American-flag operators should be given an opportunity to compete for this trade on equal basis at our ports.

2. That with passage of this act more ships will be available capable of serving Brunswick and Savannah in cruise service as a practical operation.

3. That with such service at our seaports the public interest in Georgia and neighboring States will expand to support it, and continue its growth.

4. That this legislation conforms with the policy of the United States as declared in the Merchant Marine Shipping Act of 1936 and will contribute to the achievements outlined therein as necessary for the national defense and development of foreign and domestic commerce.

STATEMENT BY D. LEON WILLIAMS, EXECUTIVE DIRECTOR, NORTH CAROLINA STATE PORTS AUTHORITY, RALEIGH, N.C., ON S. 677

Mr. Chairman and members of the committee, the North Carolina State Ports Authority is an instrumentality of the State of North Carolina with corporate powers, charged with the responsibility of promoting, constructing, maintaining, and operating deep water terminals at seaports in North Carolina.

The North Carolina State Ports Authority operates modern deep water terminals at Wilmington and Morehead City, N.C. Both terminals have, in the past, handled many cruise ships. These cruise ships calling at North Carolina ports in the past have been foreign-flag vessels. In 1960 the number of cruise vessels handled at North Carolina seaports were limited to two. Prior to 1960 North Carolina seaports usually handled from four to six cruises in the spring and fall.

The interest in frequent visits of luxury liners to North Carolina was statewide. It is the policy of the North Carolina State Ports Authority to cooperate fully with the State as a whole, the major port cities, the travel bureaus, and agencies, in increasing regular callings of cruise vessels to North Carolina ports.

Both Morehead City and Wilmington are excellently served by overland transportation and air service. Hotel and motel accommodations at both cities are adequate to serve this trade in the spring and fall.

The North Carolina State Ports Authority supports the favorable consideration of S. 677 because it believes that the American-flag vessels should be given the opportunity to compete in this service in which greater interest is being shown annually.

In addition to attracting passengers from North Carolina to participate in these cruises, it is noted that many passengers from inland States avail themselves of the opportunity to embark at North Carolina ports.

On behalf of the North Carolina State Ports Authority, we respectfully urge favorable consideration of S. 677.

STATEMENT ON BEHALF OF BRUNSWICK-GLYNN COUNTY CHAMBER OF COMMERCE, BRUNSWICK, GA., ON S. 677

Mr. Chairman and members of the committee, I have been authorized by the Brunswick-Glynn County (of Georgia) Chamber of Commerce to appear before your honorable body for the purpose of requesting favorable consideration of S. 677. The passage of this bill will mean an opportunity for the port of Brunswick to enjoy passenger and cruise service by American-owned vessels, and will greatly benefit the community's growing resort and convention business. Such service has not been offered in the past by foreign-flag vessels.

Brunswick, Ga., the county seat of Glynn County, is a city of importance from the standpoint of its deep water port and modern docks, its three nationally known all-year beach resorts, and its fine rail, highway, air, and water transportation facilities afford access to and from all parts of the country.

Public investments in two new and modern docks at the port of Brunswick during the past 2 years have amounted to approximately \$4,500,000, and the Corps of Engineers, U.S. Army, has spent about \$1,500,000, exclusive of maintenance, on further improving the harbor and bringing the channel depths on the bar up to 32 feet at mean low water.

These facilities at the port of Brunswick include the locally owned dock on East River, and the Georgia Ports Authority's modern facilities, with its transit shed, dock, and berthing space for oceangoing vessels.

Brunswick's modern dock facilities, only 8 miles from the open sea, are ample to accommodate cruise ships engaged in transporting passengers, and our people are interested in promoting such trips through the port of Brunswick. Modern accommodations in the Brunswick area are sufficient to accommodate large

groups overnight or for longer period. A total of 2,020 rooms are available in modern hotels and motor courts, and convention facilities here are sufficient to accommodate groups of up to 2,000.

Although we are ideally equipped to handle cruises, no foreign-flag service has indicated an interest in serving the people of Georgia and adjacent States through our port.

The American-flag ships operating on a subsidy are a necessary burden on the taxpayers of our Nation. It is entirely reasonable that we should offer these lines every opportunity to compete with foreign-flag lines on equal basis at all American ports. It follows that the more profitable these American flags can operate the less subsidy will be required.

The extra tonnage available for cruises created by passage of S. 677 will impel ship operators to seek new ports for embarkation and we feel that Brunswick port will share in this expansion of port operations.

The economy of this area is dependent largely upon the development of our port business. The enactment of this measure will not only give our American ships an opportunity to enter the passenger and cruise business on an equal basis with foreign-flag vessels, but will make it possible for some of this passenger and cruise business to be brought to the port of Brunswick, where adequate facilities are available for handling both ships and passengers.

(The following telegrams were received for the record:)

BALTIMORE, Md., March 6, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Interstate and Foreign Commerce Committee,
Senate Office Building, Washington, D.C.:

The Propeller Club of the United States, port of Baltimore, wishes to voice support of Senate bill S. 677 which is deemed necessary for further strengthening the American merchant marine and should be a factor toward retaining dollars in the United States.

EDWARD R. COLLINS,
Executive Vice President.

BALTIMORE, MD.

Senator WARREN G. MAGNUSON,
Senate Interstate and Foreign Commerce Committee,
Senate Office Building, Washington, D.C.:

The Baltimore Maritime Exchange heartily endorses Senate bill 677.

E. A. SEIDL, *President.*

BALTIMORE, Md., March 3, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Interstate and Foreign Commerce Committee,
Senate Office Building, Washington, D.C.:

The Maryland Port Authority desires to register approval of Senate bill S. 677 to be considered by the Merchant Marine and Fisheries Subcommittee of the Senate Interstate and Foreign Commerce Committee at the hearing on March 9 or 10. This bill will permit American flag carriers wider participation in off-season cruise business and should strengthen American merchant ship industry substantially. At present cruise industry is largely foreign flag and we believe restrictions preventing American flag participation should be removed.

J. L. STANTON,
Executive Director, Maryland Port Authority, Pier 2.

BALTIMORE, Md., March 6, 1961.

Senator WARREN G. MAGNUSON,
Chairman, Interstate and Foreign Commerce Committee,
Senate Office Building, Washington, D.C.:

The Women's Organization for the American Merchant Marine, Baltimore Club, urges your committee prompt approval of Senate bill 677. This bill will permit American passenger ships to compete in off-season cruise business and help keep gold in United States. Discrimination against American passenger ships should be removed.

Mrs. S. O. COLEMAN,
President, WOAMM, Baltimore, Club.

BALTIMORE, MD., March 3, 1961.

Senator W. C. MAGNUSON,
Chairman, Interstate and Foreign Commerce Committee,
Senate Office Building, Washington, D.C.:

Urgently request prompt action on Senate bill S. 677; vitally needed to preserve our American-flag passenger services.

JOHN S. CONNOR.

Senator MORTON. The committee will stand in recess until 1:15, at which time other legislative matters will be taken up.

(Thereupon, at 12:45 p.m., the subcommittee was recessed, to reconvene at 1:15 p.m., this same date.)

(Subsequently, a statement was received from the Seafarer's Section, Maritime Trades Department, AFL-CIO, urging enactment of S. 677. The statement follows:)

STATEMENT OF SEAFARERS' SECTION, MTD, AFL-CIO ON S. 677

The Seafarers' Section, MTD, AFL-CIO, representing all union seamen, urge that you act favorably on S. 677, a bill to authorize the payment of operating-differential subsidy for cruises.

As we understand it, the primary objective of the operating-differential subsidy granted American-flag steamship operators, is to make them competitive with foreign-flag steamship companies.

The percent of participation in the carriage of passengers by American-flag passenger ships to and from the United States is nevertheless decreasing. The percent of participation in total passengers arriving by sea on American-flag passenger ships has declined from 45.2 percent in 1951 to 27.5 percent in 1960. The percent for departures had declined from 34.4 percent in 1951 to 28.5 percent in 1960. This disastrous reduction in the short period of 10 years is caused primarily by the addition of newer and more modern foreign passenger ships. This loss of business to the American-flag operators has resulted in the laying up of passenger ships and the cancellation of numerous scheduled sailings. When this happens, as it has much too frequently, it means the loss of jobs for the seamen that man these ships.

There has developed since the end of World War II, a very substantial business in the carriage of Americans during the winter months on short cruises. In 1959, there were approximately 99,000 passengers that took "special cruises" from the United States. (A "special cruise" is a cruise that is not on the particular ships' regular run.) More than 99 percent of these passengers took these "special cruises" on foreign-flag ships—87 percent of the passengers taking these "special cruises" took them to the Caribbean area and they were all on foreign-flag ships.

The U.S.-flag ships did, however, carry approximately 12 percent of the total cruise passengers in 1959. This total includes "special cruise" passengers and also cruise passengers that took round-trip cruises on ships in their regular runs. This "special cruise" business is continuing to grow and restrictions have prevented the American-flag passenger ships from participating in this trade.

We are vitally concerned with the welfare of our passenger fleet, as we are with the entire American-flag fleet. There is a job potential of approximately 6,000 on the 14 ships that would be covered in section 1 of this proposed legislation.

Six thousand jobs are a lot of jobs and emphasis is added when we realize that employment in the maritime industry is at its lowest in modern times. The number of seamen employed in the seagoing industry has declined drastically over the past few years. In June of 1952, there were 76,650 seamen employed as compared to 49,153 employed in June of 1960.

The passage of this legislation will help insure the continued employment for the thousands of seamen on these passenger ships.

We should also consider the favorable effect that the passage of this legislation will have upon our "dollar drain." The 150,000 American citizens that took cruises on foreign-flag ships during 1960, spent American dollars. These dollars represent a considerable part of our balance of payments deficit. If this legislation is enacted into law, the American passenger ships will be in the

position of capturing a large number of these passengers, thereby retaining the dollars spent in our economy.

The suggestion that these operators that want to participate in this cruise business be subject to 605(c) hearings would in effect preclude them from doing so, if the suggested amendment is adopted. If your committee is seriously considering the adoption of this amendment, we suggest that the 605(c) hearings be applicable only when the American-flag operator serving the area carries 50 percent or more of the total trade.

Our American-flag merchant marine—cargo and passenger—is being driven from the seas.

We submit to you that if this legislation is passed, while it will not be the answer to all of the problems, it will nevertheless be a step in the right direction to restoring our merchant marine to the level envisioned to be necessary for our national defense and national economy.

(The comments from the Comptroller General follow:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 27, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: Further reference is made to your letter of January 31, 1961, acknowledged on February 2, requesting the comments of the General Accounting Office concerning S. 677, 87th Congress, 1st session, entitled "A bill to amend title VI of the Merchant Marine Act, 1936, to authorize the payment of operating-differential subsidy for cruises."

The bill would permit the subsidized operation of certain passenger vessels on pleasure cruises for not more than one-third of each year, in lieu of operation entirely upon the essential trade route, service, or line to which such vessels are assigned under operating-differential subsidy contracts.

We observe that in forwarding the draft bill to the Congress on January 12, 1961, the Department of Commerce stated that the proposed legislation would not increase the amount of operating-differential subsidy payable by the Government. However, it would appear that if revenues earned from cruises should not result in recapturable profits sufficient to offset the subsidizable cruise expenses, additional subsidy cost could result in the event that subsidizable expenses incurred during cruises were greater than those that would be incurred by continuation of the vessel in its regularly assigned service or by layup of the vessel.

We believe that section 613(d) of the proposed legislation should be clarified to indicate whether the cruising voyages are intended to be continued without interruption for a period not to exceed one-third of each year or whether a vessel may have two or more distinct cruise periods with intervening periods of regularly assigned operation.

As presently drafted, the bill would permit two subsidized vessels engaged in substantially similar cruising operations to receive significantly different amounts of subsidy, because the subsidy on cruises will be based upon the costs of their respective foreign competitors in normal service. In order to permit the Board to have a measure of flexibility with regard to the manner in which subsidy shall be computed, we suggest the addition of the following language after the word "assigned" on line 14, page 6: "* * * or in such other manner as the Board may deem consistent with the provisions of this subsection."

The bill fails to indicate whether the vessel must travel to a foreign port, although such appears to be implied, or whether the cruises shall be restricted to or may be outside the operator's essential trade route or service.

There may be cases where vessels on such cruises may compete with other subsidized vessels in their regular service by attracting round-trip passengers; and this condition could occur as the result of the proposed suspension, for purposes of cruise operations, of section 605(c) of the Merchant Marine Act, 1936, as amended, which requires the Board, in granting operating-differential subsidy to regular services, to weigh considerations regarding inadequate service, undue advantage, and undue prejudice as between citizens of the United States. Therefore, we would suggest that the bill provide for appropriate consideration by the Board with respect to the effect of such cruises upon other subsidized lines.

We recognize that the question whether legislation of this type is desirable is strictly a matter of policy for determination by the Congress, on which we

express no opinion. However, in the interest of clarification, we would suggest that the matters hereinabove set forth be given consideration by your committee in its deliberations on the bill.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

SENATE JOINT RESOLUTION 21

AFTERNOON SESSION

Senator BARTLETT. The committee will be in order.
We will now have witnesses on Senate Joint Resolution 21.
(S.J. Res. 21 follows:)

[H.J. Res. 21, 87th Cong., 1st sess.]

JOINT RESOLUTION To authorize the Secretary of Commerce to sell ten Liberty type merchant vessels to citizens of the United States for conversion into barges

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Commerce is authorized, during the one-year period following the date of enactment of this joint resolution, to sell not more than ten Liberty type merchant vessels, which are held in reserve by the Maritime Administration, Department of Commerce, to citizens of the United States, subject to the provisions of this joint resolution and such terms and conditions not contrary hereto as the Secretary may prescribe. Any such vessel shall be sold on an "as is, where is" basis, at not less than the price, determined by the Secretary of Commerce, which is equal to the highest price such vessel would bring if sold for scrap. Such sale shall be made on condition that the purchaser expend at least \$100,000 to convert the vessel into a barge in a domestic shipyard, with documentation under the laws of the United States. Such sale shall be on the basis of the payment of not less than 25 per centum of the sale price of the vessel at the time of the execution of the sales contract, with balance payable in approximately equal annual installments over the life expectancy of the vessel after conversion by the purchaser, which life expectancy shall be determined jointly by the Secretary of the Treasury and the Secretary of Commerce, with interest on the portion of the sales price remaining unpaid at the rate of 3½ per centum per annum; with right of prepayment from time to time of any or all of the sales price remaining unpaid. The obligation of the purchaser with respect to payment of such unpaid balance, with interest, shall be secured by a first preferred mortgage on the vessel sold, which mortgage may provide that the sole recourse against the purchaser under such mortgage, and any of the notes secured thereby, shall be limited to repossession of the vessel by the United States and the assignment of insurance claims, if the purchaser shall have complied with all provisions of the mortgage other than those relating to the payment of principal and interest when due, and the obligation of the purchaser shall be satisfied and discharged by the surrender of the vessel, and all right, title and interest therein to the United States. Upon surrender such vessel shall be (1) free and clear of all liens and encumbrances whatsoever, except the lien of the above-mentioned preferred mortgage, and (2) equipped and in as good order and condition, ordinary wear and tear excepted, as when converted into a barge by the purchaser, except that any deficiencies with respect to freedom from encumbrances and condition may, to the extent covered by valid policies of insurance, be satisfied by the assignment to the United States of claims to the purchaser under such policies of insurance.

SEC. 2. Any contract of sale executed under authority of this joint resolution shall provide (1) that in the event that the United States shall, through purchase or requisition, acquire ownership of such vessel, the owner shall be paid therefor the value thereof, but in no event shall such payment exceed the actual depreciated sales price under such contract (together with the actual depreciated cost of capital improvements thereon), or the fair and reasonable scrap value of such vessel, as determined by the Maritime Administrator, whichever is the greater; (2) that such determination shall be final; (3) that in computing the depreciated acquisition cost of such vessel, the depreciation shall be determined

in accordance with the schedule adopted or accepted by the Secretary of the Treasury for Federal income tax purposes as applicable to such vessel; (4) that such vessel shall remain documented under the laws of the United States for a period of at least ten years after conversion into a barge or as long as there remains due the United States any principal or interest on account of the sales price, whichever is the longer period; and (5) that the foregoing provisions respecting the acquisition of ownership by the United States and documentation shall run with the title to such vessel and be binding on all owners thereof.

SEC. 3. As used in this joint resolution, the term "citizens of the United States" includes corporations, partnerships, and associations, but only those which are citizens of the United States within the meaning of section 2 of the Shipping Act, 1916, as amended.

Senator BARTLETT. At this time we will hear Mr. Lew S. Russell, president of Tidewater-Shaver Barge Lines, of Portland, Oreg., on Senate Joint Resolution 21.

Just sit down and shoot from the hip whenever you are ready and be as informal or formal as you care to, Mr. Russell.

STATEMENT OF LEW S. RUSSELL, PRESIDENT OF TIDEWATER-SHAVER BARGE LINES, PORTLAND, OREG.

Mr. RUSSELL. Mr. Chairman, my name is Lew S. Russell. I am president of Tidewater-Shaver Barge Lines and related companies of Portland, Oreg.

These companies engage in common carrier and contract water service on the Columbia River and between Pacific Northwest and Bay area and Los Angeles ports. I am a tug and barge man with over 30 years' experience on the river and the ocean. I have been in the transportation business all my working life. Last year, we handled by barge 1 million tons on the Columbia River and approximately 35,000 tons coastwise.

My appearance today is in support of Senate Joint Resolution 21, which would authorize the sale of 10 reserve fleet Liberty ships for use as barges. My companies would like to purchase four of these vessels for use as non-self-propelled vessels in contract, bulk, and common carrier services in the Pacific coastwise trade.

Quite frankly, Mr. Chairman, this purchase would be an experiment. But one that, if successful, will be of great benefit to the Government and west coast industry. Under the terms of this bill, should it be enacted, we would pay more than the price such vessel would bring if sold for scrapping.

In addition we would be obligated to spend at least \$100,000 per vessel in American shipyards for conversion to barges. And finally these vessels would be documented under American registry with immediate availability to the Government in the event of a national emergency.

At present, we are making about 20 trips per year with special barge equipment between California ports and the Columbia River. Every month of the year for the last 6 years we have made this voyage carrying chemicals in bulk pressure tanks.

It is our hope, utilizing these converted Liberty ships, to provide twice a month coastwise service with 10 to 12 days' towing time between Portland and San Francisco and 15 to 18 days' towing time between the Columbia River and Los Angeles. This would be all-weather—all-season service with an average capacity for all commodities of 10,000 tons.

Experience as of this time has shown cargo damage to be very minor and our insurance rating is excellent. An example of the durability of the tug and barge operation occurred this winter when one of our tows went through 80- to 100-knot gusts without damage.

The purchases, conversions, and operations to be made possible by this measure would have the following benefits:

(1) Some economic productivity in terms of transportation service and continuing employment would be realized in this country out of vessels which would otherwise be scrapped. Currently, these vessels are being sold at approximately \$45,000 for domestic scrapping and the last offering was at \$90,000 for such breakup work in a foreign yard. Recent offerings of reserve fleet Liberty ships for scrap purposes have not been very successful.

My company, pursuant to this legislation, would pay the highest scrapping figure, and I am happy to see this money going to the Treasury. I'd welcome it in my own treasury, too.

(2) One of the most severely depressed industries in the United States is the shipbuilding industry. As noted previously, the terms of this joint resolution require each vessel to undergo at least \$100,000 conversion work. This would not be a cure-all for our shipyards, but it does provide work and employment. In the case of our company, at least \$100,000 would be expended for conversion work plus an additional sum for continued maintenance.

(3) At the present time, there is no independent coastwise common carrier offering general commodities service on the Pacific coast that I know of. Within the past year, the last operator in this once flourishing trade terminated its services.

As a result, shippers, consignees, and consumers are now being denied port-to-port water service, low water freight rates and a competitor who would provide a restraint on ratemaking by other modes of transportation.

My company is willing to take on this challenge and do it in the only way we believe economically practical and feasible—by tug and barge. Certainly, the absence of an existing service indicates that the other traditional methods have serious trouble attracting private risk capital and freight revenues.

On this point, Mr. Chairman, we do not ask or expect to receive Government aid or subsidy in any form. We are simply willing to experiment with our own experience, resources, abilities and credit in an effort to provide a service not presently available. We have the requisite certificate of convenience and necessity from the Interstate Commerce Commission and are prepared to modify our plant when and if this measure is enacted.

(4) Finally, under the terms of the joint resolution and by our own inclination these vessels would be immediately available to the Government should the occasion arise. It is true that barges would not have all the military and long-range utility associated with self-propelled vessels. But these barges could perform essential services at shorter range, freeing self-propelled vessels from such tasks.

In conclusion, we would like the opportunity to try this experiment. Thank you for your kind attention.

Senator BARTLETT. Thank you, Mr. Russell. You said that within the past year the last operator in the coastwise trade had gone out of business.

Which company was that?

Mr. RUSSELL. Coastwise Steamship.

Luckenbach also withdrew from the intercoastal trade.

Senator BARTLETT. But Luckenbach was operating intracoastal, too?

Mr. RUSSELL. Yes, sir.

Senator BARTLETT. How many barges does Tidewater have?

Mr. RUSSELL. Forty-some-odd.

Senator BARTLETT. What types?

Mr. RUSSELL. Predominantly river equipment. Today, some barges are combination barges that carry petroleum in the hold and bulk commodities above. We carry primarily grain and petroleum products on the Columbia River.

Senator BARTLETT. How big a barge would one of these Liberty ships make according to your calculations?

Mr. RUSSELL. In length, in feet?

Senator BARTLETT. In length and in cargo capacity?

Mr. RUSSELL. Well, length—a little over 500 feet, and in cubic below decks, just right at 500,000 cubic, which would give it a fair storage cargo loading capacity of around 12,000 tons.

Senator BARTLETT. If you were to go out and construct a new barge which would be suitable for this coastwise trade, what do you think that would cost, under present costs?

Mr. RUSSELL. We built a barge which was built in Beaumont, Tex., for special trade, and it cost us a little over \$400,000. That, however, was not as large in cargo capacity, but more constructed for our particular purpose.

Senator BARTLETT. Is that used on the river exclusively?

Mr. RUSSELL. No; we are using that at the present time, practically exclusively coastwise, except in high-water season, we take it through Pasco, Wash., which is roughly about 380 miles inland.

Senator BARTLETT. Now you told the committee that this is all experimental; it has never been done before?

Mr. RUSSELL. Not on a general cargo plan that I know of. There are some barge operators on special commodities such as lumber and on petroleum on the coast, but we are the only ones that have operated consistently 12 months a year on the Oregon-Washington coast.

Senator BARTLETT. More specifically, I meant, the use of Liberty ships?

Mr. RUSSELL. I don't know of anybody that has done that either.

Senator BARTLETT. You said that your company would purchase four of these ships if considerable arrangements could be made.

Why do you want so many, since this is experimental?

Mr. RUSSELL. Well, in the barge business, it takes about twice as much floating barge equipment as it does one self-propelled vessel, the reason being that you load and unload at each end with smaller equipment than you use in your offshore equipment in large tugs.

Senator BARTLETT. You could not maintain service unless you had four, is that it?

Mr. RUSSELL. Well, we could maintain a semiservice with about two, to start with, but we believe that if we are going into it, we better get into it with both feet.

Senator BARTLETT. Making about 20 trips a year with your present barges down to California ports?

Mr. RUSSELL. Yes, sir.

Senator BARTLETT. Does that require about 10 to 12 days between Portland and San Francisco?

Mr. RUSSELL. Yes, sir.

Senator BARTLETT. In other words, the speed of your existing barges is roughly equivalent to that of the Liberty ship type of barge?

Mr. RUSSELL. We believe we will do a little better on the Liberty ships because we have since acquired a couple of the largest towboats on the west coast, which we are repowering right now. They will have 3,100 shaft horsepower and capable of handling a tow that size at better than an average of eight knots.

Senator BARTLETT. Mr. Bourbon?

Mr. BOURBON. What is the largest deadweight tonnage you have now?

Mr. RUSSELL. 6,000 tons.

Mr. BOURBON. This would be approximately twice as big as you have at the present time?

Mr. RUSSELL. I would say 50 to 60 percent larger than we now have; yes.

Mr. BOURBON. Have you gotten more or less firm bids on this conversion work?

Mr. RUSSELL. Our own marine architect has a pretty good estimate on the conversion work, yes.

Mr. BOURBON. These will be non-self-propelled? The bill does not specify that.

Mr. RUSSELL. Non-self-propelled.

Mr. BOURBON. How much do you figure that your total investment would be?

You quote a 90,000 top price quoted for scrapping foreign now. Would that mean that you could figure to spend around \$200,000 apiece?

Mr. RUSSELL. About \$200,000, \$250,000, depending on how they are equipped.

We developed self-unloading bulk device for barges here last year, that might run the cost up another fifty or sixty thousand dollars.

Mr. BOURBON. So you could figure to spend maybe a million dollars? How would you finance that—out of your own funds?

Mr. RUSSELL. We are not a publicly financed company, and we are owned primarily by our family and my family are all towboat people. We will do it through our local bank.

Senator BARTLETT. Your family is primarily what, Mr. Russell? I did not hear you.

Mr. RUSSELL. I say, the family controls the companies and we do our financing through our local banks.

Senator BARTLETT. Did you originate this idea?

Mr. RUSSELL. Sir?

Senator BARTLETT. Did you originate this idea for the use of Liberty ships?

Mr. RUSSELL. Yes, sir.

Senator BARTLETT. You are to be applauded.

It is novel. I think it will be very successful.

Thank you, Mr. Russell.

Senator BARTLETT. Next is Mr. Walter C. Ford.

Do you have a prepared statement?

Mr. FORD. I have, sir.

STATEMENT OF WALTER C. FORD, DEPUTY ADMINISTRATOR, MARITIME ADMINISTRATION, DEPARTMENT OF COMMERCE, ON BEHALF OF THE MARITIME ADMINISTRATION

Mr. FORD. My name is Walter C. Ford. I am the Deputy Maritime Administrator.

Senator BARTLETT. Proceed, if you please.

Mr. FORD. The joint resolution would authorize the Secretary of Commerce, during the year following enactment thereof, to sell 10 Liberty vessels now held in the national defense reserve fleet, to citizens of the United States—as defined in section 2 of the Shipping Act, 1916—subject to the following terms and conditions:

1. The vessels shall be sold on an “as is, where is” basis and at the price they would bring for scrap.

2. The purchaser shall agree to convert the vessels into barges in a domestic shipyard at a cost of not less than \$100,000 each.

3. The downpayment shall be 25 percent of the sales price, and the remainder of the sales price shall be payable in equal annual installments over the life expectancy of the barges after conversion—as determined jointly by the Secretary of the Treasury and the Secretary of Commerce—with interest on the unpaid balance at the rate of $3\frac{1}{2}$ percent per annum.

4. The mortgage securing the unpaid balance shall provide that the sole recourse against the purchaser—under the mortgage or the notes secured thereby—shall be repossession of the ship and assignment of insurance claims.

5. If the vessel is requisitioned, the owner shall not be paid more than the depreciated sales price, or scrap value, whichever is greater.

6. The vessel shall remain documented under the laws of the United States for at least 10 years or so long as any portion of the sales price is unpaid, whichever is longer.

With the amendments hereinafter proposed, the Department has no objection to the joint resolution.

The Department has no objection to the sale of 10 Liberty ships from the national defense reserve fleet for conversion into barges because such sale will furnish work for the shipyards, will aid transportation, and will increase the number of barges under U.S. documentation.

The Department believes, however, that the joint resolution should be amended to prohibit the operation of such barges as self-propelled barges, and to restrict their operations to domestic trade.

The Department further believes that the ships should be put up for sale at competitive bidding with an upset price equal to the average of domestic and foreign scrap prices for Liberty ships over the 12-month period prior to the month in which the ships are put up for sale, that such sales should be for cash to be paid at the time of sale, and that the ships should be ineligible for trade-in under section 510 of the Merchant Marine Act, 1936, and should be required to remain under U.S. documentation so long as they remain ships.

The amendments to the joint resolution recommended in this report could be accomplished as follows:

1. Beginning with the word “at” in line 1, page 2, strike out the remainder of the sentence and insert in lieu thereof the following:

“at competitive bidding with an upset price equal to the average, as determined by the Secretary of Commerce, of domestic and foreign scrap prices for Liberty ships over the 12-month period prior to the month in which the ships are put up for sale.”

2. Insert in line 5, page 2, before the word “barge”, the word “non-self-propelled”.

3. Beginning with the word “Such” in line 7, page 2, strike out all down through the word “insurance” in line 14, page 3, and insert in lieu thereof the following: “The purchase price shall be paid in cash at the time of sale.”

4. Beginning with the word “for” in line 6, page 4, strike out all down through the word “thereof” in line 12, page 4, and insert in lieu thereof the following: “so long as it remains a vessel; (5) that the vessel will be operated only as a non-self-propelled barge; (6) that the vessel will be operated only in domestic trade of the United States; (7) that the vessel will not be traded in or exchanged under section 510 of the Merchant Marine Act, 1936; and (8) that the foregoing provisions respecting the acquisition of ownership by the United States, the documentation of the vessel, the operation of the vessel, and the trade-in and exchange of the vessel, shall run with the title to the vessel and shall be binding on all owners thereof”.

With the amendments proposed, the Department has no objection to the joint resolution.

The Bureau of the Budget advises there is no objection to the submission of this statement from the standpoint of the administration's program.

Senator BARTLETT. Admiral, why should the number of ships contemplated for sale in this resolution be restricted to 10?

Mr. FORD. Frankly, I don't know the specific answer to that except that if there are other applicants, they should be considered on the basis of merit rather than throwing it open to everyone to sell a great number for this purpose.

Senator BARTLETT. Do we have an ample supply of Liberty ships in the reserve fleet for this or any other purpose?

Mr. FORD. Yes, sir.

Senator BARTLETT. Do you know how many?

Mr. FORD. There are approximately 800 Liberty ships still remaining in the reserve.

Senator BARTLETT. I am not especially interested in this, but still I can't quite comprehend why if this is a good idea, why if it will promote business in the shipyards, and all that sort of thing, it shouldn't be thrown open?

Mr. FORD. It is a new use for Liberty ships. It is a more or less restricted use and if too many were placed on the market at one time, this might work to the disadvantage of building yards throughout the country.

Senator BARTLETT. To their disadvantage?

Mr. FORD. To their disadvantage.

Senator BARTLETT. In what way?

Mr. FORD. It would give them some work in conversion, but it might destroy their market for new building.

Senator BARTLETT. I see.

Admiral, the interest rate on the unpaid balance is established at 3½ percent per annum.

Mr. FORD. That is in accordance with the 1936 act, but in our sale of Liberty ships for scrap, and these are being sold at a comparable value, we get cash rather than mortgage payments, so we would prefer to have them on a cash basis. These are fairly cheap as it is. If they can't afford to buy them initially, I don't think they should go in business.

Senator BARTLETT. The Comptroller General has recommended in a letter to Senator Magnuson, dated February 9—I assume, parenthetically, this was with knowledge of your recommendations as to payment in cash—that the Secretary of Commerce ought to be authorized to set the interest rate on the unpaid balance rather than establish it within the resolution itself.

I wonder if you would explain a bit more your views as to why the payments should be in cash instead of 25 percent down?

Mr. FORD. In our Liberty sale program, our sales have been for cash and this is just an extension of the program. It is really no great variation. It is just the use to which the Liberty ships are to be placed. Rather than scrapping them, they are going to convert them to barges.

Senator BARTLETT. Then the 25-percent downpayment would constitute a deviation from the pattern heretofore established?

Mr. FORD. Heretofore established for ships being sold for scrap; yes, sir.

Senator BARTLETT. Why does the Department believe that the resolution ought to be amended to prohibit the operation of these barges as self-propelled barges?

Mr. FORD. Well here again, self-propelled barges are now building and this would be transgressing on the shipbuilders' current operating plans. This is more or less an extension of their barge trade now and it would be a new phase of the operation if they were self-propelled.

Senator BARTLETT. Thank you, Admiral.

Mr. Bourbon?

Mr. BOURBON. That policy is more or less an extension of the 1946 sales act policy, isn't it, that after a certain number of ships were sold, it was determined not to sell any more because that would create maybe an overtonnaging and also competition with the sales that had been made in the past; that is why you object to the self-propelled idea; is that it?

Mr. FORD. That is correct. Normally, our sales carry a clause for nontransportation use.

Mr. GRINSTEIN. Admiral, as to the requirement that cash be paid at the time of sale, would the purchaser have 10, 15, or 20 days in order to get his cash accumulated to put down? In other words, he might not have cash immediately available. I don't know how it operates.

Mr. FORD. They ordinarily put up a deposit and then have, I believe, it is 30 days in which to sign the contract.

Mr. GRINSTEIN. And that procedure would be followed here, too?

Mr. FORD. Same procedure as in the sale for scrap.

Mr. GRINSTEIN. The restriction to the use in the domestic trade, I take it, that is to protect subsidized operators?

Mr. FORD. It is to protect the oversea operators; yes, sir.

Mr. GRINSTEIN. Would it be possible to work out some sort of a waiver provision, in the event that one of the purchasers wanted to

operate for short-haul to Mexico, or Canada or would you think that would best be left out?

Mr. FORD. I think it would best be left out. If you recall, each year, we have a provision for a stop in Canada in the Alaskan trade, and this is something that I believe the committee itself has felt is necessary.

Mr. GRINSTEIN. Under the pricing formula here, the average of domestic foreign and scrap prices for Liberty ships over the 12-month period, we will say that a domestic scrap price is \$45,000.

Mr. FORD. As of today, that works out to about \$71,000.

Mr. GRINSTEIN. \$71,000, so the upset price on competitive bidding would be \$71,000.

Mr. FORD. \$71,000.

Senator BARTLETT. The committee is grateful to you for advising us, Admiral.

Now, the chairman is informed that so far as is known, there is only one additional witness to be heard on this joint resolution, Mr. Ralph B. Dewey, president, Pacific American Steamship Association.

He isn't in the room at this time. The record will be held open so that Mr. Dewey may testify or offer a statement later.

Thank you.

(Subsequently Mr. Dewey's statement was received, as follows:)

STATEMENT OF RALPH B. DEWEY, PRESIDENT, PACIFIC AMERICAN STEAMSHIP ASSOCIATION, ON SENATE JOINT RESOLUTION 21, TO AUTHORIZE THE SALE OF 10 LIBERTY TYPE VESSELS FOR CONVERSION INTO BARGES

Pacific American Steamship Association takes this opportunity to express its opposition to Senate Joint Resolution 21. This is a bill which permits the sale—at extraordinarily favorable terms—of 10 Liberty type vessels for conversion into barge operations. These vessels can be operated in the domestic or the foreign trade under the terms of Senate Joint Resolution 21.

Senate Joint Resolution 21 would permit the sale at 25 percent downpayment at prices equivalent to scrap prices with the balance financed by the Federal Government at 3½ percent interest.

As we view the matter, there is no more justification for selling Liberty ships at scrap value prices to be used as barges than it is to sell Liberty ships from the reserve fleet for operation as self-propelled vessels. The entire rationale in cutting off the Ship Sales Act in January of 1951 was to protect prior purchasers of merchant vessel under the Ship Sales Act from the indefinite availability of low priced reserve fleet vessels. It was also designed to protect shipyards against the heavy hand of such reserve fleet vessels being available to shipowners who might otherwise purchase new vessels.

Whatever reasons existed for stopping sales from the reserve fleet they are even more applicable to sale of vessels at less than Ship Sales Act prices—which is indeed the case in Senate Joint Resolution 21. The present scrap prices approximate \$52,000 for a Liberty vessel. The purchasers under Senate Joint Resolution 21 would therefore enjoy benefits that no other purchaser of reserve fleet vessels has enjoyed even under the most liberal terms of the Ship Sales Act.

The fact that the bill requires the expenditure of \$100,000 in a domestic shipyard to convert the vessel to a barge does not enhance its merits. It is significant that a new barge, built in an American shipyard the size of a Liberty hull, would represent as much as \$1 million per vessel to American shipyards. To offer potential barge purchasers the alternative of buying a reserve fleet Liberty would certainly frustrate potential new construction of barges for the ensuing years.

One Pacific coast barge operator, has spent \$3 million in the past 5 years on new barges—several of which are almost as big as Liberty hulls, and carry as much cargo as a Liberty ship. At least four other barge operators on the Pacific coast engaged in both coastwise and Alaskan trades, have likewise in-

vested in new equipment and one question whether these companies would have done so were they to know they would have to face competition from their colleagues who might get ships at the prices envisioned in Senate Joint Resolution 21. Furthermore, the construction of these barges was capitalized at open market interest rates, considerably higher rates than the $3\frac{1}{2}$ proposed in Senate Joint Resolution 21.

Add to this the fact that there is, at present, a surplus of barges on the Pacific coast and existing common carriers and contract carriers have to hustle for every bargeload they get.

These barges could be used in any trade route in competition with carriers who have bought war-built ships, and who were promised reserve fleet vessels would be no longer available after January 15, 1951. We recognize that the possibility of barge competition with carriers in the foreign trade from the Pacific coast is somewhat remote, albeit quite possible under this legislation. Of more practical consideration is the potential competition by such barges with existing carriers in the Hawaiian/Alaska trade, as well as the coastwise trade. We question why Matson Navigation Co. and Alaska Steamship Co., which have purchased warbuilt vessels and have kept them up and have improved their fleets and carried on the trade with very little return, can be expected to compete with a newcomer who enjoys scrap value prices. And there is no question but what barges are in direct competition with self-propelled vessels in these routes.

Senate Joint Resolution 21 requires documentation, for at least 10 years, of these converted barges under U.S.-flag unless the owners prepay the principal and interest due under the sales contract. The bill provides for early prepayment of mortgage apparently within the year of purchase. The operation of barges is a precarious business at best; it is easy to visualize that if business does not prosper, the owners would be tempted to pay off the mortgage and seek a foreign transfer or sale.

In conclusion, we would offer one comment on the technical aspects of this proposal. If, in hearings, the advocates of this legislation indicate the barges will be used in the coastwise trade on the Pacific coast, the committee should be fully informed that deep draft hulls such as Liberty's cannot serve many of the small shallow draft ports on the Pacific coast. Thus a Liberty hull is—at least for that purpose—hardly an ideal piece of equipment for barge operations.

In the interest of consistency with past congressional policy, and in the interest of preserving the rights of prior purchasers of war-built ships as well as purchasers of new barge equipment in the past few years, we urge the rejection of Senate Joint Resolution 21 by the committee.

(The following statement was subsequently submitted for the record:)

STATEMENT OF ASSOCIATION OF AMERICAN RAILROADS

This statement is filed by the Association of American Railroads on behalf of its member railroads in opposition to Senate Joint Resolution 21, a bill to authorize the Secretary of Commerce to sell 10 Liberty-type merchant ships for conversion into barges.

The railroads are interested in this resolution because it would authorize the sale of vessels that could and no doubt would be used in coastal or intercoastal water transportation in direct competition with the railroads. Liberty-type merchant ships, with a carrying capacity of approximately 10,000 deadweight tons, could be converted into barges of similar (or at least very great) capacity. The resolution would thus result in the introduction into transportation service (possibly in a limited area such as the Pacific coast of the United States) of new vessels capable of carrying a substantial volume of traffic. Conceivably, if all 10 Liberty ships were converted, this would be a capacity of 100,000 deadweight tons. This new capacity would, of course, be added to the existing facilities of railroads, motor carriers, and water carriers in whatever areas were affected, and would be used to transport commodities that would otherwise move by existing facilities. While these considerations explain the railroads' interest in this proposal, they are not the basis on which it is opposed.

The railroads oppose the resolution because it fails to contain proper standards and criteria for disposing of the Government-owned merchant ships. Under the resolution, these ships would be sold at a price equal to the highest price such vessel would bring if sold for scrap on condition that the purchaser spend \$100,000 to convert each vessel into a barge in a domestic shipyard.

The current scrap value of a Liberty ship is reported to be in the neighborhood of \$50,000. Adding the conversion cost of \$100,000 results in a total cost per barge of \$150,000. The \$50,000 due the Government would be paid in equal annual installments over the life of the vessel following a downpayment of 25 percent of the sale price (approximately \$12,500) at the time of the sale. We are informed that the current market value of a Liberty-type ship may range from \$220,000 to \$240,000. Concededly, the Libertys under consideration would not be used as Libertys, but as barges. The value of a Liberty ship, as converted into a barge, might be more or less than the value of an unconverted Liberty. We do not know the true, or actual, value of a Liberty ship for purposes of the conversion proposed here. We believe that a correct standard could be devised to determine the true value and that such a standard should be incorporated into this proposal. The scrap value of a vessel is not a proper measure of its true value as a piece of equipment that will actually be used in transportation service. Very likely, scrap value will be less than true value and, to the extent that this is so, sales at scrap prices will be bargains to the purchasers, containing substantial elements of windfall or subsidy. The advantageous character of this resolution, from the point of view of a buyer, is further pointed up by the provision that his obligation to pay the unpaid balance of the purchase price shall be secured by a mortgage, but that the Government's sole recourse against the purchaser on the latter's obligation shall be limited to repossession of the vessel and the assignment of insurance claims. In short, no deficiency judgment is recoverable against the purchaser, contrary to the conventional practice in almost all security transactions.

To the degree that one competitor in the transportation field obtains essential equipment at bargain or windfall prices, he can engage in unfair competition with others who obtain equipment at prices based on true, or actual, value. Unfair competition of this type, as this committee is aware, diverts traffic from lower cost, more economical carriers, to higher cost, less economical carriers and prevents the play of genuine competition, based on factors of comparative cost and service.

Mention has been made of the carrying capacity that would be added by this resolution to the present capacity of existing carriers. In no area known to the railroads, in which surface carriers compete with water carriers, are the transportation facilities now available inadequate or in short supply. This proposal is not directed to a real need.

Senator BARTLETT. Admiral Ford, you might as well stay where you are, as we will now consider S. 576, to clarify the status of the faculty and administrative staff of the Merchant Marine Academy.

(S. 576 follows:)

[S. 576, 87th Cong., 1st sess.]

A BILL To amend section 216 of the Merchant Marine Act, 1936, as amended, to clarify the status of the faculty and administrative staff at the United States Merchant Marine Academy, to establish suitable personnel policies for such personnel, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 216 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1126), is amended as follows:

(1) By amending subsection (a) to read as follows:

"Sec. 216. (a) The Secretary of Commerce is hereby authorized and directed, under such rules and regulations as he may prescribe, to establish and maintain the United States Maritime Service as a voluntary organization for the training of citizens of the United States to serve as licensed and unlicensed personnel on American merchant vessels. The Secretary is authorized to determine the number of persons to be enrolled for training and reserve purposes in the said Service, to fix the rates of pay and allowances of such persons, and to prescribe such courses and periods of training as, in his discretion, are necessary to maintain a trained and efficient merchant marine personnel. The ranks, grades, and ratings for personnel of the said Service shall be the same as are now or shall hereafter be prescribed for the personnel of the Coast Guard. The Secretary is authorized to prescribe, by rules and regulations, the uniform of the Service and rules governing the wearing and furnishing of such uniform of persons in the Service."

(2) By adding at the end of the section, two new subsections to read as follows:

"(e) To effectuate the purpose of this section, the Secretary of Commerce is authorized to employ professors, lecturers, and instructors and to compensate them without regard to the Classification Act of 1949, as amended.

"(f) On such date as may be fixed by the Civil Service Commission with the approval of the Secretary of Commerce, not later than one year from the date of enactment of this subsection, persons then serving as administrative enrollees shall be brought into the competitive civil service or excepted civil service in accordance with the Civil Service Act and rules, and shall thereafter be compensated in accordance with the Classification Act of 1949, as amended, except as otherwise authorized by subsection (e) of this section or other provisions of law, and shall be subject to other laws of general applicability to civilian employees of the United States, subject to the following exceptions and conditions, notwithstanding any other provisions of law.

"(1) The rate of basic compensation of any person serving as administrative enrollee on the date immediately preceding the date specified in the first sentence of this subsection (f) shall upon conversion provided for in this subsection be fixed at a rate which is not less than the combined basic pay and quarters and subsistence allowances received immediately preceding conversion, or the value of such allowances when furnished the person in kind at the rate and in the amounts theretofore authorized by regulation for such allowances. In the case of any such person whose combined basic pay and quarters and subsistence allowances, or value thereof when furnished in kind, exceeds the entrance rate of the grade or level in which his position is placed, the basic compensation of such person shall be fixed at that step in the grade or level which is equal to, or if none be equal, which represents the next higher regular or longevity step or level over the person's combined pay and allowances, as specified above, received immediately preceding the date of conversion. In any case in which no such rate exists in the grade of his position, his rate of basic compensation shall be fixed at the next regular salary rate which is not less than his combined basic pay and quarters and subsistence allowances or value thereof when furnished in kind. For the purposes of determining eligibility for step increases following conversion, the basic compensation as an administrative enrollee prior to conversion shall be considered as the total amount or value of basic pay, subsistence and quarters allowances. Any adjustment in compensation required by this subsection shall not be considered to be an equivalent increase in compensation for the purpose of a periodic step increase, nor an increase in grade or rate of basic compensation for the purpose of a longevity step increase.

"(2) The rate of basic compensation authorized by this paragraph shall continue until the person is separated from his position or receives a higher rate of basic compensation by operation of law or regulation.

"(3) Any person who, as a result of the action required under the first sentence of this subsection (f), becomes subject to the Annual and Sick Leave Act of 1951, as amended (5 U.S.C. 2061 and the following) shall be credited under that Act with all annual leave remaining to his credit as an administrative enrollee, at the rate of five-sevenths of a day of leave chargeable under the Act (5 U.S.C. 2064) for each calendar day of leave remaining to the credit of the enrollee, without regard to the limitations on maximum leave accumulation provided by the Act, and shall be credited with thirteen days of sick leave in addition to any leave recredit to which the employee may otherwise be entitled.

"(4) Active service of any administrative enrollee performed prior to the date specified in the first sentence of this subsection (f) shall be considered creditable as civilian employment in the executive branch of the Federal Government for all purposes, except that in computing length of service for the purpose of title VII of the Classification Act of 1949, as amended, continuous service immediately preceding the date established under the first sentence of this subsection (f) shall be counted either (1) toward one step increase under section 701, or (2) toward one longevity step increase under section 703, as the case may be.

"(5) Persons converted from their status as administrative enrollees to positions by or pursuant to this subsection (f) shall not be entitled, upon conversion or subsequent separation from such position, to payment of travel and transportation expenses which otherwise may be authorized under the joint travel regulations on separation from the United States Maritime Service; nor shall persons upon conversion to positions by or pursuant to this subsection be entitled to free medical, dental, surgical and hospital care under section 322(6) of the Public Health Service Act of 1944 (58 Stat. 696, 42 U.S.C. 249)."

(The agency comments follow:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 9, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: Further reference is made to your letter of January 11, 1961, acknowledged on January 12, requesting the comments of the General Accounting Office concerning Senate Joint Resolution 21, 87th Congress, 1st session, entitled "Joint resolution to authorize the Secretary of Commerce to sell 10 Liberty-type merchant vessels to citizens of the United States for conversion into barges."

We have no special information or knowledge as to the need for or desirability of the proposed legislation and, therefore, we make no recommendation with respect to its enactment. However, we should like to suggest for the consideration of your committee that the Secretary of Commerce be authorized to set the interest rate on the unpaid balance in the light of market conditions, rather than to provide a fixed rate of 3½ percent per annum, as presently contained on line 15, page 2 of the joint resolution.

While the restrictions on the vessels and other conditions imposed by the bill probably will materially limit the number of bids, we believe that the sale of such vessels on the basis of competitive bidding with "upset prices," as we assume will be done, is a desirable means of obtaining the most reasonable prices and of avoiding criticism of favoritism to a particular operator.

There appears to be no indication as to whether or not the barges are to be self-propelled, and the joint resolution also is silent as to the permissible use of the vessels after conversion. And, finally, you may wish to consider the necessity of providing for sole recourse mortgages on transactions of this nature involving vessels of limited utility and relatively low value.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., March 14, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Your request for comment on Senate Joint Resolution 21, a joint resolution to authorize the Secretary of Commerce to sell 10 Liberty-type merchant vessels to citizens of the United States for conversion into barges, has been assigned to this Department by the Secretary of Defense for the preparation of a report thereon expressing the views of the Department of Defense.

The joint resolution would authorize the Secretary of Commerce during the 1-year period following enactment of the resolution to sell not more than 10 Liberty-type merchant vessels currently held in reserve by the Maritime Administration. The sales would be limited to citizens of the United States. The price would be not less than that determined by the Secretary of Commerce. Included is the stipulation that a minimum of \$100,000 be expended on each vessel in conversion to a barge-type carrier and that the work would be accomplished by domestic U.S. shipyards.

If enacted, the resolution would place a possible 10 more units of water transportation capability, which otherwise at a later date might be scrapped, back into active use. This in turn would strengthen existing water trade routes or establish new routes, coastal or intercoastal, depending on the intent of the owners. It would result also in increased work for U.S. domestic shipyards.

As proposed the 10 vessels would come from those held in reserve by the Maritime Administration. However, it is essential that they not come from any of the designated 891 vessels included in the List of Priority Ships, National Defense Fleet, as established by Joint Maritime Administration Navy Planning Group and effective as of the latest revision dated March 4, 1960, since these

vessels are held in support of emergency military and commercial maritime mobilization requirements.

With the understanding that the 10 vessels are to be selected from among other than those vessels on the designated List of Priority Ships, National Defense Reserve Fleet, the Department of the Navy, on behalf of the Department of Defense, supports enactment of Senate Joint Resolution 21.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely yours,

W. S. SAMPSON,
Captain, U.S. Navy,
Deputy Chief
 (For the Secretary of the Navy).

S. 576—A BILL TO AMEND SECTION 216 OF THE MERCHANT MARINE ACT, 1936, AS AMENDED, TO CLARIFY THE STATUS OF THE FACULTY AND ADMINISTRATIVE STAFF AT THE UNITED STATES MERCHANT MARINE ACADEMY, TO ESTABLISH SUITABLE PERSONNEL POLICIES FOR SUCH PERSONNEL, AND FOR OTHER PURPOSES

STATEMENT OF WALTER C. FORD, DEPUTY MARITIME ADMINISTRATOR, ACCOMPANIED BY JAMES S. DAWSON, JR., PERSONNEL OFFICER, MARITIME ADMINISTRATION

Mr. FORD. Yes, sir, I have a statement of the Maritime Administrator, if you would like to have me read it.

Senator BARTLETT. Yes, indeed, Admiral.

Mr. FORD. The bill S. 576 was submitted as a draft bill by the Secretary of Commerce January 10, 1961, to the Congress with clearance of the Bureau of the Budget, and introduced as a bill by your chairman. The Secretary of Commerce stated that the legislation was needed to clarify the status of the faculty and administrative staff at the U.S. Merchant Marine Academy at Kings Point, and to establish suitable personnel policies for such personnel in keeping with the recommendations of the Congressional Board of Visitors to the Academy, and the recommendations of the Advisory Board to the Academy.

The bill involves primarily conversion of positions of executive, administrative, custodial, and service personnel to positions subject to the civil service laws generally applicable to other civilian employees of the United States, and to establish an appropriate, flexible system of employment and compensation for the faculty at the Academy comparable to that provided for the civilian faculty at the U.S. Naval Academy.

In the administration of the maritime training program under section 216 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1126), in accord with the practice followed since 1942, the Secretary of Commerce enrolls in the U.S. maritime service not only volunteers for training and reserve purposes, known as trainee enrollees, but also persons assigned to administrative duties, known as administrative enrollees. These administrative enrollees comprise the executive staff, administrative force, faculty, custodial, and service groups at the U.S. Merchant Marine Academy at Kings Point, N.Y.

These administrative enrollees have been given ranks and ratings,

and have been compensated and granted allowances at rates similar to those provided by law for the Coast Guard under authority of section 216 of the Merchant Marine Act, the annual appropriation acts, and section 509 of the Career Compensation Act of 1949, as amended by the act of May 19, 1952 (66 Stat. 79). The enrollees have been granted leave under a leave system prescribed by regulations pursuant to implied power under the Merchant Marine Act, 1936. Insofar as circumstances and applicable laws have permitted, administrative enrollees have been administered on the same basis as members of a military-type organization performing similar duties.

The employment status of these employees has been a matter of concern for some time to the Civil Service Commission, General Accounting Office, and the Department of Justice. In order to clarify and regularize the employment status of administrative enrollees, it has become apparent that it would be administratively desirable to convert the enrollees, as far as practicable and appropriate, to positions subject to the same civil service, compensation, and leave laws, which are generally applicable to other civilian employees of the United States.

After its establishment in 1942, the U.S. Merchant Marine Academy at Kings Point, N.Y., turned out thousands of merchant marine officers for World War II duty in commercial shipping and in the Navy. The Academy acquired something of a military flavor. It is now established as a permanent National Academy, comparable in many respects to the Army, Navy, and Air Force Academies under Public Law 415, 84th Congress. Nevertheless, it remains essentially a civilian institution, with the mandate to turn out civilian deck officers and civilian engineers for voluntary service in the American merchant fleet. The staff and faculty are likewise civilian members of a voluntary civilian service in the Government of the United States.

Members of the maritime service employed as administrative enrollees are not a part of the Military Establishment. Like the Public Health Service and Coast and Geodetic Survey, among others, the maritime service was established by Congress and set up for a specific purpose unconnected with that of the National Military Establishment, that is, the manning of the American merchant marine with a trained and efficient citizen personnel (49 Stat. 1985). Unlike the Public Health Service and the Coast and Geodetic Survey, however, the maritime service is not, and has never been, listed as a branch of the uniformed services nor, except insofar as maritime service pay and allowances are increased by an increase in Coast Guard pay and allowances, is it ever included as a subject of uniformed services legislation.

The Attorney General had ruled in 1952 that administrative enrollees are civilian employees of the United States for purposes of the Civil Service Retirement Act, and since then the Civil Service Commission has ruled that appointments and compensation of administrative enrollees should be administered on the same basis as other civilian employees. Accordingly, the U.S. Civil Service Commission and the Department of Commerce have agreed, effective September 1, 1957, that new appointments or employment of personnel at the Academy in any capacity, with the exception of persons appointed to the faculty, should be made in accordance with the Civil Service Act and rules and

should be compensated in accordance with the laws applicable to the compensation of civilian employees generally.

In the interest of simplified and more efficient administration, and of making available and preserving to these employees the same benefits as are granted to other civilian employees of the United States, the Department of Commerce and the Civil Service Commission agree (1) that an appropriate, flexible system of employment and compensation should be provided by law for the faculty of the U.S. Merchant Marine Academy at Kings Point, similar to that now provided for the faculty at the Naval Academy; (2) that future appointments to non-faculty positions should be made in accordance with the civil service and classification laws for both competitive and excepted positions, except as otherwise authorized by law, that is, to wage board positions; and (3) that present administrative enrollees should be converted to positions subject to the civil service, classification, and leave laws under provisions of law which will authorize adjustments to be made that will avoid undue personal hardship or inequity to the employees and avoid any adverse effect upon the efficiency of the Academy.

As a result of careful study for several years of the problems involved in effecting this transition for persons presently serving as administrative enrollees, the Department, the Civil Service Commission, and the General Accounting Office have reached agreement that legislation is necessary to—

- (1) provide an appropriate compensation system of the type described above for faculty members at the Merchant Marine Academy;

- (2) Avoid serious loss of compensation to nonfaculty administrative enrollees upon conversion to positions subject to the Classification Act of 1949, as amended, or to wage board positions;

- (3) Avoid serious curtailment of enrollees' existing leave benefits upon conversion to a position under the Annual and Sick Leave Act of 1951, as amended; and

- (4) Provide for creditability of prior service as administrative enrollees for all purposes.

The bill, S. 576, would accomplish these purposes and enable the Department to administer these positions on the same basis as other comparable civilian positions in the Government service. Upon enactment of this bill, it is contemplated that faculty members will be employed under excepted appointments authorized by the Civil Service Commission under schedule A of the civil service rules, and that they will be compensated under a system of compensation appropriate to the requirements of an accredited educational institution and similar to that now provided for the civilian faculty of the Naval Academy. It is contemplated that nonfaculty administrative enrollees will be employed under the civil service laws, and that they will be compensated in accordance with the Classification Act of 1949, as amended, or an appropriate prevailing wage schedule, as appropriate. Both groups of employees will receive leave, medical, and other benefits under the same laws as apply generally to other civilian employees of the Government.

The U.S. Merchant Marine Academy, currently the only federally operated maritime training installation, was made a permanent institution by Public Law 415, 84th Congress. The bill would clarify and

prescribe basic personnel policies for administrative enrollees of the U.S. maritime service, and eliminate present uncertainties, and enable the Merchant Marine Academy to proceed on a suitable basis in personnel matters. The need for such congressional action was recognized in the "Report of the Twelfth Congressional Board of Visitors to the Merchant Marine Academy." This report included the following provision:

The Board urges those charged with carrying on the discussions directed toward establishing the status of the administrative enrollees of the U.S. maritime service to make every effort to bring about an appropriate resolution of this problem, to the end that suitable personnel policies may be established.

Additionally, the "Report of the Advisory Board to the U.S. Merchant Marine Academy," made to the Maritime Administrator, U.S. Department of Commerce, May 2, 1957, stated, among other things:

The Maritime Administrator has issued appropriate orders defining the status of the existing faculty and setting forth probationary periods for those to be appointed to the faculty in the future. This is all that could have been done and it has been well done. But the position of the faculty at the U.S. Merchant Marine Academy will not be thoroughly satisfactory until appropriate legislation has been enacted.

Later Advisory Board reports in 1958, 1959, and 1960 again affirmed this position.

Legislation as proposed by the Maritime Administration, Department of Commerce, in S. 576 and its companion bill in the House, H.R. 3158, is identical to legislation introduced in the previous Congress as S. 1233 and H.R. 5383. During the 2d session of the 86th Congress the House Committee on Merchant Marine and Fisheries held extensive hearings on H.R. 5383, reported favorably thereon, and obtained passage of the bill in the House of Representatives before the Congress adjourned. Unfortunately, there was not enough time available for hearings on companion legislation in the Senate before adjournment of the 86th Congress. We are, therefore, pleased that your committee has scheduled hearings on S. 576 so early in the 1st session of the 87th Congress.

It may be of interest to this committee that the provisions of S. 576 as a legislative proposal are bipartisan in concept and development. As a matter of fact, work was first begun on the proposed legislation as far back as 1952 when the present Administrator was serving as Assistant to the Deputy Maritime Administrator, and the Honorable Charles Sawyer was Secretary of Commerce. Initially, however, there were various administrative details and processes which required conferences and decisions from the Department of Justice, the U.S. Civil Service Commission, and the General Accounting Office, before agreement could be reached on the form and necessity of the legislative proposal. Eventually, agreement was obtained from all interested agencies, and draft bills on this subject were introduced on several occasions in past sessions of the Congress. Now, in the 87th Congress, at the request of the Department of Commerce, these bills, H.R. 3158 in the House, and S. 576 in the Senate, have again been introduced by Mr. Bonner and Senator Magnuson. As Maritime Administrator, it is now my privilege—this is Mr. Stakem speaking—as well as my responsibility to recommend enactment of the bill, S. 576.

The Bureau of the Budget advises there is no objection to the submission of this statement from the standpoint of the administration's program.

I have a sectional analysis of the bill which I ask to place in the record, and which I shall be pleased to read if the committee so desires.

Senator BARTLETT. We will place it in the record, together with the letter from the Secretary of Commerce, dated January 10, 1961, asking introduction of the bill, with an accompanying statement setting forth the need for the bill.

(The Secretary's letter and statement, and the sectional analysis of the bill follows:)

THE SECRETARY OF COMMERCE,
Washington, D.C. January 10, 1961.

PRESIDENT OF THE SENATE,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: There are submitted herewith four copies of a draft bill and a statement of the purpose and need for legislation, to amend section 216 of the Merchant Marine Act, 1936, as amended, to clarify the status of the faculty and administrative staff at the U.S. Merchant Marine Academy, and to establish suitable personnel policies for such personnel. This legislation is designed to accord with the recommendations of the Congressional Board of Visitors to the Academy, and the recommendations of the Advisory Board to the Academy.

The proposed legislation involves primarily conversion of positions of executive, administrative, custodial, and service personnel to positions subject to the civil service laws generally applicable to other civilian employees of the United States, and to establish an appropriate, flexible system of employment and compensation for the faculty at the Academy comparable to that provided for the civilian faculty at the U.S. Naval Academy.

The accompanying statement sets forth the need for and the purpose and provisions of, the proposed legislation. The draft legislation was developed by the Department of Commerce and the Civil Service Commission.

On December 29, 1960, the Bureau of the Budget advised that there would be no objection to the submission of this proposed legislation to the Congress.

Sincerely yours,

FREDERICK H. MUELLER,
Secretary of Commerce.

DRAFT BILL TO AMEND SECTION 216 OF THE MERCHANT MARINE ACT, 1936, AS AMENDED, TO CLARIFY THE STATUS OF THE FACULTY AND ADMINISTRATIVE STAFF AT THE UNITED STATES MERCHANT MARINE ACADEMY, TO ESTABLISH SUITABLE PERSONNEL POLICIES FOR SUCH PERSONNEL, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 216 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1126), is amended as follows:

(1) By amending subsection (a) to read as follows:

"SEC. 216(a). The Secretary of Commerce is hereby authorized and directed, under such rules and regulations as he may prescribe, to establish and maintain the United States Maritime Service as a voluntary organization for the training of citizens of the United States to serve as licensed and unlicensed personnel on American merchant vessels. The Secretary is authorized to determine the number of persons to be enrolled for training and reserve purposes in the said service, to fix the rates of pay and allowances of such persons, and to prescribe such courses and periods of training as, in his discretion, are necessary to maintain a trained and efficient merchant marine personnel. The ranks, grades, and ratings for personnel of the said service shall be the same as are now or shall hereafter be prescribed for the personnel of the Coast Guard. The Secretary is authorized to prescribe, by rules and regulations, the uniform of the service and rules governing the wearing and furnishing of such uniform of persons in the service."

(2) By adding at the end of the section, two new subsections to read as follows:

"(e) To effectuate the purpose of this section, the Secretary of Commerce is authorized to employ professors, lecturers, and instructors and to compensate them without regard to the Classification Act of 1949, as amended.

"(f) On such date as may be fixed by the Civil Service Commission with the approval of the Secretary of Commerce, not later than one year from the date of enactment of this subsection, persons then serving as administrative enrollees shall be brought into the competitive civil service or excepted civil service in accordance with the Civil Service Act and Rules, and shall thereafter be compensated in accordance with the Classification Act of 1949, as amended, except as otherwise authorized by subsection (e) of this section or other provisions of law, and shall be subject to other laws of general applicability to civilian employees of the United States, subject to the following exceptions and conditions, notwithstanding any other provisions of law.

(1) The rate of basic compensation of any person serving as administrative enrollee on the date immediately preceding the date specified in the first sentence of this subsection (f) shall upon conversion provided for in this subsection be fixed at a rate which is not less than the combined basic pay and quarters and subsistence allowances received immediately preceding conversion, or the value of such allowances when furnished the person in kind at the rate and in the amounts theretofore authorized by regulation for such allowances. In the case of any such person whose combined basic pay and quarters and subsistence allowances, or value thereof when furnished in kind, exceeds the entrance rate of the grade or level in which his position is placed, the basic compensation of such person shall be fixed at that step in the grade or level which is equal to, or if none be equal, which represents the next higher regular or longevity step or level over the person's combined pay and allowances, as specified above, received immediately preceding the date of conversion. In any case in which no such rate exists in the grade of his position, his rate of basic compensation shall be fixed at the next regular salary rate which is not less than his combined basic pay and quarters and subsistence allowances, or value thereof when furnished in kind. For the purposes of determining eligibility for step increases following conversion, the basic compensation as an administrative enrollee prior to conversion shall be considered as the total amount or value of basic pay, subsistence and quarters allowances. Any adjustment in compensation required by this subsection shall not be considered to be an equivalent increase in compensation for the purpose of a periodic step increase, nor an increase in grade or rate of basic compensation for the purpose of a longevity step increase.

(2) The rate of basic compensation authorized by this paragraph shall continue until the person is separated from his position or receives a higher rate of basic compensation by operation of law or regulation.

(3) Any person who, as a result of the action required under the first sentence of this subsection (f), becomes subject to the Annual and Sick Leave Act of 1951, as amended (5 U.S.C. 2061 et seq.) shall be credited under that Act with all annual leave remaining to his credit as an administrative enrollee, at the rate of five-sevenths of a day of leave chargeable under the Act (5 U.S.C. 2064) for each calendar day of leave remaining to the credit of the enrollee, without regard to the limitations on maximum leave accumulation provided by the Act, and shall be credited with thirteen days of sick leave in addition to any leave recredit to which the employee may otherwise be entitled.

(4) Active service of any administrative enrollee performed prior to the date specified in the first sentence of this subsection (f) shall be considered creditable as civilian employment in the executive branch of the Federal Government for all purposes, except that in computing length of service for the purpose of title VII of the Classification Act of 1949, as amended, continuous service immediately preceding the date established under the first sentence of this subsection (f) shall be counted either (1) toward one step increase under section 701, or (2) toward one longevity step increase under section 703, as the case may be.

(5) Persons converted from their status as administrative enrollees to positions by or pursuant to this subsection (f) shall not be entitled, upon conversion or subsequent separation from such position, to payment of travel and transportation expenses which otherwise may be authorized under the Joint Travel Regulations on separation from the United States Maritime Service; nor shall such persons upon conversion to positions by or pursuant to this subsection be entitled to free medical, dental, surgical, and hospital care under section 322(6) of the Public Health Service Act of 1944 (58 Stat. 696, 42 U.S.C. 249).

STATEMENT OF PURPOSE AND NEED FOR PROPOSED AMENDMENT TO SECTION 216,
MERCHANT MARINE ACT, 1936, AS AMENDED

GENERAL PURPOSE

In the administration of the maritime training program under section 216 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1126), since 1942, it has been the practice of the former Maritime Commission and of the Department of Commerce (to which the Maritime Commission was transferred in 1950) to enroll in the U.S. Maritime Service not only volunteers for training and Reserve purposes, known as trainee enrollees, but also other persons assigned to administrative duties, known as administrative enrollees. The term "administrative enrollees" includes the employees' service as the permanent cadre at the U.S. Merchant Marine Academy at Kings Point, N.Y., which comprises the executive staff, administrative force, faculty, custodial, and service groups.

These administrative enrollees have been employed (i.e., enrolled) under the authority of the above-mentioned section of the Merchant Marine Act. They have been given ranks and ratings, and have been compensated and granted allowances at rates similar to those provided by law for the Coast Guard under authority of section 216 of the Merchant Marine Act, the annual appropriation acts, and section 509 of the Career Compensation Act of 1949, as amended by the act of May 19, 1952 (66 Stat. 79). The enrollees have been granted leave under a leave system prescribed by regulations pursuant to implied power under the Merchant Marine Act. Insofar as circumstances and applicable laws have permitted, administrative enrollees have been administered on the same basis as members of a military-type organization performing similar duties.

Over the years a number of questions have been considered by the Civil Service Commission, General Accounting Office, and Department of Justice concerning the employment status of these employees. In order to clarify and regularize the employment status of administrative enrollees, it has become apparent that it would be administratively desirable to convert the enrollees, as far as practicable and appropriate, to positions subject to the same civil service, compensation, and leave laws, which are generally applicable to other civilian employees of the United States.

In the interest of simplified and more efficient administration, and of making available and preserving to these employees the same benefits as are granted to other civilian employees of the United States, the Department of Commerce and the Civil Service Commission have reached agreement (1) that an appropriate, flexible system of employment and compensation should be provided by law for the faculty of the U.S. Merchant Marine Academy at Kings Point, similar to that now provided for the faculty at the Naval Academy; (2) that future appointments to nonfaculty positions should be made in accordance with the civil service and classification laws (except as otherwise authorized by law, e.g., to wage board positions); and (3) that present administrative enrollees should be converted to positions subject to the civil service, classification, and leave laws under provisions of law which will authorize adjustments to be made that will avoid undue personal hardship or inequity to the employees and avoid any adverse effect upon the efficiency of the Academy.

As a result of careful study for several years of the problems involved in effecting this transition for persons presently serving as administrative enrollees, the Department, the Civil Service Commission, and the General Accounting Office have reached agreement that legislation is necessary to—

(1) Provide an appropriate compensation system of the type described above for faculty members at the Merchant Marine Academy;

(2) Avoid serious loss of compensation to nonfaculty administrative enrollees upon conversion to positions subject to the Classification Act of 1949, as amended, or to wage-board positions;

(3) Avoid serious curtailment of enrollees' existing leave benefits upon conversion to a position under the Annual and Sick Leave Act of 1951, as amended; and

(4) Provide for creditability of prior service as administrative enrollees for all purposes.

The proposed legislation would accomplish these purposes and enable the Department to administer these positions on the same basis as other comparable civilian positions in the Government service. Upon enactment of this legislation, it is contemplated that faculty members will be employed under excepted ap-

pointments authorized by the Civil Service Commission under schedule A of the Civil Service Rules, and that they will be compensated under a system of compensation appropriate to the requirements of an accredited educational institution and similar to that now provided for the faculty of the Naval Academy. It is contemplated that nonfaculty administrative enrollees will be employed under the civil service laws, and that they will be compensated in accordance with the Classification Act of 1949, as amended, or an appropriate prevailing wage schedule, as appropriate. Both groups of employees will receive leave, medical and other benefits under the same laws as apply generally to other civilian employees of the Government.

In view of the fact that the U.S. Merchant Marine Academy, currently the only federally operated maritime training installation, was made a permanent institution by Public Law 415, 84th Congress, the Department recommends favorable consideration of the attached proposed legislation in order that basic personnel policies and problems in administering the maritime training program may be considered and acted upon by the Congress. The need for clarifying the status of administrative enrollees of the U.S. Maritime Service in order that present uncertainties may be eliminated and the Merchant Marine Academy may proceed on a stable basis in personnel matters was recognized in the report of the Twelfth Congressional Board of Visitors to the Merchant Marine Academy. The report included the following provision:

"The Board urges those charged with carrying on the discussions directed toward establishing the status of the administrative enrollees of the U.S. Maritime Service to make every effort to bring about an appropriate resolution of this problem, to the end that suitable personnel policies may be established."

Additionally, the report of the Advisory Board to the U.S. Merchant Marine Academy, made to the Maritime Administrator, U.S. Department of Commerce, May 2, 1957, stated, among other things, "The Maritime Administrator has issued appropriate orders defining the status of the existing faculty and setting forth probationary periods for those to be appointed to the faculty in the future. This is all that could have been done and it has been well done. But the position of the faculty at the U.S. Merchant Marine Academy will not be thoroughly satisfactory until appropriate legislation has been enacted."

Later Advisory Board reports in 1958, 1959, and 1960 again affirm their position.

SECTIONAL ANALYSIS OF THE BILL

Section 216(a). This section is amended to—

(1) Make clear that henceforth enrollments will be made only for training and reserve purposes in the U.S. Maritime Service, as distinguished from administrative duty purposes such as instruction of trainees, clerical work, maintenance work, and the like;

(2) Make clear that the Secretary's authority to fix the rates of pay for trainees also includes authority to fix their allowances;

(3) Provide clear authority for the Secretary to prescribe and regulate the furnishing and wearing of uniforms of persons in the service;

(4) Transfer to a new subsection (e) the existing provision for employment of instructors; and

(5) Make an appropriate, minor correction in a pronoun in the second sentence to refer to discretion transferred to the Secretary from the former Maritime Commission.

Section 216(e). This subsection would provide authority for the employment, and compensation without regard to the Classification Act of 1949, as amended, of all levels of civilian professors, lecturers, and instructors as may be necessary to carry out the purposes of section 216 of the Merchant Marine Act, as amended. Such professors, lecturers, and instructors would be considered civilian officers and employees of the United States for purposes of laws of general application to civilian employees of the United States.

Under existing law the Civil Service Commission is empowered to authorize the Department to employ professors, lecturers, and instructors under excepted appointments, on the same basis (schedule A) as is now provided for the faculty at the Naval Academy. This section will also make possible the establishment of an appropriate compensation system for the faculty of the Merchant Marine Academy, similar to that provided for the faculty of the Naval Academy.

Section 216(f). This subsection provides for (1) conversion of existing administrative enrollees, both faculty and nonfaculty on a date mutually agreed upon by the Secretary of Commerce and the Civil Service Commission, in order to effect an orderly transition; (2) clear-cut legal recognition that after conversion, former administrative enrollees will be subject to laws of general applicability to civilian employees of the United States except as otherwise authorized by law; and (3) certain authority necessary to make possible the conversion of enrollees without undue personal hardship or inequity, and without any adverse effect upon the efficiency of the Merchant Marine Academy, with particular reference to compensation, leave, and creditability of prior service for various purposes.

Section 216(f) (1). This subsection defines how the basic compensation of administrative enrollees shall be determined upon conversion and provides for salary-saving and related safeguards in order to avoid reducing the compensation of enrollees as a result of conversion. For example, if an administrative enrollee's total basic pay, quarters, and subsistence allowances amount to \$9,570.96 and his position is classified at grade GS-11, he would have his salary set at GS-11, \$9,640, which is the next longevity rate over the total amount he is receiving for basic pay, quarters, and subsistence. An enrollee receiving a total of \$8,105.76 for basic pay, subsistence, and quarters allowances whose position is classified at GS-9, for which the maximum longevity rate of the grade is \$7,920, will have his salary set at \$8,150, which is the first longevity step at GS-10, until he leaves such position, or otherwise is entitled to receive a higher rate by reason of operation of the Classification Act of 1949, as amended, or other applicable law, as indicated below.

This subsection applies only to persons serving as administrative enrollees on the date preceding the date of conversion. It does not provide retroactive benefits to any person.

Section 216(f) (2). This paragraph makes provision to specifically ensure what is commonly referred to as "salary saving" by establishing the fact that the basic compensation as set up on conversion, as provided for in section 216(f) (1), will continue until the employee affected thereby is either separated from his position or receives a higher rate of basic compensation by operation of law or regulation as might occur in the case of promotion, Federal salary adjustments, etc.

Section 216(f) (3). This paragraph takes cognizance of the fact that administrative enrollees have earned, accumulated and used annual leave on a calendar day basis, and most enrollees have a much greater leave accumulation than the accumulation which would be authorized on conversion of such personnel under provisions of the Annual and Sick Leave Act. This paragraph would provide for the conversion of all unused annual leave without actual loss of leave for purposes of future use to the enrollee on the basis of 5 work days' leave for each 7 calendar days of leave.

Administrative enrollees are authorized to take sick leave, up to 4 months in emergencies, as may be necessary, but do not accumulate sick leave. If they had been permitted to accumulate sick leave, most administrative enrollees by reason of their length of service would now have a large accumulation of sick leave. To minimize the effect of losing the sick leave benefits to which administrative enrollees have been entitled, it is proposed that they be credited on the date of conversion with 13 days' sick leave. Thereafter, sick leave credits would accrue on the same basis as for other employees subject to the Annual and Sick Leave Act.

Section 216(f) (4). This paragraph makes specific provisions to recognize active service as an administrative enrollee performed prior to the date fixed for conversion as civilian employment creditable for all purposes in the executive branch of the Federal Government, with the exception that in computing length of service as used under the Classification Act for the determination of one periodic step increase or one longevity step increase, all such prior service which occurred immediately preceding the date fixed for conversion, as provided in subsection (f) shall be counted toward the attainment of same. Thus, for such basic purposes as retirement, leave accruals, seniority, length-of-service awards, etc., all previous active service as an administrative enrollee would be creditable as civilian employment in the executive branch of the Federal Government for every purpose, except that in computation of length of service for salary step increases or longevity step increases, only such service as was continuous and uninterrupted immediately prior to the date fixed for conversion would be cred-

itable in the determination of said step increases. Under these circumstances, an employee's salary thus established which is less than the maximum scheduled rate of the grade would be immediately considered against the requirements for one periodic step increase; and, as provided in subsection (f) (1), for purposes of determining eligibility for a periodic step increase, the basic compensation as an administrative enrollee would be considered as the total amount or value of basic pay, subsistence, and quarters allowances. Such prior service and basic compensation would also be considered in determining eligibility toward the 10-year aggregate period and 3-year waiting periods for one longevity step increase.

Section 216(f) (5). Administrative enrollees disenrolled from the Maritime Service are entitled to payment of travel and transportation expenses to their place of enrollment, etc., whether or not such transportation is actually furnished in kind. Administrative enrollees on active duty also receive free medical, dental, surgical, and hospital care under the provisions of paragraph (6) of section 322 of the Public Health Service Act of 1944 (58 Stat. 696, 42 U.S.C. 249).

This paragraph is for the purpose of making two practical provisions. First, it provides that administrative enrollees who accept conversion shall forfeit such rights to travel and transportation expenses. Those who elect to resign prior to conversion will be entitled to such benefits in keeping with the terms under which they were "enrolled" as administrative enrollees. Second, it provides that administrative enrollees after the effective date of conversion as authorized by this legislation shall not continue to receive free medical, dental, surgical, and hospital care pursuant to paragraph (6) of section 322 of the Public Health Service Act of 1944. After conversion, however, these employees and their immediate families will be eligible for health benefits on the same basis as other civilian employees of the Government under the Federal Employees' Health Benefits Act of September 28, 1959, 73 Stat. 709, 5 U.S.C. 3001.

Senator BARTLETT. There will be incorporated in the record at this point a report from the Comptroller General on S. 576, dated February 27.

I want to dwell upon that a bit after asking you some other questions, Admiral.

(Report from the Comptroller General follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 27, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: Your letter dated January 24, 1961, acknowledged January 26, requests our comments on S. 576, 87th Congress.

S. 576 would clarify the status of the faculty and administrative staff at the U.S. Merchant Marine Academy by authorizing the Secretary of Commerce to employ and compensate a faculty without regard to the Classification Act of 1949, as amended, and by providing for the conversion of nonfaculty administrative enrollees to positions subject to the civil service laws applicable to other civilian employees of the United States.

As pointed out in our report on the audit of the Federal Maritime Board and Maritime Administration for the fiscal years ended June 30, 1952, and 1953 (see pp. 29-30, H Doc. No. 383, 83d Cong.) the employment of administrative enrollees in civilian positions at the Merchant Marine Academy without regard to the civil service laws has resulted in advantages to such enrollees which are not afforded under the civil service system. Primarily, such advantages are attributable to the fact that enrollees received tax-free quarters and subsistence allowances in addition to their basic compensation, and that the total value of such compensation and allowances results in payments which are disproportionate to civil service rates for comparable duties.

We are therefore in agreement with the need for legislation in this area and, since the provisions of S. 576 appear to be adequate to effectuate the purposes intended, we recommend favorable consideration of the bill.

We are enclosing 30 copies of this report, as requested.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Senator BARTLETT. In your opinion, would enactment of this bill improve the Academy as an educational institution?

Mr. FORD. I certainly believe that it would. It will straighten out a situation with regard to status of the staff and will enable us to adopt procedures which we think are desirable in the hiring and firing of professors for an educational institution.

Senator BARTLETT. It would do what with respect to hiring and firing?

Mr. FORD. It would enable us to carry out procedures that are used at other educational institutions.

Senator BARTLETT. How is it done now—the hiring and firing?

Mr. FORD. It is accomplished now, any hiring is done under civil service.

Senator BARTLETT. Of faculty members?

Mr. FORD. Of faculty members.

Mr. DAWSON. I am personnel officer of the Maritime Administration, and the complication we have is that the faculty is half civil service and half military. In other words, we have authority now and we use it to hire a faculty member to teach electrical engineering, foreign languages, or what have you, and he is enrolled in the maritime service and given a rank that is assimilated to that of the Coast Guard. His pay and leave is assimilated to that of the Coast Guard, but for all other purposes, he is under civil service, and the Civil Service Commission views him as a schedule A employee of the Civil Service Commission for disciplinary purposes or for all of his other fringe benefits, including retirement and unemployment compensation, et cetera.

Now, this bill would enable us to adopt policies, pay, procedures, and tenure for schedule A employees, with pay rates set by the Secretary of Commerce, identical to the authority which the Secretary of the Navy has to administer the civilian faculty at the Naval Academy of some 215.

The other complication that makes this legislation or some similar form more urgent, if I may say so at this time, is that there was a decision in the Court of Claims, U.S. Court of Claims, December 1, 1960, as a result of 91 employees at the Academy, 6 of whom were faculty and the others staff, who had filed a claim on the adjustment of their ranks and ratings made in 1954. The court ruled that any rank or rating we set in interpretation of 216(a) of the Merchant Marine Act of 1936—and I will use the court's language—"must coincide with similar occupational categories at the Coast Guard."

Now, what that means is that if the dean and the Superintendent decide to hire an electrical engineer, and they want to make him a commander, we have to write to the Coast Guard, tell them what we are going to hire and for what purpose, and describe the job and say, "Now, would this be a commander if it was at the Coast Guard, and can we do this?" That complication, which is similar to many of these other complications in any system that is neither half fish or fowl, just makes it almost administratively impossible to administer officially.

Senator BARTLETT. Why do you have to ask the Coast Guard if you can do this?

Mr. DAWSON. When we adjusted the ranks and ratings of these 91 plaintiffs, who exhausted all their administrative remedies through

Civil Service and the General Accounting Office, and then went into the Court of Claims, the court said, re our interpretation of 216(a) of the Merchant Marine Act where we are authorized to enroll administrative employees, assimilated to the rank and pay of the Coast Guard that this section means that they must coincide with a double first cousin, as it were, at the Coast Guard.

Therefore we could not have a lieutenant (junior grade) performing a job that a lieutenant at the Coast Guard might.

Mr. FORD. To answer your question, we don't have to get their determination, but determine if there is a similar position at the Coast Guard Academy.

Senator BARTLETT. Is there any disposition ever on the part of the Coast Guard to say in respect to this electrical engineer, in response to your inquiry, that obviously he is not of a proficiency to be a commander—yet in your opinion he is. Is there any difficulty that way?

Mr. DAWSON. Sir, we have excellent cooperation from the Coast Guard in their responses but one of the serious difficulties is they might say, "But we don't teach a subject of this nature here. We don't have anybody exactly like this, and we don't know what to tell you." Now you see we have a different student body. We have a different academic program, and they don't teach any foreign languages at the Coast Guard. We teach three at the Merchant Marine Academy.

We give some courses in ship management which they don't give, yet we are supposed to try to find a similar job at the Coast Guard in arriving at a rank or rating.

Senator BARTLETT. How do you resolve this difficulty when the Coast Guard is unable to help you?

Mr. DAWSON. When they say they don't have anything that is anywhere near like this, we say what is the nearest thing you have to it, or what do you think it would be if you had a course like this?

They say, well, it might be one thing or another, and so we take one of those choices.

Senator BARTLETT. What is the difference between schedule A and the remainder of civil service, so far as this particular situation is concerned?

Mr. DAWSON. Schedule A in the civil service is a term used to identify noncompetitive positions whereby you can recruit without the necessity of a competitive examination. And for all other purposes, it is the same throughout the civil service system.

In other words, you have the competitive system and the noncompetitive and you can only have the noncompetitive with the permission of the Civil Service Commission. We wanted schedule A for the faculty at the Academy because we don't want to go out and try to get a man to teach German and then tell him he has to take a civil service examination.

It is the same system they have for the civilians at the Naval Academy.

Senator BARTLETT. If this bill is enacted, you would not have to do that?

Mr. DAWSON. No, sir. If this bill was enacted, we would be able to recruit on the basis of faculty merit and qualifications without regard to a lot of redtape.

Senator BARTLETT. How many employees would be affected?

Mr. DAWSON. 201 as of this date.

Senator BARTLETT. How many on the staff and how many on the faculty?

Mr. DAWSON. Seventy-seven on the faculty who are actually engaged in instructional duties and the remainder of the 201 are either staff or custodial work force or faculty support.

Senator BARTLETT. What do they think, they being employees, of this proposal?

Mr. DAWSON. Well, in any group of that sort I would say that there would be a divergence of opinion. This has been under discussion and they have had various meetings with the faculty up there, and initially the large majority of the faculty were opposed to this bill. In the last year or two the tenor of the attitude on the part of the staff and faculty is changing and I think the Superintendent, who is here, could probably speak more pertinently to that subject.

In other words, we have had members recently, like the librarian, that asked to be converted to the civil service without waiting for any bill. The executive officer is already in the civil service system, as is the assistant dean.

Mr. FORD. I think, generally speaking, that the faculty objected to conversion, when this started, on the basis that they had all of the military prerogatives without a number of the objectionable features of being in the military.

Senator BARTLETT. Would there be any financial sacrifices involved for employees?

Mr. FORD. The conversions would be at comparable salaries, and when I say that, one of the original objections was on the basis of military advantage—this is conversion of their military pay and allowances to a comparable pay grade in the civil service.

Now what this means is that they would lose the tax advantage of their military allowances. In other words, they would pay taxes on all of their salary and would not be exempt from that part which is considered in the military as allowance for cost of living—housing.

Senator BARTLETT. There would be less than complete enthusiasm on the part of those affected?

Mr. FORD. I think that is probably accurate.

Senator BARTLETT. We won't ask you, because there is no reason why you ought to be in the position to know, but I think we will have to get into some of the details of this, too.

Mr. DAWSON. Could I give you one figure on that, Senator, just as an example?

Senator BARTLETT. Surely.

Mr. DAWSON. For instance, let's take an officer—and this is an actual case, and I won't identify him. We have worked this out. I will put it in the record, if you so desire. I will give one example on the case you just mentioned.

His annual base pay is \$10,320, and that is what he pays taxes on. And his taxes, with two exemptions, his withholding taxes are \$1,617.60. Now his allowances and subsistence add up to over \$2,000. So his total gross pay is \$12,536. Now when he is converted under our bill, and under salary saving, he will have to get a salary that is at least greater at the set salary step above his present gross, which would be \$12,577. So he will get a raise of approximately \$40. But

he will then pay taxes on his gross pay, which would be \$2,022; so his taxes would go up \$403.

Now our answer to that is that this entails various other benefits. His present retirement, if he retired, with 30 years' service, he would get an annuity of \$5,500. When he is converted under our bill he would get an annuity of \$6,700; so his retirement would go up \$1,200 a year.

He is now covered by \$11,000 annual life insurance, and under our conversion bill he would have an insurance policy of \$13,000.

So we figure that these benefits work both ways. He is going to pay more taxes, but he is going to get more benefits.

Senator BARTLETT. Do you know if we are going to have any members of the staff to testify?

Mr. FORD. The Superintendent is here, and the assistant dean.

Mr. BOURBON. We have one man of the alumni association.

Senator BARTLETT. I might ask this: do we know whether the members of the faculty and operational staff have had notification that this bill is going to be heard now? Have they had notice?

Mr. BOURBON. There was a notice sent to the admiral 3 weeks ago that the hearing would be held at this time. I might say this, Senator, that 2 years ago when this first came up, there was a real hue and cry among the alumni and people up there. It faded a little last year, but we had not one single letter from anybody opposing it this year.

Senator BARTLETT. That certainly is indicative of something.

I presume they are very literate if they are on the faculty.

Well, Admiral, alumni representatives in the past, have stated that they wanted to see Kings Point Academy placed on a comparable basis to the service academies in reference to the situations we are discussing.

Do you think this bill would do that?

Mr. FORD. I think that it will. I think that it will improve the Academy as an educational institution.

Senator BARTLETT. Was a bill first introduced on this subject in the 86th Congress?

Mr. DAWSON. There was no hearing on it. It was just introduced and there was no hearing. In the 86th there was a bill introduced in the Senate, but they didn't have time for a hearing. They waited until the House took action and then it was too late in the session for the Senate to act.

Senator BARTLETT. There was a bill introduced in the 85th Congress?

Mr. BOURBON. Two bills, weren't there?—one along these lines and one to establish the Maritime Service as a uniformed service. And that is what caused all the controversy. Some of the boys wanted to be in uniform.

Mr. FORD. As I recall, there was a bill introduced in the 85th Congress which was not heard; no hearings were held in the 86th Congress. Hearings were held in the House. It was passed by the House, but it was late in the session and the companion bill was not heard in the Senate.

Senator BARTLETT. How about the 84th Congress? Was there a bill then?

Mr. FORD. No, sir.

Mr. BOURBON. Isn't that when we passed the bill setting the Academy up as a permanent institution?

Mr. FORD. That did not speak to this particular subject.

Senator BARTLETT. Under the existing arrangement, when you want to, for what you consider to be good cause, fire a maintenance engineer, how do you go about it?

Mr. DAWSON. He is under the same disciplinary procedures as any other civilian employee of the Federal Government. So we would investigate, give him notice, and adequate time for hearing, and so forth. He is not under any military system. There is no court-martial system prevailing. And if he is in the competitive system, he gets the protection of the Floyd-LaFollette Act. If he is in the noncompetitive system, and a veteran, he gets the protection of the Veterans' Preference Act.

Senator BARTLETT. This bill would make no difference whatsoever, or at least very minor differences, in respect to the matter of tenure for alleged incompetence?

Mr. DAWSON. If this bill went through, he would have the same protections that he now has.

Senator BARTLETT. Would you make the same statement in reference to faculty members?

Mr. DAWSON. Yes, sir; because you see, the Civil Service considers them to be—even though they are paid according to the Coast Guard—schedule A civilian employees. We have an order on policies applicable to the faculty which we can put in the record which describes tenure, and they are entitled to all the hearings that anyone else would be entitled to.

Senator BARTLETT. If you will, please, make that available for the record.

I should say here that the Comptroller General, in the report which I asked be placed in the record, recommended favorable consideration of the bill.

(Policy statement follows:)

U.S. DEPARTMENT OF COMMERCE, FEDERAL MARITIME BOARD, MARITIME
ADMINISTRATION, MANUAL OF ORDERS

Administrator's Order No. 181
Effective June 20, 1956

POLICIES APPLICABLE TO FACULTY OF THE U.S. MERCHANT MARINE ACADEMY,
KINGS POINT, N.Y.

SECTION 1. PURPOSE

1.01 The purpose of this order is to provide a statement of policies as to employment, tenure, pay, academic freedom, and related matters applicable to faculty members at the U.S. Merchant Marine Academy.

SECTION 2. PERSONNEL AFFECTED

2.01 This order shall be applicable to all faculty members at the U.S. Merchant Marine Academy. For the purposes of this order, faculty members shall include all personnel performing full-time duties as lecturers, instructors, and professors or teachers in all academic departments at the U.S. Merchant Marine Academy, and such other employees of the Academy as may be elected by the faculty subject to the approval of the dean and the superintendent, respectively.

SECTION 3. ESTABLISHMENT AND PURPOSE OF ACADEMY

3.01 *Establishment.*—The U.S. Merchant Marine Academy, which was originally established administratively to carry out certain maritime training provisions of the Merchant Marine Act of 1936, was made a permanent institution by the Congress by Public Law 415, 84th Congress, approved February 20, 1956.

3.02 *Accreditation.*—The Merchant Marine Academy is accredited by the Middle States Association of Colleges and Secondary Schools. The curriculum of the Merchant Marine Academy is registered by the New York State Department of Education. The Academy is a member of the National Education Association of the United States, the American Council on Education, and the Association of American Colleges.

3.03 *Purpose of Academy.*—The Merchant Marine Academy was established for the purpose of instructing and preparing carefully selected American citizens for service as officers in the U.S. Merchant Marine, which is necessary to promote the foreign and domestic commerce of the United States and for our national defense.

3.04 *Objectives of Academy curriculum.*—The objectives of the course of instruction at the Merchant Marine Academy are as follows:

1. To prepare graduates to undertake immediately all the duties and responsibilities which are customarily assigned third officers or third assistant engineers in the U.S. merchant marine;

2. To supply the necessary theoretical and practical background and ability to enable them to advance to more responsible positions in the merchant marine, with the expectation that they will develop into officers of high caliber and provide competent leadership.

3. To prepare graduates who receive a commission as an ensign in the U.S. Naval Reserve, to satisfactorily perform the duties as a naval officer upon assignment to active duty, consistent with the policies of the Department of the Navy.

4. To provide graduates a general knowledge of the organization of American and world shipping and its operations and subsidiary activities so that the graduate may understand his responsibilities in relation to the functions and purpose of the American merchant marine.

5. To prepare graduates to serve as representatives of the American way of life wherever they may be, at home or abroad, and to effectively meet their responsibilities as U.S. citizens.

3.05 *Degrees, licenses, and commissions.*—Upon satisfactory completion of the academic program at the Merchant Marine Academy, cadet-midshipmen receive the degree of bachelor of science; upon passing appropriate examination administered by the U.S. Coast Guard receive a license as deck or engine officer; and, consistent with arrangements with the Department of the Navy, graduates may be commissioned ensign in the U.S. Naval Reserve.

SECTION 4. RESPONSIBILITIES

4.01 The Superintendent of the U.S. Merchant Marine Academy is responsible to the Maritime Administrator for the overall supervision and management of the U.S. Merchant Marine Academy in accordance with applicable laws, policies, and regulations governing same. The Superintendent is responsible for making recommendations for change in policies and practices which will be in the best interest of good management and the purpose of the Academy, and consistent with requirements of law. He is responsible for explaining to and keeping faculty members currently informed of policies affecting them. After consulting with the academic dean, he is responsible for recommending employment, promotion, separation, and other personnel actions for faculty members in accordance with the personnel practices and policies applicable to Federal civilian employees of the Maritime Administration.

4.02 In the absence or preoccupation of the Superintendent, the executive officer will exercise all of the authorities and responsibilities of the Superintendent as set forth herein.

4.03 The dean is responsible for providing faculty leadership and guidance on academic matters, carrying out the spirit and intent of established orders and regulations and making recommendations to the Superintendent for changes in policies and regulations consistent with the principles of good management and applicable controlling laws. The dean is responsible for candidly evaluating the education, experience, ability, and general suitability of faculty mem-

bers, and applicants for such positions, and recommending to the Superintendent the employment, promotion, separation, or other warranted personnel actions for faculty members in keeping with applicable policies and regulations.

4.04 A faculty member is responsible for performing well his academic duty, striving for professional development, and applying his talents to the service of his profession, his community, the Merchant Marine Academy, and his country. He shall have the primary responsibility of devoting his thought, time, and energy to the service of the Academy. Faculty members are encouraged to make constructive suggestions for improvements and to participate in faculty and Academy activities.

4.05 *Maritime administration staff officers.*—The various staff officers in the Maritime Administration are responsible for rendering services and assistance in connection with budget, security, manpower, personnel, organization and methods, public relations, and other related matters common to all civilian employees of the Maritime Administration, and acting for the Maritime Administrator in accordance with their specific functions and delegation of authorities, in the administration of activities of the U.S. Merchant Marine Academy. Such services and assistance will be comparable to those furnished other organizational components of the Maritime Administration.

SECTION 5. EMPLOYMENT PRACTICES AND POLICIES

5.01 The principles and policies stated herein shall be applicable to all members of the faculty at the U.S. Merchant Marine Academy, as identified above.

1. *Appointment and tenure.*—(1) Members of the faculty at the U.S. Merchant Marine Academy generally shall be enrolled for active administrative duty under authority of section 216(a) of the Merchant Marine Act of 1936, as amended. Persons so enrolled are referred to as administrative enrollees in the U.S. Maritime Service. Enrollments of new members of the faculty shall be for a specific period of 3 years which may be renewed for one additional 2- or 3-year period upon recommendation of the dean and approval by proper authority. Such limited enrollments shall be considered a probationary period. After satisfactory completion of the probationary period the faculty member may be enrolled without any specific time limitation. Faculty members also may be employed on a temporary, part-time, or intermittent contract or fee basis, or under other appropriate authority, as circumstances may warrant in cases of temporary or special need of additional or substitute faculty members.

(2) The academic rank and type of appointment of a new faculty member will depend on the needs of Academy and qualifications of the appointee. Each teacher shall be advised of the terms and conditions of his appointment upon the offer of appointment.

(3) If it becomes apparent during the probationary period, that the faculty member's conduct, general character traits, or capacity and competence are not such to fit him for satisfactory service, the faculty member will be separated in accordance with section 5.05 of this order. After having satisfactorily completed the probationary period and following granting an appointment without specific time limitation, tenure of faculty member's services shall be considered permanent and he will be involuntarily terminated only for adequate cause, retirement, or bona fide reductions in force.

(4) A faculty member who holds other than a temporary appointment and has satisfactorily completed his probationary period, who is dismissed for cause shall have an opportunity to appeal the action in accordance with provisions of Department of Commerce Administrative Order 202-2, as amended, and as appropriate, Administrator's Order No. 174. A Board of Grievance Review, as established by Administrator's Order No. 112 (amended), or the deputy employment policy officer, whichever is appropriate, will investigate the merit of any appeal, which will be handled in accordance with provisions of Administrative Order 202-2 (amended), and if appeal is a complaint of discrimination based on race, color, religion, or national origin in accordance with Administrator's Order No. 174.

5.02 *Ranks, pay and allowances.*—Members of the faculty enrolled for administrative duty under authority of section 216(a), Merchant Marine Act, 1936, as amended, as prescribed by law, shall be assigned ranks, grades, and ratings as are now or shall hereafter be prescribed for the personnel of the

Coast Guard. The duties and nature and extent of responsibilities in positions or assignments occupied by faculty member of the various academic departments shall be evaluated periodically in accordance with established personnel procedures to determine position, titles, ranks, and ratings for positions or assignments and to assure as nearly as practicable equal rank and pay for equal work and established qualifications. In accordance with section 509 of the Career Compensation Act, as amended, and 33 C.G. 151, the rates of pay and allowances for administrative enrollees of the U.S. Maritime Service while serving on active duty shall be as provided by titles II and titles III of the Career Compensation Act for the assigned ranks, grades, and ratings.

5.03 *Promotion of faculty members.*—

1. The best qualified faculty member or applicant shall be selected, according to merit, for faculty vacancies which are to be filled. In considering candidates for promotion to vacant faculty positions, consideration will be given to the extent and quality of academic, professional, and technical training and teaching experience, practical experience in the subject matter field, personal characteristics necessary for a teacher, and recognition for meritorious awards and exemplary service previously rendered.

2. There is authorized to be established and maintained in accordance with procedures prescribed in Administrator's Order No. 101, as amended, a faculty committee which may initiate and consider actions as follows:

(1) Recommendations for incentive awards for faculty members based on meritorious performance of official duties.

(2) Recommendations for promotion of faculty members resulting from the execution and development of their official activities, duties, skills, and academic growth to a higher rank or level than that to which assigned.

(3) Other types of administrative matters as may be referred to the committee by the dean or superintendent for review and recommendation.

3. A statement of qualifications standards for various faculty positions is authorized to be developed by the faculty committee, subject to the review and approval by the dean and Superintendent of the Academy, respectively; the Maritime Administrator or his authorized representative, and to such extent as may be necessary by other competent authorities. Qualifications standards shall not be lower than those established by the Federal Government for comparable or similar positions.

4. To the extent feasible, consideration for faculty promotions shall take place at least once annually, at a time designated by the academic dean, following completion of the annual performance rating program.

5.04 *Leave and liberty.*—A leave system compatible with the system of pay and allowance, comparable to that for the members of the Armed Forces, has been established in the Instructions for the U.S. Maritime Service for administrative enrollees on active duty.

1. *Annual and sick leave.*—The Superintendent of the U.S. Merchant Marine Academy and such persons as he may designate are authorized to grant leave with pay in accordance with the above cited instructions.

2. *Leave without pay.*—Leave without pay may be granted by the Superintendent, and such persons as he may designate, in accordance with the policies established by the Department of Commerce in Administrative Order 202-17 (amended), section 5. As specified in that order, requests for leave without pay of 30 calendar days or more, with appropriate justification, shall be submitted to the appropriate personnel officer of the Maritime Administration for appropriate action.

3. *Liberty.*—The Superintendent, or the dean with the approval of the Superintendent, is authorized to grant liberty in accordance with and to the extent provided by established regulations to faculty personnel during academic holidays granted to cadet-midshipmen and at other times as may be appropriate. Requests for leave exceeding the amount of any authorized liberty shall be considered under the regulations applicable to annual leave or leave without pay.

5.05 *Separations.*—All adverse actions shall be effected in accordance with applicable Federal laws and regulations, including those contained in Department of Commerce Administrative Order 202-20 (amended).

1. To the extent practicable, faculty members will be given at least 6 months' written notice of proposed separation from the Service to provide

as much time as possible to seek another teaching position. However, when separation is required for serious misconduct or delinquency, fraud, or misrepresentation in an important matter, character unsuitability, inefficiency, separation for disability, or other matters of comparable seriousness, or budgetary reasons necessitating immediate reduction in force, advance notice usually will be limited to the minimum required by applicable law and regulations.

2. To the extent practicable, faculty members shall give at least 6 months' written notice of resignation or voluntary retirement, and such separation shall generally be effective at the end of the academic term.

3. Employees who are subject to the provisions of the Civil Service Retirement Act, who have completed at least 15 years of service, including a minimum of 5 years' civilian service, and at least 1 year of civilian service under the Retirement Act within the 2-year period immediately preceding separation, are required to be separated at the end of the month in which their 70th birthday occurs, or the last day of the month in which the required service is completed, whichever is later. Faculty members, at their discretion, may elect to voluntarily retire at an earlier age when applicable requirements are met. Reemployment of retired faculty members is authorized only in accordance with terms of the regulations of the Civil Service Commission and through established personnel processes.

5.06 *Approval and processing personnel actions.*—Recommendations for appointments, promotions and other personnel actions will be processed in accordance with applicable laws, regulations, personnel procedures and delegation of authority for personnel administration as contained in Department of Commerce Administrative Order 202-1 (amended) and Administrator's order 60 (amended). Recommendations for personnel actions for faculty members will be made to the local personnel officer by the Superintendent of the Academy following recommendation to him by the academic dean.

SECTION 6. ACADEMIC FREEDOM

6.01 Faculty members at the U.S. Merchant Marine Academy are civilian officers and employees of the U.S. Government as well as faculty members of an accredited collegiate institution. As such, faculty members are expected to carry out their duties and responsibilities in a competent manner and maintain a high order of conduct which will reflect favorably upon the U.S. Merchant Marine Academy, the Maritime Administration, Department of Commerce, and the U.S. Government. As civilian officers and employees of the Federal Government, faculty members are subject to all the same policies, principles, and code of ethics applicable to all other officers and employees of the Maritime Administration unless specifically excepted from same.

6.02 *Freedom in research.*—Faculty members are encouraged to make full use of available opportunities and facilities for research and self-development and are expected to keep abreast of developments in their specialized fields of education. Public speaking, writing for publication and research for pecuniary return shall be subject to and in accordance with applicable policies and regulations of the Department of Commerce contained in Department Order No. 77 and Administrative Orders No. 201-4 and No. 201-5. Teachers are encouraged to disseminate the results of their research consistent with established Department regulations.

6.03 *Freedom in teaching.*—All faculty members are entitled to freedom in the classroom in discussing their subject but shall be careful not to introduce into their teaching controversial matter which has no relation to the subject. In teaching their subjects all faculty members shall be completely loyal to the United States and endeavor to uphold the principles of the U.S. Government.

SECTION 7. BENEFITS AND OTHER REQUIREMENTS APPLICABLE TO ADMINISTRATIVE ENROLLEES

7.01 Administrative enrollees of the U.S. Maritime Service on active administrative duty are subject to the following, unless specifically excluded therefrom because of limitations on the appointment or enrollment.

7.02 *Civil Service Retirement Act.*—Pursuant to opinion of the Attorney General on April 24, 1952, that administrative enrollees are civilian officers and employees in the executive branch of the Government within the meaning

and for the purposes of the Civil Service Retirement Act, administrative enrollees are subject to the retirement provisions of that act unless their enrollments are on a temporary—not to exceed 1 year—or indefinite basis. Enrollees' basic pay, including increases based on longevity, is subject to deductions for such retirement coverage. Information as to retirement is contained in Department of Commerce Administrative Order 202-14.

7.03 Federal employees' group life insurance.—Administrative enrollees of the U.S. Maritime Service on active duty, unless holding a temporary appointment of 1 year or less, or unless insurance coverage is waived, are subject to the provisions of Federal Employees' Group Life Insurance Act (letter from Executive Director, Civil Service Commission, dated September 1, 1954), which provides for term life insurance, including provisions for accidental death and dismemberment. The amount of insurance is based on the enrollee's basic pay, including increases based on longevity (Department of Commerce Administrative Order No. 202-39).

7.04 Social security.—Administrative enrollees who are not subject to the Civil Service Retirement Act are subject to the provisions of the Federal Employees' Contributions Act, for which applicable provisions are contained in Department of Commerce Administrative Circular 112 and supplements. "Wages" for the purpose of this act have been determined to include total pay and allowances for quarters, subsistence, and uniforms.

7.05 Unemployment compensation.—Unemployment compensation for Federal employees is provided by Public Law 767, 83d Congress, and regulations issued by the Bureau of Employment Security of the Department of Labor. Determinations of benefits are made by the State agency administering State unemployment compensation or employment security laws. The Acting Secretary of Labor advised by letter dated December 31, 1954, that administrative enrollees "appear to be civilian employees of the United States within the coverage of Public Law 767 and are thus entitled to its protection." Determination of benefits is based on the total pay and allowances (quarters, subsistence, and uniform) or value of allowances when furnished in kind, for administrative enrollees on active duty, in accordance with a memorandum dated February 15, 1955, from the Bureau of Employment Security, Department of Labor. Regulations on unemployment compensation are contained in Department of Commerce Administrative Order 202-35.

7.06 Compensation for injury.—Administrative enrollees are subject to the provisions of the Federal Employees' Compensation Act, which provides compensation benefits, including compensation for loss of earnings, death benefits, and medical care for persons who suffer personal injury or death in the performance of their official duties unless resulting from misconduct or the willful intention on the part of the employee (Department of Commerce Administrative Order 202-19 (amended)).

7.07 Incentive awards.—Administrative enrollees are subject to the Government-wide incentive awards program which recognizes and rewards employees for their suggestions, inventions, superior accomplishments, or other personal efforts which contribute to the efficiency, economy or other improvement of Government operations, and for performance by employees of special acts or services in the public interest in connection with or related to their official employment (Department of Commerce Administrative Order 202-27 (amended) and Maritime Administration Management Order No. 549 (amended)).

7.08 Security requirements.—Executive Order 10450 provides that "all persons privileged to be employed in the departments and agencies of the Government shall be reliable, trustworthy, of good conduct and character, and of complete and unswerving loyalty to the United States," and requires the conduct of investigations to determine whether employment in the Federal Service is consistent with the interest of national security. Administrative enrollees are subject to these requirements in the same manner as other civilian officers and employees of the Government. Applicable regulations and procedures are contained in Department of Commerce Administrative Order 207-4.

7.09 Conflicts of interest and private business activities.—Administrative enrollees are subject to applicable statutes and policies governing conflicts of interest and private business activities, as contained in Department order 77 (amended), and Maritime Administrator's Order No. 177 (amended).

7.10 Performance ratings.—Administrative enrollees are subject to the Performance Rating Act of 1950, which requires that employees be advised periodically of the frank and fair evaluation of their performance, and how they may

improve their work (Department of Commerce Administrative Order 202-16 (amended), and Maritime Administration Management Order 562 (amended)).

7.11 *Reduction in force regulations.*—Administrative enrollees are subject to regulations issued by the Civil Service Commission governing reductions in force in the same manner as are other Federal civilian officers and employees outside the competitive civil service (Department of Commerce Order 202-32 (amended)).

7.12 *Removal protection.*—Administrative enrollees who have completed 1 year of current continuous Federal service and who hold other than temporary appointments limited to 1 year or less are subject to regulations issued by the Civil Service Commission with regard to advance notice and an opportunity to reply to such notice of proposed removal or other adverse action. Such protection is provided by section 14 of the Veterans' Preference Act for veterans and administratively for nonveterans. Procedures and appeal provisions are contained in Department of Commerce Administrative Orders 202-20 and 202-2 (amended).

7.13 *Taxable income.*—For income tax purposes, only basic pay, including longevity increases, of administrative enrollees is subject to tax. Pursuant to rulings from the Treasury Department dated February 16, 1943, and September 21, 1951, subsistence, quarters, and uniform allowances are not subject to income tax.

7.14 *Travel and transportation allowances.*—Administrative enrollees are entitled to receive travel and transportation allowances comparable to that for military personnel under regulations issued pursuant to section 303 of title III of the Career Compensation Act of 1949, for properly authorized travel.

7.15 *Medical benefits.*—Administrative enrollees on active duty are entitled to medical, dental, and domiciliary treatment including all necessary examinations, which are obtained through the Public Health Service, insofar as possible, in accordance with the instructions for the U.S. Maritime Service.

7.16 *Specific exceptions.*—Administrative enrollees are excluded from the Civil Service Act and regulations applicable to the competitive civil service; Classification Act of 1949, as amended, which prescribes grades and salaries for certain Federal civilian positions; Federal Employees Pay Regulations relative to overtime, night and holiday pay; Annual and Sick Leave Act of 1951, as amended; Standardized Government Travel Regulations; and Federal Employee Uniform Allowance Act.

SECTION 8. EXCEPTIONS AND CLARIFICATIONS

8.01 Questions relating to the interpretation of this order or other orders referred to herein should be referred to the appropriate staff officer within the Maritime Administration, consistent with the functions of such offices as prescribed by Administrator's orders.

8.02 Exceptions to the provisions of this or other orders regulating or restricting activities of faculty members may be granted by proper authority from time to time, within the limits of administrative discretion permitted, whenever the facts indicate such is warranted.

SECTION 9. EFFECT ON OTHER ORDERS

9.01 Any other orders or parts of orders, the provisions of which are inconsistent or in conflict with the provisions of this order, are hereby amended or superseded accordingly.

CLARENCE G. MORSE,
Maritime Administrator.

Senator BARTLETT. Do you have any further statement, Admiral, that you would care to make?

Mr. FORD. No, sir.

Senator BARTLETT. Mr. Nottingham, I understand you have a statement you wanted to present.

Mr. NOTTINGHAM. Yes, sir.

Senator BARTLETT. It is my understanding, Mr. Nottingham, you merely desire to present the statement for the record.

Mr. NOTTINGHAM. Yes, sir; that is correct.

In the interests of brevity, Mr. Chairman, I think that would suffice. I would like to say, we are in support and we certainly hope that it will be enacted, ending a longstanding controversy over the status of the faculty of the Academy.

Senator BARTLETT. Thank you.

Mr. NOTTINGHAM. Thank you, sir.

(The statement of Mr. Nottingham follows:)

STATEMENT BY MILTON G. NOTTINGHAM, JR., ON BEHALF OF THE U.S. MERCHANT MARINE ACADEMY ALUMNI ASSOCIATION ON S. 576

Thank you, gentlemen, for the privilege of appearing before you to offer testimony on behalf of the Kings Point alumni in support of S. 576.

My name is Milton G. Nottingham, Jr. I am an alumnus of the U.S. Merchant Marine Academy and the legislative representative of the Academy's Alumni Association, as well as vice president of Universal Shipping Co., Inc., a local firm of steamship agents and brokers.

Kings Point alumni are proud of the faculty and staff of the Merchant Marine Academy. They are dedicated and able people who reflect credit upon the institution they serve. Because of the esteem in which we hold the Academy personnel, and in view of divergent opinions as to the status they should hold, it was not easy for us to reach a decision as to the position we should take in this matter. However, after lengthy deliberation, including numerous meetings with various officials of the Maritime Administration, representatives of the faculty and other interested parties, the alumni association's board of governors decided to support S. 576 and hence the conversion of the faculty and staff of the Academy to civil service status.

The purpose of S. 576 is to provide for the faculty and staff of the Merchant Marine Academy a clearly defined personnel system. The current status of the faculty and staff of the Academy is largely an outgrowth of wartime conditions prevailing when the institution was organized in 1942. There are now three separate categories of personnel at the Academy. The first are the administrative enrollees of the U.S. maritime service who are civilian employees but equated by law in pay and certain other benefits to comparable ranks and ratings in the U.S. Coast Guard; second are the classified civil service employees, in an administrative capacity; and the third category, also civil service, are the "blue collar" wage board employees.

S. 576 will, if enacted, end the mass of confusion that has arisen from the present complicated and difficult to administer personnel situation at the Academy.

The "Sons of Kings Point" are anxious that the turmoil and controversy surrounding the faculty and staff of our Academy be resolved as soon as possible. We hope that by the enactment of S. 576, the personnel of the Academy will be grouped within civil service on a basis commensurate with the importance, skill, and responsibility required of their specific positions. Moreover, we trust that in the conversion process care will be exercised to avoid any loss in pay or fringe benefits to the individuals involved. The alumni association feels this is essential if we are to retain at Kings Point the excellent instructors and staff who presently serve the Academy and to attract similar high caliber individuals as vacancies occur through normal attrition.

In the matter of fringe benefits we note that under civil service the personnel of the Academy will receive more generous retirement and insurance coverage than at present. On the other hand, if S. 576 is enacted in its present form, they will lose the medical and dental care which they presently enjoy and have received since the establishment of the Academy. Accordingly, we ask that the last one-half sentence of section 216(f) (5) of this bill be deleted in order that the administrative enrollee on duty at Kings Point may continue to receive the medical assistance which they have been granted during the past 18 years.

Finally, gentlemen, in advocating the passage of S. 576, we do so with the understanding and assurance of the Maritime Administration that no change in the character of the Academy, the training program or the regiment of cadets will result.

Senator BARTLETT. Also for the record, there is a letter addressed to Chairman Magnuson from Mr. Theodore Braid, northwest gov-

ernor of the Alumni Association, who wants the bill enacted and urges prompt action.

(The letter referred to follows:)

THE U.S. MERCHANT MARINE ACADEMY ALUMNI ASSOCIATION, INC.,
Kings Point, N.Y., February 18, 1961.

HON. WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: The alumni of Kings Point who reside in the Northwest are proud of the U.S. Merchant Marine Academy, and therefore most appreciative of the support that you have given this institution.

I am writing now to urge that prompt and favorable action be taken on S. 576, the bill to provide for civil service status for the faculty and staff of the Academy. If enacted, this will resolve a long outstanding controversy which has resulted in poor publicity for our alma mater. Last year, a similar bill passed the House of Representatives, but time did not permit Senate action prior to the end of the session.

Thank you for your consideration of this matter.

Very sincerely,

THEODORE BRAIDA, *Northwest Governor.*

Senator BARTLETT. Also for the record, we have a statement from Mr. Hoyt S. Haddock, Director, Seafarers' Section, MTD, AFL-CIO.

(The statement follows:)

STATEMENT OF HOYT S. HADDOCK, DIRECTOR, SEAFARER'S SECTION, MTD,
AFL-CIO, ON U.S. MERCHANT MARINE ACADEMY

The Seafarers' Section, MTD, AFL-CIO, representing all union seamen urge the enactment of S. 576.

It is our understanding that the pending legislation, S. 576, will affect the employment status and personnel policies applicable to the staff, faculty and custodial work force at the Academy and will bear no relationship to the 915 cadet students at the Academy and will not affect the current status of the cadet students in any manner.

When the training program was enacted into law, we opposed the provision of the legislation which established the military service principle for faculty and enrollees. We did this for two basic reasons. First, the American merchant marine has traditionally been a service both in war and peace operated by private companies and manned with civilian personnel. Secondly, the preamble of the 1936 Merchant Marine Act clearly sets forth the principle that the merchant marine should be operated and manned as a civilian transportation service for the commerce and defense of the United States.

Regardless of the military flavor acquired by the U.S. Maritime Service during World War II, the Academy at Kings Point has now been recognized by the Congress as a permanent national Merchant Marine Academy. Nevertheless, it remains essentially a civilian institution with the mandate to turn out civilian deck officers and civilian engineers for voluntary service in the American merchant fleet.

Since the Revolutionary War, the American merchant marine, despite its role as the strong fourth arm of defense in time of war, has remained a thoroughgoing civilian service. Today, the 201 members of the U.S. Maritime Service who, along with 66 completely civil service employees, comprise the 267 members of the staff, faculty and custodial staff at Kings Point, are likewise civilian employees of a voluntary civilian service in the Government of the United States, and their pay should be assimilated to the Civil Service as provided in S. 576, rather than to a military pay system.

Essentially this bill would place Kings Point on the same basis as other schools. This bill, simply stated, would make available and preserve to the employees at Kings Point the same benefits as are granted to other civilian employees of the United States and, more specifically, would place the faculty of Kings Point on a basis similar to that of the faculty of the Naval Academy.

Without attempting to analyze all of the provisions of the legislation which we favor, we believe that the Academy should be operated as a civilian institution with employees engaged under the civil service rules and regulations. All ranks and ratings which are established at the Academy should be in strict accordance with customs and practices in the merchant marine.

Academic freedom should be assured the faculty at all stages of employment. In making the personnel change from the present hodgepodge to civilian status, the transition should be made in such manner as to assure that there will be no disruption in the orderly performance of the employees' functions or in their providing appropriate training services to the enrollees of the Academy. The policy of the Academy for the employment of personnel should be such as to increase the effectiveness of its services as an educational institution.

We believe that the enactment of legislation clearly defining the status of faculty and administrative employees under a civil service system will help to attract individuals of the highest abilities to the educational and administrative functions, increase the morale of the faculty and staff, and will encourage the faculty and staff to devote their energies to serving the Academy until they retire. This, without being plagued by either political or economic pressures.

Finally, we would urge the necessity for immediate passage of the legislation. For about 5 or 6 years now, the faculty and staff of the Academy have been engaged in controversy over their status. Many of them feel strongly that they should continue their employment under existing military status. Others are equally strong that this should be discontinued. The controversy, in our opinion, cannot help but affect the morale of both faculty and administrative personnel. This in turn must of necessity affect the education which the enrollees of the Academy acquire. Therefore, early passage of S. 576, with such amendments as are necessary as indicated hereinabove, are essential to the proper functioning of our Merchant Marine Academy.

Senator BARTLETT. I dislike making this announcement, but I am compelled to. The depressed areas bill is under consideration on the floor of the Senate and it is going to be necessary to recess these hearings.

Admiral McLintock is here from the Academy, but my understanding is, Admiral you have no testimony to offer unless questions are to be asked of you?

Admiral McLINTOCK. I would like to submit a statement for the record, Senator Bartlett, if I may.

(Statement of Admiral McLintock follows:)

STATEMENT BY REAR ADM. GORDON McLINTOCK, USMS, SUPERINTENDENT OF THE U.S. MERCHANT MARINE ACADEMY, ON S. 576, TO AMEND SECTION 216 OF THE MERCHANT MARINE ACT, 1936, AS AMENDED

Senator Bartlett, gentlemen, I am the Superintendent of the Academy and responsible to the Maritime Administrator for the fulfillment of its mission, which is to educate and train young Americans of the highest mental and physical caliber to become officers in our merchant marine.

I appreciate the opportunity to present my views to this committee on the proposed legislation contained in S. 576.

I am in favor of Senator Magnuson's bill, S. 576.

My judgment in this matter of the permanent status of the officers and men of the U.S. Maritime Service is based upon a lifetime of service at sea and ashore in the American merchant marine, a span of over 40 years from cadet to captain. I hold a current unlimited license as master, any ocean, any tonnage, or ship, and pilot licenses for most of the major ports. I came ashore as surveyor of ships under the Steamship Inspection Service at the port of New York, and later served in the Department in Washington as Chief of the License Examinations Division and then Chief of Casualty Investigations. I have been Superintendent of the Academy since 1948, and presided over its transfer to a full 4-year course, and its national accreditation by the Middle States Association of Colleges, and its State accreditation by the Board of Regents of the State Education Department of the State of New York. I also presided over the attainment of its permanency status by the Congress.

As the ranking officer in the U.S. Maritime Service, no one is more deeply concerned with its competence and prestige or more qualified to speak on this matter touching its future.

I definitely favor its quasi-civilian status as befitting a service for a civilian industry.

I support, for reasons stated below, the legislation, S. 576, a bill to amend section 216 of the Merchant Marine Act, 1936, as amended, to clarify the status of the faculty and administrative staff at the U.S. Merchant Marine Academy, to establish personnel policies for such personnel, and for other purposes.

1. When Admiral Wiley decided to establish a national cadet corps, the U.S. Merchant Marine Cadet Corps, I was offered the position of its supervisor, the first post to be set up in the corps, and after some consideration declined same on the advice of Admiral (then Captain) Shephard, Assistant Director, and Captain Field, Director of the Bureau of Marine Inspection and Navigation, and because in my own judgment also the future of such a training corps was at that time very uncertain. However, I have never entertained any doubt as to the desirability, in fact the necessity of such a national officer training corps for the merchant marine, and have been close to it since its inception, subsequently being assigned by the Navy as chief inspection officer of the overall training organization for merchant officers and seamen in 1942.

Originally the personnel of the cadet corps (officers and seamen), were civilians with competitive civil service status, and wore the uniform of the cadet corps with sleeve markings of ranks and ratings assimilated to their respective responsibilities and civil service classification. Upon the outbreak of World War II, since they were for the most part former merchant service officers or seamen, with Naval Reserve status, their commissions were activated with continued assignment to the cadet corps organization (Academy when it was constructed in 1942). In 1946, when they were released to inactive duty, they were enrolled in the Maritime Service with the ambiguous designation of "administrative enrollees." This status of "administrative enrollee" cannot be permanently maintained since under it the personnel of the Academy are neither fish nor fowl, nor good red herring.

2. Clarification of the personnel status of administrative enrollees involves either the clear establishment of a distinctly military personnel arrangement, with all the rights and responsibilities of such an arrangement, or a clear-cut civilian arrangement. In the light of the clear pronouncement in the Merchant Marine Act of 1936 that the Maritime Service is to be a volunteer civilian service, the Administration has determined that the clarification of personnel status shall be toward conditions of civilian employment, and with this the former academic dean and I agree. I consider that it would be impossible, as well as inappropriate, to gain all the prerogatives of the military when the Maritime Service does not, and could not, demand the same responsibilities.

3. Since the academy must compete with other civilian colleges for its faculty and with other civilian organizations for its staff, a pay plan and the associated conditions of employment should be comparable and competitive with these other colleges and organizations.

4. A conversion to civilian conditions of employment and a civilian pay scale would have the effect of increasing the retirement and insurance benefits of faculty and staff up to approximately 25 percent. This would result from the inclusion of quarters and subsistence allowances (under the military pay plan) within the overall salary (under the civilian plan) and the fact that retirement is computed on the average annual gross salary for the 5 years of maximum civilian compensation as opposed to the present computation on base pay and longevity only.

5. The conditions of academic employment which have been a concern of the faculty for some years, and their desire for a more academic atmosphere can be readily achieved with the recognition of the civilian status of the faculty.

6. In the decade ahead, with an unprecedented college enrollment expected for American colleges, the demand for qualified faculty is certain to outstrip the supply, with the consequent increase in faculty salaries at a rate more rapid than is probable for the military. I believe that our faculty will benefit in material forms from the discretionary power of the Secretary of Commerce to raise the faculty pay scale (as is authorized in the conversion bill and as pertains for some 215 civilian faculty members at the Naval Academy under authority of the Secretary of the Navy) without the necessity of an act of Congress.

7. Immediately upon the effective date of the conversion, approximately 50 positions on the staff representing the skilled trades would come under wage act regulations with an increase in salaries of from \$25,000 to \$30,000 per year. Subsequent replacements of personnel in this category would be greatly facilitated by being able to offer salaries which are competitive in the community.

8. It is particularly important that the nebulous status of the staff, military in some respects and civilian in others, should be clarified in a manner so that all members of the staff would know precisely their rights and responsibilities and could conduct themselves accordingly.

9. The Academic Advisory Board of the Academy, in its annual report to the Maritime Administrator, dated May 5, 1958, as well as in reports made subsequently on this subject, spoke favorably of the legislation introduced by Senator Magnuson and Representative Bonner, and believed that it would clarify and strengthen the position of the faculty of the academy and provide an appropriate compensation system for the faculty and other employees. The board also believed that the legislation would promote the best interests of the academy and its faculty and followed closely lines which previous advisory boards have been advocating, and should pass.

I regret, however, that the bill specifically eliminates the medical and dental care which administrative enrollees on active duty now enjoy under section 322(6) of the Public Health Service Act of 1944. Since the personnel of the Maritime Service have enjoyed these benefits for over 17 years, I believe they should be continued as a morale factor and the prohibition taken out of the bill.

In this regard, I am convinced that the morale factor is more important than any material benefits to the staff and faculty or any material cost factors to the Government through the Public Health Service.

To illustrate my point, there are 124 officers and 77 enlisted personnel who are affected by this bill as members of the U.S. Maritime Service. Of the 124 officers, all but 16 voluntarily enrolled under the Federal employees' health benefits program and are covered by health insurance for serious illness requiring hospitalization or surgery in the same manner as other civilian employees of the Federal Government. Of the 77 employees with enlisted ratings, all but 20 voluntarily enrolled under the health benefits program and are thereby covered by some insurance plan.

Frankly, the medical and dental care which they now enjoy is relatively minor, but serves a useful purpose in providing a degree of on-the-spot medical assistance on the campus to the convenience of the employee and the efficiency of the Academy. It also serves to give responsible staff officials of the Academy firsthand knowledge of the competence of the medical and dental care available to some 750 cadets, which we must continue to provide in any instance.

I therefore recommend that the Congress consider the advisability of deleting the last one-half sentence of section 216(f) (5) of S. 576 (see lines one through five on p. 6 of the bill) which I understand was not sponsored by the Department but added by the Bureau of the Budget when the bill was first drafted several years ago.

In conclusion I should like to emphasize that S. 576 does not in any manner affect the cadet students except to the extent that improvement of administrative procedures respecting the staff and faculty should serve to improve and strengthen the training provided to the cadets.

S. 576 pertains only to the clarification of the confused personnel status now relating to the 201 officers and men on active duty in the U.S. Maritime Service under the esoteric designation of "administrative enrollees." It may interest this committee to know that these 201 employees have an average age of 49. The average age of the officers is 47 and that of the enlisted men 53. Some 64 (25 officers and 39 enlisted) are 55 years old, or above. Thirty-two of these (13 officers and 19 enlisted) are age 60, or above. Twelve (8 enlisted and 4 officers) are 65 years old, or above. The average length of service of these 201 members of the U.S. Maritime Service, almost all of which has been at the Academy, is 16 years.

Such a stabilized work force of maturity and know-how, developed over the years, in my judgment will be better served by the provisions of S. 576.

The increase in their gross pay and conversion to a civilian type pay structure will obviously cause an increase in their income taxes. It is my firm belief, however, that this is offset by the comparable increase in retirement and insurance benefits; and, in the long run will balance out to the most equitable advantage.

For the reasons given, the Superintendent of the Academy and Dr. Trump, who was Academic Dean of the Academy for 4½ years until August 1959, and directly in charge of the faculty and responsible for their morale, and the Executive Officer, have, in common with the Academic Advisory Board of the Academy, fully supported the Secretary of Commerce and the Maritime Administrator in the need and desirability of the proposed legislation. From a practical and realistic point of view, I think the U.S. Government, the Academy and its staff and faculty, will be best served over the years by enactment of S. 576.

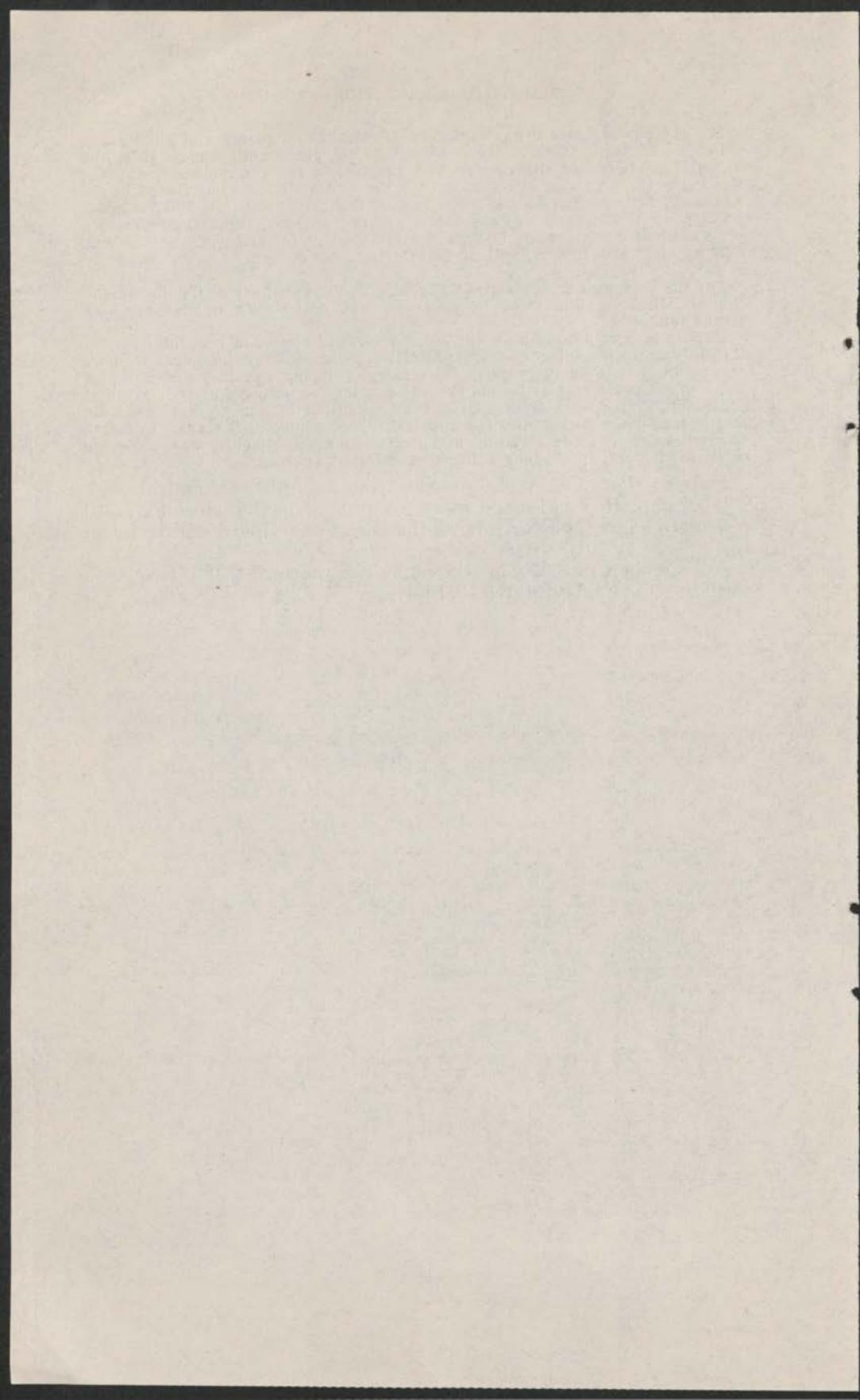
For the reasons I have given, I fully support the Secretary of Commerce and the Maritime Administrator in the need and desirability of the proposed legislation.

Having been captain of an ocean going vessel at 24 years of age, the youngest U.S. steamship inspector ever appointed, the youngest Superintendent to date, and having now over 30 years in Government shipping and 12 years at sea, a total of 42 years, I believe, on the basis of my experience, and in my best judgment, that S. 576 gives us the best resolution of our present uncertain status and, with special rules set up within the excepted civil service to match our particular personnel problems and professional requirements, we can operate efficiently under its provisions, I therefore endorse its passage.

Senator BARTLETT. We appreciate your being here, Admiral.

The committee will stand in recess until tomorrow morning at 10 o'clock, when two bills involving the U.S. Coast Guard will be taken up.

(Whereupon, at 2:25 p.m., the committee was recessed, to reconvene at 10:00 a.m., Friday, March 10, 1961.)



MARITIME LEGISLATION—1961

FRIDAY, MARCH 10, 1961

U.S. SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
SUBCOMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D.C.

The committee met, pursuant to adjournment, at 10 a.m. In room 5110, New Senate Office Building, the Honorable E. L. Bartlett presiding.

S. 682—A BILL TO PROVIDE FOR EXCEPTIONS TO THE RULES OF NAVIGATION IN CERTAIN CASES

Senator BARTLETT. The committee will be in order.

This morning the Merchant Marine Subcommittee has before it two bills of particular interest to the Coast Guard: S. 966, to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions; and S. 682, to provide for exceptions to the rules of navigation in certain cases.

The latter bill also is of moment to the highway authorities, and to operators of craft navigating under bridges or in navigable waters whose representatives are here to offer testimony on it.

(The bills follow:)

[S. 682, 87th Cong., 1st sess.]

A BILL To provide for exceptions to the rules of navigation in certain cases

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of Department in which the Coast Guard is operating may permit vessels desiring to navigate or operate under bridges constructed over navigable waters of the United States to temporarily lower any lights, day signals, or other navigational means and appliances prescribed or required pursuant to law, rule, or regulation, and, if necessary, may authorize vessels so navigating or operating to depart from the rules to prevent collisions as prescribed by law, rule, or regulation. The Secretary of the Department in which the Coast Guard is operating may also prescribe such special regulations to be observed by vessels so navigating or operating as in his judgment the public safety may require for the prevention of collisions.

(b) Notice of the regulations to accomplish the purposes of this Act shall be published in the Federal Register and in the Notice to Mariners, and after the effective date specified in such notices, such regulations shall have the force of law.

(c) Any person who navigates or operates a vessel in violation of the regulations established pursuant to this section shall be liable to a penalty not exceeding \$500. In addition, any vessel navigated or operated in violation of the regulations established pursuant to this section shall be liable to a penalty of \$500, for which sum such vessel may be seized and proceeded against, by way of libel, in the district court of the United States for any district within which such vessel may be found.

[S. 966, 87th Cong., 1st sess.]

A BILL To authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the interest of national defense and to provide necessary facilities for the U.S. Coast Guard for the performance of its duties, including oceanographic research, the Secretary of the Treasury is hereby authorized and directed to construct and equip three cutters especially designed for icebreaking in the Arctic and Antarctic regions.

SEC. 2. In order to assure that the cutters authorized to be constructed by the first section of this Act shall be of the most advanced practicable design for the functions they will perform, the Secretary of the Treasury shall conduct a feasibility and development study of the utilization of nuclear power in this type of cutter.

SEC. 3. (a) There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of the first section of this Act.

(b) There is authorized to be appropriated not to exceed \$500,000 to carry out the purposes of section 2 of this Act.

Senator BARTLETT. Admiral Richmond will testify on both bills.

If satisfactory to you, Admiral, why not discuss S. 682 first, so that these other witnesses will be free to leave afterward if they so desire.

Admiral RICHMOND. That will be quite satisfactory.

Mr. Ridge, special programs coordinator, Bureau of Public Roads, is here to speak for the Department of Commerce.

We will be pleased to hear you, Mr. Ridge.

**STATEMENT OF S. E. RIDGE, SPECIAL PROGRAMS COORDINATOR,
BUREAU OF PUBLIC ROADS, ON BEHALF OF THE DEPARTMENT OF
COMMERCE, BUREAU OF PUBLIC ROADS**

Mr. RIDGE. Thank you, sir.

My name is Sylvester E. Ridge. I am special programs coordinator of the Bureau of Public Roads. I am testifying today on behalf of the Department of Commerce concerning S. 682.

Mr. Chairman, I am pleased to appear before you to present the views of the Department of Commerce concerning S. 682, which is identical to a draft bill submitted as a part of this Department's legislative program for the 1st session of the 87th Congress.

Under this proposed legislation, the Coast Guard could permit vessels to lower lights, day signals, or other navigational means or appliances that are now required by law, rule, or regulation, to enable the vessels to navigate or operate under bridges constructed over navigable streams.

The present-day relationship between water and land transportation is such that every effort should be extended that each of these two modes of transportation may involve a minimum of interference with the other. Such efforts should be consistent with the greatest economy for each as well as due consideration for the public interest and safety.

The Bureau of Public Roads of this Department has been striving during recent years to obtain reasonable reductions in the navigational clearances required for highway bridges constructed with Federal-aid highway funds, with the objective of reducing the cost of the navigational increment of highway bridges whenever and wherever it is feasible without unduly affecting the reasonable requirements of waterway transportation.

One of the problems involved is the inconsistency in requirements for navigational lights on vessels operating on inland waters. On these waters, seagoing vessels must, in some cases, and may, in other cases, carry the lights required under the international rules. The international rules necessitate the carrying of range lights at an elevation substantially higher than that required under the rules applicable to vessels operating only on inland waters. We have a situation, therefore, wherein a seagoing vessel operating on the inland waters usually carries its lights at a much greater height than a vessel of similar size that operates only on inland waters.

At present, there is no provision in the law which would permit flexibility on the part of the Coast Guard in dealing with problems posed by vessels operating under the international rules and other vessels with high range lights when operating under bridges constructed over inland waters. Enactment of S. 682 would provide this needed flexibility in allowing the Coast Guard to permit those vessels having the higher lights to lower such lights when they desire to navigate under these bridges.

The lowering of these lights would be of great benefit to highway transportation. In some cases, the lowering of the lights would make it unnecessary to open the medium height drawbridge now existing on the busy high traffic highways in and around our coastal cities. This reduction in the number of openings of existing drawbridges would result in an appreciable reduction in the land transportation costs by reducing the delays to land transportation at these bridges.

In other cases, the lowering of the lights would make it possible for waterway traffic to pass under drawbridges on which special operating regulations have been established without waiting for the period in which the bridge must be opened under the special regulations. This would result in a reduction in waterway transportation costs.

In still other cases, the existence of this authority to lower lights, day signals, and other navigational means and appliances would make possible the construction of fixed bridges with lower vertical clearances or the construction of fixed rather than movable bridges. This would, of course, reduce both highway construction costs and vehicle operating costs without in any way affecting the navigability of the waterway.

The savings which would be brought about by the enactment of this bill would accrue directly to the waterway user, the highway user, and the local, State, and Federal highway programs. Indirectly, these savings would benefit the general public in the form of reduced transportation costs and tax savings.

Its enactment also would be beneficial in serving to mitigate the differences that now exist between the land and waterway transportation interests in regard to the vertical clearances to be provided in bridges constructed over our inland waterways. Legislation of this kind would provide official recognition for effective treatment of a rapidly growing problem in surface transportation relationships.

The Department of Commerce recommends S. 682 for the favorable consideration of this committee and of the Congress.

Thank you.

Senator BARTLETT. Mr. Ridge, you say that the bill before us was drafted by the Department?

Mr. RIDGE. That is right.

Senator BARTLETT. Do you know the attitude of the Bureau of the Budget?

Mr. RIDGE. The Bureau of the Budget has approved the submission of this bill.

Senator BARTLETT. Thank you.

Mr. BOURBON?

Mr. BOURBON. This bill was a part of an overall bill you had several years ago?

Mr. RIDGE. Yes, sir, it was.

Mr. BOURBON. And you have been seeking for sometime to find some way to cut the costs of building bridges over these navigable streams?

Mr. RIDGE. We have, sir, if I may say so, at the same time attempting, in reducing these, to not reduce them so that they will affect the volume and the future expansion of waterway traffic on the inland waters in most cases, and certainly on the coastal waters.

Mr. BOURBON. Every foot that you can keep a bridge down from the heights that it would ordinarily have to be built to take care of all vessels saves a lot of money, doesn't it? The lower you can build these bridges, the less money they will cost?

Mr. RIDGE. It does in all cases where the configuration of the land is such that the approaches are not higher than the navigational requirement. It saves both in highway construction costs and in vehicle operation costs. In other words, the higher the bridge, the more fuel is consumed by the vehicles, such as that.

Mr. BOURBON. What might be the average difference between the height required by the international rules and the inland rules?

Mr. RIDGE. As I recall, I would have to look it up and I believe the admiral can give a quicker answer on that. It is 15 and 20—35 above the deck of the vessel—the hull of the vessel.

Mr. BOURBON. Which is that?

Mr. RIDGE. This is the international rules.

Mr. BOURBON. And the inland rules would be what?

Mr. RIDGE. The inland rules applicable on the waters of the east coast and the west coast require, I believe—I will look it up—the after light must be not less than 15 feet above the forward light. There is no height requirement for the forward light.

Mr. BOURBON. That is, on inland waters?

Mr. RIDGE. Yes.

Mr. BOURBON. Why can't we let that go for a moment until we get our Coast Guard friends.

Mr. RIDGE. All right. On the Mississippi there is no requirement for height, except for visibility, not for actual height.

Mr. BOURBON. I have no further questions.

Senator BARTLETT. Mr. Ridge, obviously you couldn't place a dollar value which might accrue over any given period of time if this bill were enacted into law, but would you say the savings would be considerable?

Mr. RIDGE. The savings will be considerable; on a very high magnitude. I cannot, of course, say exactly what they will be. One of the

reasons I cannot say is because the bill itself says that the Coast Guard may permit, so that there are two permissive operations; the permissive authority to the Coast Guard and the permission for the vessels to lower the lights. The bill does not say the Coast Guard will do it or that the Coast Guard will order it. The bill says that they may permit.

Senator BARTLETT. Let's see if we can pinpoint just a bit more for the sake of the record.

Referring to your testimony on page 3 of your statement, you said that in some cases it would make possible—"it" being the change in the law—it would make possible the construction of fixed bridges with lower vertical clearances, or the construction of fixed rather than movable bridges.

What might be the saving in reference to the bridging of a given stream if a fixed rather than a movable bridge were constructed?

Mr. RIDGE. The savings will consist of two things: it is cheaper of course to build a fixed bridge. This depends on the number of traffic lanes, the width of the bridge, that is; it depends on many other things. There is a figure that I can give you and it is not applicable to any bridge and it would not be applicable to any particular bridge, but on some of our studies on building fixed bridges, it has averaged out to about \$30,000 a foot.

I don't think I would want to give you a figure for fixed bridges over movable bridges, because there would be a difference there is to what height the fixed was. In other words if we went up a lot higher with the fixed, it might be as costly as the movable.

The second saving, and the one that is more important, I think, is in the transportation costs. That is, the vehicles operating in these areas do not have to stop and wait for the bridge to be closed again after it is opened. It is not only a cost in money, it is a cost in frayed nerves and such as that; and there is a safety angle in it, too. There are accidents in those situations.

Senator BARTLETT. Mr. Ridge, if it were possible to do so—I realize that it may not be at all—perhaps you would furnish an approximation for the record after having had time to look into this, of what the saving might be in respect to a fixed bridge over a movable bridge in respect to construction alone. I am mindful of your admonition that there are many variables there. But if you assume approximately the same height, the same number of lanes, if we could just have an approximation, it would help. If it is impossible to work that out, that will be well, too.

Mr. RIDGE. We can give you, very easily, examples. Whether they are applicable to future bridges or not is another thing. But we can give you examples of certain features that have been worked out. We have several on the intercoastal and such areas as that on which very detailed economic analyses have been made.

Senator BARTLETT. That will be fine. If you will supply that for the record we will appreciate it.

Mr. RIDGE. Very good, sir.

Senator BARTLETT. Thank you.

(The following information was subsequently supplied for the record:)

COMPARATIVE COST OF CONSTRUCTING FIXED AND MOVABLE BRIDGES AT VARIOUS HEIGHTS

The attached table (exhibit A) shows estimates of the cost of constructing movable and fixed bridges at selected locations in this country. It will be noted that the cost of constructing a movable bridge is, in all cases, substantially greater than the cost of constructing a fixed bridge with the same vertical clearance. The actual cost differential varies and is dependent on many factors. Some of the more important are: The expected highway traffic volume on the bridge, the design problems encountered in connecting the bridge with the existing and proposed highways, the availability of low-cost right-of-way for the approaches and interchanges, the supporting power of the soils underlying the approaches, the horizontal clearance required and the depth of the waterway.

The construction cost differentials shown on exhibit A is only a small part of the total cost differentials. To obtain the full cost differentials, the higher cost of maintaining the movable structures and the cost of operating the structures must be included. A 24-hour watch is required on most movable structures and this requires the full time employment of four or five men. It would cost approximately \$132,000 per year to maintain and operate the four low-level Potomac River bridges at Washington, D.C., if they were constructed and operated as movable bridges. This expenditure would be necessary even though a 6-hour notice is to be required for the opening of the bridges.

In addition, movable structures impede highway traffic and this increases highway transportation costs. On one bridge, the increase in highway transportation cost due to bridge openings has been estimated at \$36,000 per year with the bridge closed for 4 hours during the morning and evening peak traffic periods and with only a little over one bridge opening per day being necessary.

And finally, the opening of movable bridges on our high traffic urban highways and the traffic pileups that result therefrom are detrimental to the safety of the traveling public. This cost, although not susceptible to exact measurement in dollars, is nonetheless real and must be considered.

EXHIBIT A
Comparative costs of movable and fixed bridges at various vertical clearances at selected locations

City	Location	Waterway	Movable bridges			Fixed bridges			
			Vertical clearance closed	Cost	Vertical clearance	Cost	Vertical clearance	Cost	
			Feet	Thousand	Feet	Thousand	Feet	Thousand	
Chicago, Ill.	Chicago River		38	\$10,600		60	\$2,600		
Isleton, Calif.	do		18	3,629	135	1,547	170	\$3,028	
Point, Calif.	Sacramento River		18	3,631	135	1,794	170	3,230	
Sacramento, Calif.	do		18	3,631	135	1,794	170	3,230	
Bryle's Bend, Calif.	do		135	14,225	135	9,761	170	19,570	
Elkhorn Ferry, Calif.	do		135	12,229	135	6,642	170	11,166	
Kalighas Landing, Calif.	do		135	9,774	135	4,270	170	9,169	
Meridian, Calif.	do		16	3,953	135	2,145	170	4,653	
Wagners Ferry, La.	do		16	3,000	135	1,774	170	3,232	
Port Arthur, Tex.	Gulf Intracoastal Waterway		50	2,450	50	2,070	60	2,250	
Galveston, Tex.	do		50	1,402	50	1,430	73	2,580	
Hoboken, N.C.	do		50	2,414	50	1,714	73	2,210	
Morehead, N.C.	Atlantic Intracoastal Waterway		40	1,383	60	1,819	73	2,210	
Carolina Beach, N.C.	do		40	55	55	1,016	65	1,835	
Murrells Inlet, S.C.	do		40	2,053	45	1,000	65	1,952	
Georgetown, S.C.	do		40	2,048	45	1,014	65	1,907	
Fernandina, Fla.	do		40	2,100	45	1,328	65	2,095	
Atlantic Beach, Fla.	do		40	1,143	45	1,805	65	2,107	
Villano Beach, Fla.	do		40	1,320	45	3,171	65	3,943	
Holly Hill, Fla.	do		40	1,365	45	1,965	65	3,060	
Allenhurst, Fla.	do		40	1,350	45	2,305	65	2,850	
Cocoa, Fla.	do		40	1,350	45	923	65	1,755	
Melbourne, Fla.	do		40	1,210	45	1,170	65	1,750	
Washington, D.C.	do		40	1,260	45	890	65	1,690	
Miami, Fla.	Potomac River		27.5	1,500	27.5	1,0	65	1,530	
Ocean City, N.J.	Atlantic Intracoastal Waterway		55	34,266	55	28,900	65	31,900	
	do		35	1,856	35	1,229	45	1,553	
								2,001	

¹ These clearances are above design high water. The available clearance during most of the year is much greater.
² These costs are the additional costs due to the provision of navigational clearances. The total cost of the bridge would be much greater.
³ This is the additional cost of constructing the movable span over and above the cost of constructing a fixed span at the same clearance.

Senator BARTLETT. Mr. Wuerker?
We are glad to have you, Mr. Wuerker.

**STATEMENT OF ALEXANDER W. WUERKER, ASSISTANT TO THE
PRESIDENT, THE AMERICAN WATERWAYS OPERATORS, INC.**

Mr. WUERKER. Thank you, sir. We appreciate being here.

My name is Alexander W. Wuerker. I am assistant to the president of the American Waterways Operators, Inc., with principal offices in suite 502, 1025 Connecticut Avenue, Washington, D.C., and regional offices in New Orleans, La., and New York, N.Y.

The American Waterways Operations, Inc., is a nationwide non-profit trade association representing the shallow-draft water carrier industry. The association is the spokesman for a large segment of the Nation's domestic water carriers operating on the rivers, intracoastal canals, the bays, sounds, and harbors. The channels over which they operate reach over 29,000 miles of the country.

The carriers which we represent operate vessels which will be directly affected by the legislation under consideration by this subcommittee. These vessels operate normally under the international, inland, and western rivers rules of the road.

The purpose of S. 682 is to provide exceptions to present rules of the road by permitting vessels desiring to navigate under bridges to temporarily lower any lights, day signals, or other navigational means and appliances. Also, under special regulations to be prescribed by the Coast Guard, vessels so navigating may be authorized or required further to depart from the present rules of the road. Penalties are provided for the violations of such special regulations.

We would like to point out to the subcommittee that this legislation is not necessary, would be a handicap to vessel operations, would not enhance safety, and has not been coordinated with maritime interests.

A look into the background of this legislation will show that it stems from a belief that higher vertical clearances are established for bridges because seagoing vessels are required to be equipped with navigation lights prescribed by the international rules. The presumption is that if these seagoing vessels were permitted to temporarily lower their lights there could be a resultant reduction in bridge heights.

It is true that, for obvious reasons, the international rules necessitate the carrying of navigation lights at an elevation higher than required under the rules applicable on inland waters. Under the international rules the forward white light is required to be placed from 20 to 40 feet above the hull. Under the inland rules the forward white light must be placed so as to show an unbroken light over its arc of required visibility, while the after white light also should be 15 feet above the forward one. The international lights meet the requirements of the inland rules, but inland lights do not in all instances meet the requirements of the international rules. The international lights are permitted to be used on inland waters, are required to be used on the western rivers, and are not authorized on the Great Lakes. The proposed legislation will not change the international rules.

It should be noted that the International Regulations for Preventing Collisions at Sea were revised at the Safety of Life at Sea Confer-

ence in London last June. No change was made to the specifications for the height of lights. The revised convention has not yet been ratified by the United States. It would appear that all efforts first should be exhausted to seek exceptions to the international rules for coastal vessels, if needed, rather than to burden all nonseagoing vessels with indefinite and unnecessary requirements.

The phrase used in the bill "to temporarily lower any lights, day signals, or other navigational means and appliances" could apply to radar, radio antennas, and searchlights, as well as to time-proven methods of displaying lights to identify vessels ahead, abeam, and astern. The phrase "temporarily lower" is itself indefinite as to time and method. Whatever the procedure, it would have a serious effect on the efficient operation of vessels. In fact, it could set the stage for disaster, as there is a critical need for these very navigation devices when passing bridges. It is difficult to perceive how special regulations, whatever they may be—and they have not been described—could act as a substitute for required navigational devices. There is nothing in these proposals which will either enhance public or maritime safety, and I doubt that case histories can be presented which would justify the need for this legislation on the grounds of improved safety of navigation.

We would like to invite the attention of the subcommittee to the fact that these proposals have not been discussed with the maritime industry for advice or to determine their views on this matter. As a matter of fact, the Commandant of the Coast Guard last December wisely established under the Merchant Marine Council an advisory Rules of the Road Coordinating Panel for the very purpose of developing coordinated viewpoints and advice on proposals to amend the Rules of the Road. The panel has representation from the inland waterway, Great Lakes and deep sea vessel industries, recreational boating interests, labor, and the Maritime Law Association. This matter has not yet been considered by this panel. It is apparent to us that the legislation which you have before you is an uncoordinated proposition.

Also, the "permissive" lowering of lights and other appurtenances, as suggested by the proposed legislation, would not, in itself, serve to lower bridge heights. As you know, statutory responsibility for establishing vertical bridge clearances over navigable waters of the United States is the responsibility of the Chief of Engineers of the Corps of Engineers of the U.S. Army. Any conclusion that the proposal would lower bridge heights prejudices the decision of the Chief of Engineers.

We respectfully urge that the subcommittee reject this legislation as unnecessary and not in the public interest.

Senator BARTLETT. Thank you.

Mr. Bourbon?

Mr. BOURBON. Mr. Wuerker, on page 1 of your statement you mention the international, inland and western river rules of the road. Would you have available a short statement that could be submitted, or could you make a very short statement for the record that would give the precise difference between these three sets of rules affecting vessels traveling the inland waters?

Mr. WUERKER. Do you mean insofar as the present requirements for the height of lights is concerned?

Mr. BOURBON. Yes.

Mr. WUERKER. Actually the main difference is that in the inland rules the forward light is required to be placed on the foremast, if there is one. If not on the foremast, then on the forward part of the vessel. There is no height requirement to that. Of course, in practice you have to place it on the foremast if you have one. That establishes the height of the light. Then the after light must be 15 feet above that one.

Of course, the related issue to this is that on these masts or attached to these masts most of the vessels that operate have radio antennas, and they also have radar antennas. So that this contemplates not only lowering lights but also those appurtenances.

Mr. BOURBON. Just where do the inland rules govern and the western rivers rules?

Mr. WUERKER. The western rivers rules govern in the Mississippi Basin above Baton Rouge, and they apply throughout the Mississippi River system.

The inland rules apply in areas which are designated by the Commandant of the Coast Guard, all along our coasts and in some instances they extend out to sea at a point which parallels the outermost navigational aid. Beyond that, the international rules apply.

Mr. BOURBON. It is a bit complicated for a nonmariner to gather.

Mr. WUERKER. It is; yes, sir.

Mr. BOURBON. Would you say that the average light of the forward white light on the inland rules might be 20 feet? Do you have some idea?

Mr. WUERKER. It could be in some instances, yes, sir. It depends on the height of the superstructure of the vessel, that is, the pilot-house. The inland rules say it shall be a minimum of 20 feet above the hull. The hull is considered to be the uppermost weather deck. In the inland rules the height can be placed as close to the top of the bridge as you can get it and still have the required arc of visibility.

Mr. BOURBON. That gives us some idea of the present requirements as they might affect bridges.

On the question of radio antennas, they normally would be higher than the lights, would they?

Mr. WUERKER. Yes, sir; they are frequently attached to the top of the mast, unless you have a VHF set. But all VHF sets have antennas where the wires are attached to the top of the mast.

Mr. BOURBON. And the height of the mast ordinarily in relation to the lights, what would that be?

Mr. WUERKER. They extend in some cases some distance above the lights, merely to get height for the antennas.

Mr. BOURBON. So that on such vessels lowering the light would not affect the bridge clearance?

Mr. WUERKER. No, sir, it would not.

Senator BARTLETT. Mr. Wuerker, if this bill were passed, would there be any real disadvantage to your group or other maritime groups?

Mr. WUERKER. Yes, sir, there really would. As I pointed out, from the point of view of the operational efficiency of the vessel, it has not

been described just how this raising and lowering would be accomplished. There have been suggestions of a hydraulic mast, or a hinged mast. When or how this operation is to take place is not clear, or as to how often. Many of the vessels of the operators which we represent are continually going under bridges, which means they would be raising and lowering their masts all the time.

Senator BARTLETT. Then is it true that the operators might chiefly oppose this because they are not sure as to what costs they would be subjected to in making changes in their ships?

Mr. WUERKER. Yes, sir, that is one of the important factors.

Senator BARTLETT. What others are there?

Mr. WUERKER. The other is the indefiniteness of these special regulations which have not been described, as to how they may substitute for these navigation devices which we need while we are trying to navigate around bridges.

Senator BARTLETT. You believe safety would be impaired?

Mr. WUERKER. Yes, sir; we do. We also feel that this, from its background, attempted to accommodate certain coastal vessels which are now required to meet the international requirements, and they do have higher lights than some of the vessels that operate on the inland waters, such as those that we are speaking of here in our industry.

Senator BARTLETT. The members of your association operate ships only on inland waters?

Mr. WUERKER. No, sir; some of them do operate at sea. But in the immediate coastal areas and harbors, because, as I pointed out before, of the separating line between the inland waters and the high seas, and in some cases they do take tolls out to sea, or we have pilot vessels that do go out to sea.

Senator BARTLETT. To the best of your knowledge, there were no preliminary conversations regarding this with the American Waterways Operators or other trade groups?

Mr. WUERKER. That is correct, sir.

Senator BARTLETT. Did you have any intimations that such legislation might be offered?

Mr. WUERKER. Yes, sir, we did. We were aware of the fact that last year, or the previous session, I believe, at least the last session of Congress, within the Overall Bridge Act there was some such suggestion. I believe that this bill was prepared as separate legislation just to implement that particular portion applying to the special rules of the road.

Senator BARTLETT. Had you taken any position upon that in the previous legislation?

Mr. WUERKER. We were opposed to that also, yes, sir.

Senator BARTLETT. Do you have any idea how much it would cost to make the alterations that would be required for any given ship?

Mr. WUERKER. No, sir; mainly because no definite study has been made of this. But I think it would be substantial. And if you had a hinged mast, you would have to have the manpower to unhinge it when you wanted to.

Senator BARTLETT. Do you see any benefit—

Mr. WUERKER. None whatsoever.

Senator BARTLETT (continuing). From your standpoint?

Mr. WUERKER. No, sir.

Mr. BOURBON. One more question.

Suppose one of your vessels had to go down from the lakes into the Chicago River and through Chicago. Do you foresee it might have some difficulty with the various bridges?

Mr. WUERKER. Well, we have difficulties, of course, in various areas because there are various criteria for bridge heights in different areas. Therefore, in areas such as that we have to operate vessels with lower bridge heights. But it does not pertain to the appurtenances above the bridge. It is mainly the structure of the vessel itself in those areas which is the limiting criteria.

Senator BARTLETT. Thank you very much, Mr. Wuerker.

Mr. WUERKER. Thank you, sir.

Senator BARTLETT. Admiral Richmond?

STATEMENT OF ADM. ALFRED C. RICHMOND, COMMANDANT, U.S. COAST GUARD

Admiral RICHMOND. Mr. Chairman, I am Alfred C. Richmond.

Mr. BOURBON. Admiral, do you have a prepared statement?

Admiral RICHMOND. No, sir. I have some notes which I would read from. I do not have a prepared statement as such.

I appreciate the opportunity to appear before the committee today and to express the views of the U.S. Coast Guard relative to S. 682, a bill to provide for exceptions to the rule of navigation in certain cases. This bill was introduced by Senator Magnuson upon the request of the Bureau of Public Roads, Department of Commerce, with the concurrence of the Coast Guard, as an adjunct to an amendment to the General Bridge Act.

The bill S. 682 basically provides for the Coast Guard to prescribe regulations for vessels to alter the position of lights, day signals, and other navigational means and appliances and so forth, while they are navigating or operating under bridges constructed over navigable waters of the United States.

Under the proposed bill the Coast Guard would be called upon to promulgate regulations which would permit vessels to lower or otherwise alter the position of their navigating lights, day signals, and so forth in the vicinity of such bridges as may require this alteration.

The Coast Guard regulations would also call for suitable replacement or substitute lights to be shown while the vessels are navigating the bridge area.

These regulations would be general in scope and in all probability circumstances may require more specific or detailed regulations for particular areas where several bridges may cross the navigable water within close proximity of one another, or for other special circumstances. Such regulations would appear in each of the several pilot rules as additional sections thereto.

That is all that I have in my prepared statement, Mr. Chairman. As I indicated, this stems from objections that the Coast Guard had to a bill which was, I believe, originally introduced in 1955 to amend the General Bridge Act of 1946, in which they would have amended it in a manner which was not acceptable to the Coast Guard. We thought it was a violation of the rules.

I think we have a practical problem in that there are vessels today which are capable, either by dropping their masts through hydraulic

means or by letting it fall back, operating under many existing bridges without waiting for the opening of the draw or necessitating the opening of the draw. And yet to do so would violate the statutory requirements.

This amendment, which as I have indicated was worked out between the Department of Commerce, Bureau of Roads, and ourselves, we feel is a desirable permissive authority to prepare regulations which we think would be adequate to cover this special circumstance.

Such regulations would, in their development, be the subject of discussion before the panel which Captain Wuerker referred to that had just been recently established, and would not be adopted until full consideration had been given by the Merchant Marine Council.

Senator BARTLETT. Admiral Richmond, you heard Mr. Wuerker's testimony, in which he asserted that no preliminary talks had been had with the industry relating to this. Would you care to comment on that?

Admiral RICHMOND. I think that is true in the sense of referring it to this panel that I referred to. In the first place the particular panel that he referred to has just been recently established. The matter, to my knowledge, was not even referred to our Merchant Marine Council before we had this panel.

I think the answer to it is that it came about as a result of an attempt between the Coast Guard and the Bureau of Public Roads to work out something to obviate the amendment which they proposed to take care of. We felt that this was a reasonable solution.

I think that my comment on Captain Wuerker's statement is that he is looking at this, in effect, as a prospective burden, whereas I think it is an attempt to answer what is an immediate problem. I think we do have vessels today actually violating the law, and technically, if they lower their masts, if caught they are in the position of being penalized. So, consequently, they force the opening of bridges when it could be that the commerce could flow freely and traffic could flow freely if this bill were adopted.

Senator BARTLETT. Mr. Wuerker claimed that operators would be put to considerable expense to comply, or at least that they might be because they as yet do not know what the rules and regulations will be. Would you care to comment on that?

Admiral RICHMOND. It is rather hard for me to follow that line of reasoning because there is nothing in this bill that says that an operator must convert his vessel so that it can go under bridges rather than through bridges.

Senator BARTLETT. Elsewhere in his statement Mr. Wuerker said that—

In any case the permissive language in the bill would not necessarily act to lower bridge heights because this determination is made by the Chief of Engineers and no one knows what the Chief of Engineers may say in a given case.

Do you have any comment on that?

Admiral RICHMOND. I think that is a perfectly true statement. I don't see where it affects the bridge heights particularly. It simply, in effect, takes recognition of the fact that if anybody wants to or has the ability to navigate under an existing bridge, by altering from the required rules his right, this would establish procedure whereby it could be done, and he would not be violating the law.

Senator BARTLETT. Admiral Richmond, since this bill was introduced on January 30, have representations against it been made to the Coast Guard by the industry or any segment of it?

Admiral RICHMOND. To my knowledge, no, sir. If they have, I have not heard of it.

Senator BARTLETT. Mr. Bourbon, do you have any questions?

Mr. BOURBON. Yes, sir.

Admiral, in line 6 of the bill it says that the Department may permit vessels to "temporarily lower any lights, day signals, or other navigational means and appliances prescribed or required pursuant to law, rule, or regulation."

On all these vessels which would be going under bridges, do you require radar?

Admiral RICHMOND. No, sir. Radar is not a prescribed requirement.

Mr. BOURBON. So that if they had a radar on the ship, this bill wouldn't permit them to lower it in any way?

Admiral RICHMOND. There is nothing to prevent them from lowering it now. I agree with you, the bill wouldn't permit them, but at the present time if you are operating on the inland waterway and you have a radar which is going to catch in the overhead of a bridge, there is nothing to stop you striking the radar.

Mr. BOURBON. It isn't required now so that it could be handled in any way that the operator wanted.

That is all that I have.

Senator BARTLETT. Thank you very much, Admiral, for your testimony on this bill, which will receive, of course, careful consideration by the committee.

Mr. BOURBON. The American Merchant Marine Institute asked that they be permitted, if they desire, to file a statement next week.

(The statement of the American Merchant Marine Institute, Inc., and a telegram from Ralph E. Casey, institute president, follow, together with a report from the Department of the Navy, for the Department of Defense, which was received subsequent to the hearing.)

NEW YORK, N.Y., March 10, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.:

American Merchant Marine Institute, Inc., representing about 70 percent of oceangoing tonnage registered under U.S. flag strongly opposes S. 682 as it would apply to oceangoing vessels. Application to such vessels could cost ship-owners nearly \$10 million in alteration expenses on existing vessels whose masts exceed 100 feet in height. We urge following sentence be added at end of section (a): "The provisions of this section shall not apply to vessels normally operating in accordance with international rules of the road." We respectfully request this telegram be read at hearing before your committee today and that record be kept open for supplementary statement from institute.

RALPH E. CASEY, *President*.

STATEMENT OF THE AMERICAN MERCHANT MARINE INSTITUTE, INC., ON S. 682
ENTITLED "A BILL TO PROVIDE FOR EXCEPTIONS TO THE RULES OF NAVIGATION
IN CERTAIN CASES"

The American Merchant Marine Institute, Inc., is a national trade association composed of the large majority of U.S. steamship companies operating approximately 6,200,000 gross tons of oceangoing passenger, tank, dry cargo, and collier vessels in the foreign and domestic trades of the United States. Nearly 70 per-

cent of the oceangoing tonnage registered under the U.S. flag is owned and operated by our member companies.

We greatly appreciate the opportunity afforded us by the Committee on Interstate and Foreign Commerce to express our views with respect to S. 682. As you know, this bill would provide that the Secretary of the Department in which the Coast Guard is operating "may permit vessels desiring to navigate or operate under bridges constructed over navigable waters of the United States to temporarily lower any lights, day signals, or other navigational means and appliances prescribed or required pursuant to law, rule, or regulation, and, if necessary, may authorize vessels so navigating or operating to depart from the rules to prevent collisions as prescribed by law, rule, or regulation." The bill would also specifically authorize the Secretary to "prescribe such special regulations to be observed by vessels so navigating or operating as in his judgment the public safety may require for the prevention of collisions." Subsection (b) provides that such regulations "shall have the force of law."

We wish to call your attention to the fact that the basic purpose of S. 682 is not apparent in the bill itself. The purpose of this bill, however, is clearly set forth in the letter, dated May 5, 1960, from Hon. Philip A. Ray, Under Secretary of Commerce, to the President of the Senate, enclosing a draft of the bill and recommending its favorable consideration by Congress. This bill (S. 3540) was introduced on May 12, 1960, but, as you know, no action was taken thereon by your committee. S. 682 is identical with S. 3540.

In his letter Mr. Ray made the following statements in support of this legislation:

"The need for legislation along the lines of the proposed bill is established in the Department of Commerce report on 'Navigational Clearance Requirements for Highway and Railroad Bridges' published in February 1955. The Bureau of Public Roads of this Department has been striving during recent years to obtain reasonable reductions in the navigational clearances required for highway bridges constructed with Federal-aid highway funds, with the objective of reducing the cost of the navigational increment of highway bridges whenever and wherever it is feasible without unduly affecting the reasonable requirements of waterway transportation. One of the problems involved is the need for relatively high navigational clearances to permit vessels engaged in coastal trade to operate on inland waters with navigational lights that conform to the international rules of the road. The international rules necessitate the carrying of navigational lights at an elevation substantially higher than that required under the rules applicable on inland waters and navigational lights which conform to the international rules are in some cases permissible and in some cases required on seagoing vessels operating on inland waterways. On the other hand, navigational lights which conform to the rules generally applicable to inland waterways, do not meet the requirements of the international rules.

"Studies of bridge costs indicate that substantial amounts of additional funds are required to construct bridges with vertical clearances sufficient to pass vessels equipped with the navigational lights required under international rules over that which is required to pass vessels equipped with the navigational lights required under the rules applicable on inland waters. The matter is also pertinent with respect to movable bridges. In many instances, vessels operating with navigational lights required under the rules applicable on inland waters can pass under existing movable bridges in closed position, but it is necessary to open these bridges for the same or similar vessels if they are equipped with navigational lights required under the international rules. This is particularly important in urban areas where the large volume of highway traffic delayed by the bridge opening results in a substantial economic loss to the community.

"It is believed that the enactment of the proposed legislation would result in savings in bridge construction and operation costs which would benefit principally the Federal aid, State, and local highway programs. The proposed legislation, and the special rules that would be issued thereto, would provide official recognition for effective treatment of a rapidly growing problem in surface transportation relationships."

The Institute is certainly not unmindful of the serious problem of curtailing bridge construction and operating costs and we sympathize with the objective of the Bureau of Public Roads of the Department of Commerce in seeking to reduce these steadily increasing costs. However, in our opinion, the method of approach in seeking to attain this worthy objective as embodied in S. 682 is not the proper one since it would authorize the Secretary of the Department, in

which the Coast Guard is operating, to impose regulations that would require the owners and operators of oceangoing vessels to "temporarily lower any lights, day signals, or other navigational means and appliances," prescribed under the International Rules of the Road, in order to navigate or operate under existing bridges or bridges that may be constructed over U.S. navigable waters with vertical clearances considerably less than those presently required to clear oceangoing vessels.

As you probably know, rule 2(a) of the International Rules of the Road stipulates that on vessels engaged on an international voyage, whose beam exceeds 20 feet, there must be carried on the foremast a white light at a height not less than 40 feet above the hull of the vessel and a white light on the mainmast aft at least 15 feet higher than the one of the foremast; i.e., at least 55 feet above the hull. The molded depth of oceangoing vessels ranges from approximately 34 feet to a maximum on the largest size tanker of 67 feet 6 inches.

The following information is contained in table 10 in the report of the Department of Commerce, dated February 1955, entitled "Navigational Clearance Requirements for Highway and Railroad Bridges" with respect to the mast heights on vessels comprising the active U.S. merchant fleet as of January 1, 1953, which is the latest information we have at hand:

Highest fixed point above waterline at light draft:	<i>Number of vessels</i>
Less than 90 feet.....	292
90 to 100 feet.....	297
100 to 110 feet.....	215
110 to 120 feet.....	299
120 to 130 feet.....	306
130 to 140 feet.....	49
140 to 150 feet.....	4
150 to 160 feet.....	3
160 to 170 feet.....	1
170 to 180 feet.....	4
180 to 190 feet.....	2
Total.....	1472

The report of the Department of Commerce (pp. 96-97) contains the following statements:

"A further study of table 10 indicates that based on highest fixed point above water at light draft, a vertical clearance of 130 feet would accommodate approximately 96 percent of all vessels in the active fleet. Conversely, a vertical clearance of less than 100 feet would restrict over 55 percent of such vessels. In terms of tankers, it should be noted that a vertical clearance of 130 feet would accommodate all vessels of the tanker fleet whereas a vertical fixed clearance of 100 feet or less would prohibit utilization of over 84 percent of the fleet. With reference to passenger vessels and freighters, 94 percent could be accommodated by a vertical fixed clearance at 130 feet; 80 percent at 120 feet; 65 percent at 110 feet; and 51 percent at 100 feet.

"It would appear from the above that minimum vertical clearance of any fixed structure over a waterway navigable to the oceangoing merchant marine should fall somewhere within the 120- to 130-foot range. By making greater use of telescopic and/or collapsible masts the highest fixed point might well be reduced by 20 feet, thus those vessels having a highest fixed point over 130 and up to 150 feet, could pass safely under fixed structures with a vertical clearance of 130 feet."

According to a recent estimate furnished us by a shipyard, the cost of converting a fixed mast into a telescopic or collapsible mast would amount to at least \$4,000 or \$7,500 for two masts and a total of \$10,000 per vessel for all three masts; i.e., mainmast, foremast, and radar mast. Thus the owners of approximately 883 oceangoing vessels in the active U.S. merchant fleet having masts ranging from 100 to 190 feet above the waterline at light draft might under regulations issued in accordance with the terms of S. 682, be required to convert the mainmast, foremast, and radar mast on their vessels into telescopic masts at a total cost of \$8,883,000 in order that such vessels might be able to navigate under existing or future bridges with low vertical clearances. The imposition of such an exorbitant expense on the shipowners would be extremely burdensome and, in our opinion, unfair.

The additional expense of operating and maintaining these telescopic or collapsible masts, while not readily estimable, would be substantial. The lowering and elevating of this type of mast is a major operation. The work would have to be done by crew members, not only during regular working hours, but also outside the regular working hours, depending upon the height of the bridges. The work performed outside the regular working hours is eligible for overtime compensation.

Consideration should also be given to the safety aspect of this operation. If the lights, day signals, et cetera, of an oceangoing vessel are lowered during fog, at night or in other periods of low visibility, in order to navigate under bridges over rivers and harbors, this might be confusing to other vessels navigating the same waterways, with the result that collisions might occur. Instead of preventing collisions, the procedure that would be authorized by S 682 might have the opposite effect during periods of low visibility so far as oceangoing vessels are concerned.

The American Merchant Marine Institute, therefore, desires to go on record in opposition to S. 682 insofar as it would apply to vessels of the U.S. merchant marine, which are subject to the International Rules of the Road. We urge that the following sentence be added at the end of subsection (a) of S. 682:

"The provisions of this section shall not apply to vessels normally operating in accordance with the International Rules of the Road."

Your favorable consideration of our views and recommendations will be very much appreciated.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., March 10, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Your request for comment on S. 682, a bill to provide for exceptions to the rules of navigation in certain cases, has been assigned to this Department by the Secretary of Defense for the preparation of a report thereon expressing the views of the Department of Defense.

The bill would authorize the Secretary of the Department in which the Coast Guard is operating to permit vessels desiring to navigate or operate under bridges constructed over navigable waters to temporarily lower any lights, day signals, or other navigational means and appliances required by law or regulation, and to permit such vessels to depart from the rules to prevent collision and operate under special rules to be prescribed by the Secretary.

The international rules of the road require navigational lights to be carried at a substantially greater height than that required under inland rules. In some cases the lights which conform to the international rules are required on seagoing vessels operating on inland waterways. Generally speaking, lights required by the inland rules do not meet the requirements of the international rules. By authorizing the departure from the rules in this regard, ships engaged in coastal trade could operate on inland waters where bridge structures would normally prevent the passage of a ship carrying navigational lights conforming to the international rules.

The Department of the Navy, on behalf of the Department of Defense, interposes no objection to the enactment of S. 682.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

For the Secretary of the Navy.

Sincerely yours,

W. S. SAMPSON,
Captain, U.S. Navy, Deputy Chief.

Senator BARTLETT. They may.

The Comptroller General's report will be entered in the record at this point.

(The report follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., February 9, 1961.

HON. WARREN G. MAGNUSON,
*Chairman,
Committee on Interstate and Foreign Commerce,
U.S. Senate.*

DEAR MR. CHAIRMAN. Your letter dated February 1, 1961, acknowledged February 2, requests our comments on S. 682, 87th Congress, a bill to provide for exceptions to the rules of navigation in certain cases.

As indicated by the explanation submitted by the Department of Commerce with its request for introduction of this legislation, the provisions of the bill are designed to permit vessels engaged in the coastal trade to operate on inland waters with navigational lights at a lower elevation than is required by present international rules. The purpose of such operation is to permit reductions in the navigational clearances required for highway bridges constructed with Federal-aid highway funds and thus permit reductions in the cost of constructing these bridges.

While we have no special information concerning the feasibility of the plan proposed by this legislation, its objective appears to be a salutary one. Accordingly, and since the provisions of S. 682 would not affect the functions or operations of this office, we are not aware of any reason why the bill should not be favorably considered by your committee.

We are enclosing 30 copies of this report, as requested.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

(The comments from the Treasury Department follow.)

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, D.C., March 9, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Interstate and Foreign Commerce,
U. S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to the request of your committee for the views of this Department on S. 682, to provide for exceptions to the rules of navigation in certain cases.

The proposed legislation would authorize the Secretary of the Department in which the Coast Guard is operating to permit vessels desiring to navigate or operate under bridges constructed over navigable waters of the United States to temporarily lower lights, day signals or other navigational means and appliances carried pursuant to law and to permit such vessels in these circumstances to depart from the applicable navigation rules and to operate under special navigation rules to be prescribed by the Secretary. Civil penalties for violation of these special rules are provided.

The need for the legislation has arisen with the lowering of navigational clearances of many bridges spanning navigable waters. Vessels passing under low bridges are required or will be required to lower portions of superstructural equipment in order to pass safely under these bridges. A vessel's superstructure, including its masts, normally carries navigation lights, day signals, and other navigation equipment. When this equipment is moved a technical violation of the navigation rules results with attending increased risk of collision. Relief from strict adherence to the rules under these circumstances is appropriate. Special rules must be prescribed to fill the void created by the contemplated exception to the rules.

For the reasons stated, the Treasury Department favors enactment of S. 682.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Very truly yours,

A. GILMORE FLUES,
Acting Secretary of the Treasury.

Senator BARTLETT. The Comptroller General says, in essence, that he doesn't know much by way of having special information concerning the feasibility of the plan proposed, but is confident that its objective is salutary. He doesn't know of any reason why the bill shouldn't be favorably considered.

Mr. BOURBON. The Lake Carriers' Association have submitted a statement in which they cite opposition to the bill.

Senator BARTLETT. The statement will be entered in the record. (The statement follows:)

STATEMENT IN OPPOSITION TO S. 682 BY LYNDON SPENCER, PRESIDENT, LAKE CARRIERS' ASSOCIATION

On behalf of the 30 members of Lake Carriers' Association, who operate, 2,168,345 gross registered tons of shipping on the Great Lakes, I find it necessary to oppose enactment of S. 682 insofar as it relates to the Great Lakes. This bill would provide for exceptions to the rules of navigation in certain cases.

The rules for the prevention of collision on the Great Lakes are contained in the act of Congress approved February 8, 1895, as amended, being 241-295 U.S.C. 46. By the provisions of section 1 of that Act (46 U.S.C. 241) those rules must be followed "in the navigation of all public and private vessels of the United States upon the Great Lakes and their connecting and tributary waters as far east as Montreal and in the navigation of all other vessels upon such lakes and waters while within the territorial waters of the United States." The requirements are precise and exacting with respect to necessary physical equipment of vessels such as lights, sound and signal devices and with respect to the signals themselves and the conduct of vessels in their navigation.

No departures from the specific requirements of these Great Lakes rules are permitted. They, of course, may be implemented by regulations but the authority is limited by section 3 of the act (46 U.S.C. 243) to regulations "not inconsistent with provisions of this Act, * * *". Thus it would appear that the Congress has deemed it necessary in the interests of safety of life and property on the Great Lakes to specify with precision the rules to be observed on the Great Lakes for the prevention of collision.

The policy of the Congress enunciated in the enactment of the act of February 8, 1895, would be virtually destroyed by S. 682. By the clear terms of this bill, statutory rules could be modified, voided or superseded by the Secretary of the Department in which the Coast Guard is operating.

Almost all Great Lakes vessels at some time or other pass through or under "bridges constructed over navigable waters of the United States." Regulations promulgated under authority of S. 682 could permit all these vessels to lower "temporarily" any lights, day signals or other navigational means or appliances. Under such general authority it might be possible for vessels to run through long stretches of navigable waters with lights or day signals in unsafe lowered positions if the waters were crossed by bridges, regardless of how far apart the bridges might be. Navigation under such conditions could be most hazardous.

What is more alarming, however, is that the Secretary of such Department could authorize vessels so navigating or operating to depart from any or all rules for the prevention of collision as prescribed by the act of February 8, 1895, and that in place of those rules there could be prescribed by special regulation all rules "to be observed by vessels so navigating or operating as in his judgment the public safety may require for prevention of collisions." Such "special regulations" would follow vessels passing through or under bridges crossing navigable waters wherever such vessels might be navigating. A more sweeping authority to repeal or change an act of Congress and substitute for the judgment of the Congress the judgment of an administrative agency is hard to conceive.

There should be no tampering with the requirements of the act of February 8, 1895. It properly sets forth with great exactness the characteristics and location of lights and the quality and periods of sound signals required for safe navigation of ships on the Great Lakes. The necessity for such definite specifications has been attested to by over 65 years of experience. Congress should not now delegate to any administrative agency the authority to modify, void, repeal or supersede any of these requirements.

The Congress is well aware of the uniformity existing on the Great Lakes between the United States and Canada in the rules for the prevention of collision. Since the enactment of the act of February 8, 1895, neither country has made change or amendment in its rules without the consultation and agreement with the other. The Congress has in effect established this policy. Such uniformity has resulted in a high degree of safety and knowledge on the part of all Great Lakes masters whether they be in United States waters or Canadian waters that the rules governing the navigation of their vessels are the same. This policy should not now be discarded and replaced with a policy determined by administrative agency.

For the foregoing reasons it is respectfully urged that as far as the Great Lakes are concerned, S. 682 be not enacted.

Senator BARTLETT. Admiral, we go from inland waterways to the Arctic to consider S. 966, which is a bill introduced by Chairman Magnuson for himself and for me to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions. I didn't mention the Antarctic as a point to which we are turning, because we can go south as well as north.

STATEMENT OF ADM. ALFRED C. RICHMOND, COMMANDANT, U.S. COAST GUARD

Admiral RICHMOND. Mr. Chairman, again I do not have a prepared statement.

In the instant case the Treasury Department, which was recently requested to make a statement on this bill, has just completed that statement. I understand it was signed this morning and is in transit. I have before me a copy of it, and I would like to read the stated points from that, because I understand this is official at this point.

Senator BARTLETT. If you please.

Admiral RICHMOND (reading):

The proposed legislation would authorize and direct the Secretary of the Treasury to construct and equip three cutters especially designed for icebreaking in the polar regions. The Secretary would make a feasibility and development study of the utilization of nuclear power in this type of cutter for which study of \$500,000 is authorized to be appropriated.

One of the important responsibilities of the U.S. Coast Guard is keeping traffic lanes and ports open to shipping where ice conditions make them otherwise inaccessible and inoperative. To meet such needs, the service is equipped with certain boats designed to break ice. Recently its operations in the Arctic and Antarctic areas have increased the employment of such boats. It is probable that the employment of icebreakers not only in the Arctic regions but in our own ports and waterways will continue to increase as our needs expand.

There is a present requirement, therefore, that the Treasury Department and the Coast Guard review from time to time the icebreaking program and equipment on hand to implement it, especially as certain of the present group of icebreaking boats are approaching the period of use when replacement must be considered.

It is pointed out, however, that bringing into view the entire work program of the Coast Guard and the equipment at hand, or projected, to carry it into effect, a greater need for replacement and additions exist in other categories than that of boats designed for icebreaking.

Further, it is not necessary to enact the bill since the Coast Guard presently has the legal authority to do what the bill contemplates. But, as said, for priority reasons, it has not made a request thus far for such icebreaking equipment through the regular budgetary processes.

With regard to the feature of the bill relating to research in nuclear propulsion for icebreaking vessels, while the Treasury and Coast Guard are always interested in new and effective forms of propulsion, it is their belief a new study

would not alter the fact that three conventionally powered icebreakers can in all probability be built for the cost of one nuclear-powered icebreaker, and for Coast Guard purposes, ship by ship, do as good a job. Therefore, so far as they are concerned, there would be no priority for such a nuclear-powered vessel over a conventionally powered vessel in the immediate future.

For the reasons expressed, the Treasury and Coast Guard consider the enactment of S. 966 as not necessary.

As I have indicated, I understand that the Bureau of the Budget has approved this report and therefore it becomes the position of the administration.

Senator BARTLETT. Admiral, there is a previous legislative history, is there not, pertaining to this subject?

Admiral RICHMOND. That is correct, sir.

Senator BARTLETT. Can you tell us about that?

Admiral RICHMOND. Yes, sir.

The original bill from which this bill stemmed—I have forgotten the exact number—proposed the building of an atomic-powered icebreaker for the Coast Guard. It was originally, as I recall it, introduced by Mr. Bonner, although almost simultaneously, I think, Senator Magnuson introduced a similar bill, and several other Members of Congress also introduced companion bills.

Considerable testimony was held on the House side. I testified at that time. I gave a history of the development of icebreakers in the United States by the Coast Guard. I took the position then that I could not at that time say that there was a Coast Guard need for an icebreaker, atomic or otherwise. We were speaking particularly of atomic. I indicated that certainly I could not say that there was a Coast Guard need.

I did, however, take the stand that if there was a national need for additional icebreakers over those that we now have in service between the Coast Guard and the Navy, and it was decided in the interest of advancement of science or requirements otherwise, that if such an icebreaker were to be constructed the Coast Guard was as capable as any other organization of building, operating, and manning such a vessel.

That bill passed both the House and the Senate and was vetoed by President Eisenhower.

In the following Congress a similar bill was introduced and hearings were held in the House. I testified again. In the meantime, over a year had elapsed, and in the preceding seasons—I think there actually had been two seasons between the first testimony—two winter seasons—two things had happened as far as the Coast Guard was concerned. First, we had in our Arctic and Antarctic operations, as well as some operations at St. Johns, Newfoundland, in support of the MSTs, suffered considerably more damage than we had anticipated to our icebreakers, which we attributed to the age and service to which these vessels had been subjected; and furthermore, in one of the seasons in the operation at St. Johns in support of the MSTs, it put an undue strain, we felt, upon the two vessels involved, the *East Wind* and the *West Wind*, because they were at sea in icebreaking operations for a considerable period before being dispatched on their summer cruise to the Arctic.

In other words, they had been in this type of operation for an inordinately long time, in our opinion, and we felt this did demonstrate the need for more icebreakers.

There was considerable discussion—not necessarily on the part of the Coast Guard, but on the part of all the witnesses before the committee—as to the desirability or undesirability of atomic power for an icebreaker, and as a result of the hearings as a whole the committee redrafted the bill—I believe it was H.R. 4—and reintroduced the bill in what is essentially its present form, S. 966.

Senator BARTLETT. This was in the 86th Congress? The last Congress?

Admiral RICHMOND. Yes, sir, the last Congress.

Senator BARTLETT. And the vetoed bill was in the 85th Congress?

Admiral RICHMOND. That is correct.

I am wrong; it was not reintroduced. They simply amended H.R. 4 to its present form. I would like to correct my statement in that respect. I thought they had reintroduced a bill, but that is wrong.

After the hearings they rewrote H.R. 4 in the same form as S. 966. My recollection is that that passed the House and no hearings were held here. It died in the 86th Congress. And now the bill has been reintroduced both in the Senate and the House in this amended version.

Senator BARTLETT. I have to ask you this question, Admiral: Is the House bill quite similar to this?

Admiral Richmond. It is not identical. The Senate bill has included the words, "including oceanographic research," on line 5, which does not appear in the House bill.

Senator BARTLETT. I suspect that came about by reason of the chairman's devoted interest in that subject, and his belief that these icebreakers might play a significant part in that expanding field of research.

Admiral RICHMOND. I think there is no question but that they would. As a matter of fact, the ones that we have at present do. We have the *North Wind*, which has just recently completed taking a number of oceanographic soundings in the Bering Sea and in the Arctic area with University of Washington scientists aboard. In addition to that, the *East Wind*, which had been working with the Navy in the Antarctic has now been released and is returning through the Indian Ocean—in other words, coming through the Suez Canal—and has been set up to take a number of oceanographic stations in the Indian Ocean under the National Academy of Science, I think.

Senator BARTLETT. I think we might be required to take many more soundings in the Bering Sea, because I have just learned that there is a disposition to relax the bar on imports of Russian crabmeat which have been in effect since 1951, and open the American market to Russian crab at a time when the U.S. operators are under keen and increasing competition from Japanese producers.

I imagine there will be quite a lot of activity around the Bering Sea. I deplore this intention and hope it will never be placed into effect, especially—and this has no connection with this bill and, perhaps, no concern at all to the Coast Guard—but especially would this be disastrous, I believe, at a time when the Russians have informed us at official meetings that they intend for the first time to come down into the Gulf of Alaska and fish aggressively in areas that have been heretofore fished only by Americans and Canadians, and in areas where we consider we have some historic rights.

Admiral Richmond, you say that legislation of this kind is not required because you have all the authorization needed?

Admiral RICHMOND. Actually, that is absolutely correct, sir. When our title, title 14, was revised in 1949, basic authority was included. I refer to section 92-D, which authorizes the Secretary to "design, or cause to be designed, cause to be constructed, accept as a gift, or otherwise acquire vessels and, subject to applicable regulations under the Federal Property Administrative Services dispose of them."

There isn't any question if it were decided by the executive department to proceed to request funds for the building of any vessels, that it could not be raised as a point of order that we did not have on the floors of Congress, that we do not have the technical authority to do that.

Up to the passage of this in 1949, we had always obtained specific authority for major vessels at least.

Senator BARTLETT. This authority would include, in your judgment, the right to make a survey as to the feasibility?

Admiral RICHMOND. I don't think there is any doubt about it. It seems to me it is inherent in the construction of any vessel that the agency constructing that vessel has the inherent right, even without law, to determine what would be the most economical and advanced method of procedure. In addition, the Commandant has general authority under section 93 to "conduct experiments, investigate or cause to be investigated plans, devices and so forth."

In addition to that, another section, "E"—"to conduct any investigation or study which may be of assistance to the Coast Guard in the performance of any of its powers, duties, or functions."

Senator BARTLETT. Then it might be a fair assumption that the persistence of the Congress, despite this existing authority, is intended to convey to the administrative branch the strong feeling of Congress that in the absence of budgetary requests this project should go forward notwithstanding?

Admiral RICHMOND. Yes, sir; that would be a very fair statement.

Senator BARTLETT. How many icebreakers does the Coast Guard now have?

Admiral RICHMOND. We have four, although up to the opening of the St. Lawrence one was restricted to the lakes. The *Mackinaw* was built for the lakes, and while generally comparable in design to the *Wind* ships, we do not class it as an icebreaker.

Senator BARTLETT. What are the *Wind* ships, by name?

Admiral RICHMOND. We have the *North Wind*, the *East Wind*, and the *West Wind*.

Senator BARTLETT. Sister ships?

Admiral RICHMOND. Yes. They are all on the same design.

If the chairman would like, I can briefly describe the history of the development of the icebreaker, the seagoing icebreaker as such.

The Coast Guard had a few conventional vessels—I use that word advisedly—that had been strengthened for work in the ice. We had never gone in, in the United States, for icebreakers. You will recall that in the early stages of the war, before the United States became embroiled, we were greatly concerned about Greenland. That led to

considerable study, and it was allocated to the Coast Guard, toward the desirability of having icebreakers.

We were authorized to have designed and built four icebreakers which became known as the *Wind* ships because it was agreed that they would be known as the *North*, *East*, *South*, and *West Winds*. Contracts were let, or they were laid down originally about 1942, is my recollection. At or about the time that they were being completed, the Soviet Government asked that all of them be transferred to the Soviet Government.

Three of them—the *North Wind*, *South Wind*, and *West Wind*—were put in commission by the Coast Guard, but turned over to the Soviet Government almost immediately. The *East Wind* was retained by the Coast Guard throughout.

However, with the transferring of those to the Soviet Government, or when the decision was made, three additional vessels of the same type were immediately laid down. So, in effect, we ended up building seven of the *Wind* class ships.

The three replacements were not completed until 1946 or 1947. By that time the war was over. The Coast Guard was in the position of retracting very rapidly to its prewar strength, or as close as we could get to it, and the problem of operating icebreakers was a very serious one. We had in operation the *East Wind*; and I might say, also, during this period the *Mackinaw* on the lakes had been built, but for a different purpose. We had, in other words, two icebreakers in operation—the original *East Wind* and the *Mackinaw*.

The question of manning the three icebreakers was raised and discussed and a decision was made that the Navy would take two of these ships and the Coast Guard would take one. The one that we took became the *North Wind*—you might say the new *North Wind*. And the Navy took the other two, which became the *Burton Isle* and the *Edisto*.

Then you will also recall that about 1948 or 1949 there was a move to recapture, or to have returned to the United States from the Soviet Union, those vessels that had been given to the Soviet Union for the purpose of conducting the war. Among these vessels were the three icebreakers that had been transferred to them. I may be mixed on my names, but the original *South Wind* was the first one to come back, and it was turned over to the Navy in Japan, reconditioned at Yokosuka, and became the *Atka*. They gave it another name.

The following year, in Germany, the original *West Wind* and the original *North Wind*—

Senator BARTLETT. May I interrupt you, Admiral?

We have a live quorum.

We will have to suspend for a few minutes.

(Recess.)

Senator BARTLETT. The committee will be in order.

Admiral RICHMOND. The following year, after the *South Wind* was returned, the *North Wind* and the *West Wind* were returned to the U.S. Government and the Navy took one, which is now the *Staten Island*, and reconditioned it; and we reconditioned the other, the present *West Wind*. The situation in the United States with respect to icebreaker is this: There are seven of the *Wind* classes, of which we

are operating three and the Navy four. There is a modified icebreaker of the *Wind* class, generally speaking, the *Mackinaw*, operated on the Great Lakes, and subsequent to the events that I have related the Navy has built the *Glacier* which is a larger icebreaker, the largest one of all.

Senator BARTLETT. The Russians returned all the icebreakers we had given them?

Admiral RICHMOND. Yes, sir.

Senator BARTLETT. The ships the Coast Guard is now operating are how old?

Admiral RICHMOND. Two of them were laid down in 1942 and 1943. The other one was laid down, I believe, in 1945. I would say that they are 15 to 17 years of age.

Senator BARTLETT. Is the period of useful life approaching a foreseeable conclusion?

Admiral RICHMOND. Yes, sir. We ordinarily feel that our vessels, nonicebreakers, have a potential life of 30 years. We have no experience to go on with icebreakers. But from the frequency of fairly serious hull casualties that we have encountered over the last 4 or 5 years—they seem to be building up—I would estimate that 25 years at the outside will probably see the last of the *Wind* ships.

Mr. BOURBON. You cracked some side plates in one of them a short while ago?

Admiral RICHMOND. Yes. We had one on the *North Wind* this year that was fairly serious. About 4 years ago the *East Wind* had a very serious casualty in what did not seem to be particularly unusual circumstances. He was working a load, and rammed into the ice, as I recall it, on his starboard side. He was making a turn, deflected, bounced off, hit the ice on the other side, and according to the reports not a particular severe blow, but put a hole in the side that you could practically drive a truck through.

Investigation showed that apparently in this continual pounding there had been a certain amount of crystallization in that area which had abnormally weakened the vessel in that spot. It just happened to hit a wrong point and the resultant damage ensued.

Senator BARTLETT. How large are these *Wind* ships?

Admiral RICHMOND. They are, my recollection is, 269 feet long and 64 feet in beam.

Senator BARTLETT. How many officers and men are required to operate one?

Admiral RICHMOND. My recollection is that the complement is 13 officers and 182 men.

Senator BARTLETT. Yes.

Admiral RICHMOND. I might say, too, that the complement is amplified to some extent because we operate helicopters from the icebreakers. Such personnel are not part of the regular complement but carried only when working.

Senator BARTLETT. Is the Navy's newest materially larger than the *Wind* ships?

Admiral RICHMOND. Quite a bit, sir. Again I couldn't give you the exact figures on the *Glacier*. My recollection is that tonnage-wise it is quite a bit larger.

Senator BARTLETT. Did you tell the committee that until the construction of the *Wind* ships the Coast Guard had not had any icebreakers designed for that unique purpose?

Admiral RICHMOND. That is right, sir. As a matter of fact there were no icebreakers in the United States designed for the purpose to my knowledge, under any service or any commercial service.

Senator BARTLETT. Did other nations have them before?

Admiral RICHMOND. Oh, yes, sir. Norway and the Soviet Union have had icebreakers, especially designed icebreakers, for a good many years.

Senator BARTLETT. Do they have more icebreakers now, each of those countries, would you judge, than the United States?

Admiral RICHMOND. I am quite sure they do, sir. As a matter of fact in the design of the *Wind* ships, which were designed by Gibson-Cox, we sent the now Admiral Thiel to Norway, Sweden to in effect brief himself on you might say the latest designs and techniques then in existence.

Of course the Soviets have within the last 5 years obtained quite a little publicity, notoriety—publicity is a better word—because of their atomic powered icebreaker the *Lenin*.

Senator BARTLETT. Is that in operation now, do you know?

Admiral RICHMOND. I would say it is, yes, sir. I base my information on reports. I have been told that it has been seen in the Skagerak. In fact the Soviets themselves have indicated it is in operation.

In addition, last summer, when I was in London as the chairman of the U.S. delegation to the Safety in Life at Sea Conference, the Soviet Embassy gave a reception for the delegates, and part of the entertainment was a movie showing the *Lenin* in operation and some of its preliminary tests.

Senator BARTLETT. What would be the advantage of a nuclear-powered ship over conventional types?

Admiral RICHMOND. Essentially its staying power, in case you are locked in the ice.

Senator BARTLETT. And ships in either the Arctic or Antarctic may become locked in for considerable periods?

Admiral RICHMOND. That is correct. And of course you have the additional possibility in the Antarctic, if that is a part of your operation, that the cost of conventional fuel goes up. You may have noted several days ago, maybe a week ago, when the *Glacier* and I believe the *Adisto* were caught—I understand they are out now—one of the comments was that the *Adisto* had fuel for only so many miles. That would be your great advantage, the safety factor, in the event that you are temporarily locked in.

Senator BARTLETT. Did the Russians indicate how long their icebreaker might be able to stay at sea?

Admiral RICHMOND. No, sir. As you can imagine, it is very difficult to get any reliable statistics on the capabilities or even, very strangely, too much about the design of the ship.

Senator BARTLETT. Admiral Richmond, is there any conflict of interest, so to speak, between the Coast Guard and the Navy in the conduct of icebreaking operations?

Admiral RICHMOND. No, sir. I think in 1946, when the question of who was to man these three icebreakers came up, if the Coast

Guard had been able to take the manning, the Navy would have been very happy. Now that they have been operating some of these vessels, and they have the *Glacier*, whether or not they would be prepared to leave this field to the Coast Guard, I would be very doubtful. But I don't think that there is any conflict. They feel that it is a combined operation and they would be well satisfied to see us have additional icebreakers.

Senator BARTLETT. Where are the Coast Guard's *Wind* icebreakers now?

Admiral RICHMOND. The *West Wind* which is stationed in New York, has been working the Hudson River and along the east coast preparatory to going north this summer in part of our support of the Thule operation and Greenland operation.

The *North Wind* is in Seattle, having just completed the special oceanographic cruise. After their summer cruise north they had the special oceanographic cruise.

I would like to put in the record names of the areas that they worked in. I said the Bering Sea, but in addition she operated in the western Chukchi Sea.

It is back in Seattle preparing for next summer and next winter, because next winter the *North Wind* is scheduled to go south to the Antarctic in support of the operations in the Antarctic.

The *East Wind* has been through the winter, or actually through the summer in the Antarctic, operating down there, but I understand is now released and on its way back to its home port of Boston by way of the Suez, but with an additional assignment of making a number of oceanographic stations in the Indian Ocean on the trip.

Senator BARTLETT. Then the Coast Guard does have a very material role in these antarctic operations?

Admiral RICHMOND. As part of the Navy, yes, sir; very much so.

Senator BARTLETT. Is it not true, Admiral Richmond, that the arctic requirement is much greater than it was in an earlier era because of the necessity for clearing the sealanes so freight for our defense installations along the Arctic may be landed?

Admiral RICHMOND. Very definitely, sir. As a matter of fact, I am sure you will recall that it was several Coast Guard vessels which, aided in some instances by the Canadian icebreaker, the *Labrador*, but also several of our small vessels, 3 or 4 years ago made the first major ship circumnavigation of the North American Continent. It has only been in the last year or so that we have been able to make that north-west passage with any reasonable assurance. There are records of small schooners working their way through in the past.

We have been operating with the Navy, and were operating with the Navy at the time of the expiration of the navigational work—a lot of the charting which was done for setting up the DEW line stations, and we are still operating in that area.

Senator BARTLETT. In what important respects, Admiral Richmond, does an icebreaker differ from a conventional cutter?

Admiral RICHMOND. Size, shape, and strength of hull would be the main considerations, I would say. In other words, you have to have a very heavy, well-constructed hull. You must have a vessel that has a beam preferably larger than any vessel you are escorting in order that you can find a lead, force a lead open and let a thin-skinned

vessel through; and of course, obviously, to cope with the ice you also must have considerably more power than for normal propulsion.

Senator BARTLETT. Do you recall what the *Wind* ships cost?

Admiral RICHMOND. No, sir; I don't. And I don't think it would mean a great deal. But I can tell you this, that the figure that was used generally at the hearings on H.R. 4, with respect to the more recent experience with the *Glacier*, was \$40 million for the *Glacier*.

Senator BARTLETT. And estimates have been made for the cost of a nuclear-powered ship to be what?

Admiral RICHMOND. We estimate that if you build another *Glacier* and put a reactor in it, that it would probably increase the cost by 50 percent. But I would like to emphasize, sir, that these are very, very poor figures to rely on.

Remember that that was several years ago. The science of reactors has developed a great deal since then. At that time I think we had only one successful operating marine reactor, and that was in the *Nautilus*. Now we have a number of them.

I don't say that would bring the price down, but there were a lot of conflicting stories at the time.

Senator BARTLETT. During the years the *Wind* ships had been in operation, Admiral, has the Coast Guard gained experience as to design improvements which would, of course, be incorporated in any new icebreakers and also make them much better ships than existing ones?

Admiral RICHMOND. Unquestionably. Very frankly, we not only have our own experience and that of the Navy, but we have been keeping abreast of the development in other countries insofar as practicable. As I indicated, it is pretty hard to find out exactly all of the details of the *Lenin*. But all of the Scandinavian countries are in this business to a greater degree than we are. They have to be to keep their commercial lanes open.

Senator BARTLETT. Admiral, you have presented to the committee the conclusions of the Treasury Department that it does not favor this bill, and one of the reasons is that it assigns higher priority to other classes of ships. However, your testimony has also disclosed that (a) a much heavier requirement is imposed on the Coast Guard in respect to new antarctic operations and enlarged operations in the Arctic, and (b) that these ships are rapidly reaching the point where they will no longer be economically servicable because of age, stresses, and strains which they have encountered; and I infer, although you have not so stated, that the Coast Guard could usefully employ some new icebreakers.

Aside from the conclusions of the Department, can we take that as a fact, that the Coast Guard, if someone would wave a magic wand and give you some new icebreakers, could put them into gainful use?

Admiral RICHMOND. We could; yes, sir.

Senator BARTLETT. I think, Admiral Richmond, you have told a simply fascinating account of the Coast Guard's ice breaking experiences over the years. It provides valuable and interesting information for the committee. I want to express my personal appreciation for your willingness to come here and explain in such detail the situation as you see it.

Admiral RICHMOND. With respect to the use by the Russians of icebreakers, they have a different problem than we do, as I see it. They have for years attempted to keep the northeast passage open. They ordinarily do not work icebreakers quite the same as we do in this respect.

If you look at the northern coast of Russia and Siberia, you will notice that it is a series of bays with prominent points. It is my understanding that as the arctic ice moves down it fetches up on these points, and in many cases even in the middle of winter you will have open water in these indentations. They have more uneven coast than we have on the northeast passages.

So, generally speaking, their operations consist of stationing an icebreaker in the vicinity of one of these points where there is ice, in other words, and trying to work the vessels around this point, after which the vessel may be able to run several hundred miles in open water before it is picked up by another icebreaker, which works it around another point.

That immediately poses a problem of operation for them in that they probably leave their icebreakers up in that area a great deal longer than we would contemplate in the operation of our icebreakers, unless we just had the misfortune to be frozen in, as I have indicated.

Senator BARTLETT. Actually, they now transport a very considerable freight tonnage, do they not, across the northern waters and down along the Siberian coast to southern Siberia?

Admiral RICHMOND. Yes, sir. It is obviously the shortest route to Vladivostok and the Siberian ports are obviously important. They attempt to achieve, you might say, 12 months operation. I don't think they are entirely successful. I did want to make the point that their problem is an entirely different problem than ours with respect to icebreakers.

Senator BARTLETT. I would think that you are absolutely right on that, and we can't compare mere numbers as between two big nations and say that we are necessarily lagging because we don't have as many icebreakers as the Russians, because their needs may not be the same at all, as you have told us.

Admiral, how long would it take, probably, to construct an icebreaker from the time bids were let?

Admiral RICHMOND. I would say a minimum of 2 to 2½ years.

Senator BARTLETT. Then, from what you have said—

Admiral RICHMOND. I am thinking now of getting your original plans, a model for testing in your model basin and everything, and then going through to the construction. I doubt if you could do it under 2½ years, sir.

Senator BARTLETT. I will make a statement following that without asking you to comment.

It seems to me, then, that time is running out on us. These icebreakers are going to be either beached before too long, or you are going to be required to spend so much money keeping them in operation that it won't be economic, and unless budgetary requests are made within the very near future you are going to have no icebreakers at all, or inadequate ones, in light of the greater need than ever existed before.

Again, Admiral Richmond, I want to thank you for your appearance and your splendid testimony.

Admiral RICHMOND. Thank you, sir.

I will now place in the record of these hearings a letter from the Shipbuilders Council of America, dated March 2, 1961, recommending an amendment to the bill before us, to require that any construction resulting from enactment of S. 966 be performed in a shipyard or shipyards within the United States.

SHIPBUILDERS COUNCIL OF AMERICA,
New York, N.Y., March 2, 1961.

Subject: S. 966 Proposing Construction of Three Cutters for Coast Guard for Polar Icebreaking Operations

Senator WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: The Shipbuilders Council of America, as representative on a national basis of private shipbuilding companies in the United States, has keen interest in bill S. 966 scheduled to be the subject of hearings before the Subcommittee on Merchant Marine and Fisheries on March 9 and 10. The bill would authorize the construction of three new Coast Guard cutters for polar icebreaking in terms similar to the authorizing legislation of 1941 under which the program for the Coast Guard's WIND-class vessels was initiated. In addition, the bill would authorize an immediate feasibility and development study of the utilization of nuclear power in this type of cutter so as to assure that the cutters authorized by the bill shall be of the most advanced practicable design for the functions they will perform.

Naturally, the Shipbuilders Council would not presume to advise the committee as to the need for such vessels by the Coast Guard. This is a matter for determination within the Government by those whose functions include such matters.

On the other hand, as the proposal does represent prospective shipbuilding, it is germane for the council to assure the committee that whether the vessels are nuclear or standard powered, more than ample idle shipbuilding capacity is available in U.S. private shipyards to accommodate their immediate construction. Further, if nuclear power is decided upon, the Congress is assured that the shipbuilding art in the U.S. private yards is such at the present time as to make the construction of nuclear-powered icebreakers entirely feasible from a technical standpoint.

The fact that there are already existing privately owned and operated facilities in the United States engaged in the design, manufacture and construction of nuclear reactors for marine propulsion and of nuclear-powered naval and merchant vessels of various types, represents a considerable lead over the rest of the world in this field. The construction of nuclear-powered icebreaking cutters for polar operation would not be expected to present any insurmountable technical problems to this well-developed industry.

During House floor discussion last June of the prior identical bill H.R. 4, 86th Congress, as passed by the House, expressions of concern were voiced by several legislators as to where the vessels might be built. In the light of the comments made at that time and to "nail down" the principle in the authorization bill itself, the council suggests incorporation in the pending bill of a provision along the lines of section 21(e) of S. 901, the Marine Sciences and Research Act of 1961, introduced February 9, 1961. The section referred to reads as follows:

"All ships and surface or subsurface craft constructed pursuant to the authorizations for appropriations contained in this Act shall be constructed in domestic commercial facilities."

I should be evident that some such action is necessary in order to assure the continuation of a healthy private shipbuilding industry as well as to maintain its mobilization potential so vital to the national security.

Your good offices are solicited in this connection to the end that committee consideration of S. 966 result in an appropriate amendment along the lines suggested.

Sincerely,

L. R. SANFORD, *President.*

(Subsequently, official reports on S. 966 were received from the Office of the Secretary of the Treasury, under date of March 10, 1961, stating that "Treasury and Coast Guard consider that enactment of S. 966 is not necessary"; from the Department of the Navy, under date of March 11, 1961, opposing, as "unnecessary" the proposed expenditure for nuclear research, but neither supporting nor opposing the bill in its present form; and from the Comptroller General, making no recommendation as to enactment. The reports are printed herewith:)

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, March 10, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to the request of your committee for the views of this Department on S. 966, to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions, and for other purposes.

The proposed legislation would authorize and direct the Secretary of the Treasury to construct and equip three cutters especially designed for icebreaking in the polar regions. The Secretary would conduct a feasibility and development study of the utilization of nuclear power in this type of cutter, for which study \$500,000 is authorized to be appropriated.

One of the important responsibilities of the U.S. Coast Guard is in keeping traffic lanes and ports open to shipping where ice conditions make them otherwise inaccessible and inoperative. To meet such needs, the Service is equipped with certain boats designed to break ice. Recently, its operations in the Arctic and Antarctic areas have increased the employment of such boats. It is probable that the employment of icebreakers not only in the Arctic regions but in our own ports and waterways will continue to increase as needs expand. There is a present requirement, therefore, that the Treasury Department and the Coast Guard review from time to time the icebreaking program and the equipment on hand to implement it, especially as certain of the present group of icebreaking boats are approaching that period of use when replacement must be considered.

It is pointed out, however, that bringing into view the entire work program of the Coast Guard and the equipment at hand or projected to carry it into effect, a greater need for replacements and additions exists in other categories than that of boats designed for icebreaking. Further, it is not necessary to enact the bill since the Coast Guard presently has the legal authority to do what the bill contemplates. But as said, for priority reasons, it has not made a request thus far for such icebreaking equipment through the regular budgetary process.

With regard to the feature of the bill relating to research in nuclear propulsion for icebreaking vessels, while the Treasury and the Coast Guard are always interested in new and effective forms of vessel propulsion, it is their belief a new study would not alter the fact that three conventionally powered icebreakers can, in all probability, be built for the cost of one nuclear-powered icebreaker, and for Coast Guard purposes, ship by ship, do as good a job. Therefore, so far as they are concerned, there would be no priority for such a nuclear-powered vessel over conventionally powered vessels in the immediate future.

For the reasons expressed, Treasury and Coast Guard consider that enactment of S. 966 is not necessary.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Very truly yours,

A. GILMORE FLUES,
Acting Secretary of the Treasury.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., March 11, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Your request for comment on S. 966, a bill to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions, and for other purposes, has been assigned to this Department by the Secretary of Defense for the preparation of a report thereon expressing the views of the Department of Defense.

The bill would authorize the construction and equipping of three Coast Guard cutters designed for icebreaking. The type of propulsion to be used is not specified. However, it would direct the Secretary of the Treasury to conduct a feasibility and development study of the utilization of nuclear power in this type of cutter. It authorizes to be appropriated not to exceed \$500,000 to conduct the study.

Both Coast Guard and Navy icebreaking vessels operate at a continually demanding pace and are gradually wearing out, as are most other ships of World War II design and construction. Although both services are faced with this problem, the Navy has even more demanding ship needs and is forced to program limited shipbuilding funds toward warship construction and more urgently needed auxiliary types. Current employment of Coast Guard icebreaking vessels supports in large measure Navy requirements in the Arctic and Antarctic regions. With replacement of Navy icebreakers not possible under present funding levels, the Navy should therefore indirectly benefit by the construction of icebreaking cutters for the Coast Guard. We are not, however, in a position to weigh the needs of the Coast Guard for icebreaking cutters in the light of their overall ship needs.

The Department of Defense considers* that there is adequate information available based on previous developments to evaluate the feasibility of the use of nuclear power in icebreaking vessels. The expenditure of \$500,000 to this end is therefore considered unnecessary.

In view of the foregoing, the Department of the Navy, on behalf of the Department of Defense, neither supports nor opposes the enactment of S. 966 in its present form.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the submission of this report for the consideration of the committee.

For the Secretary of the Navy.

Sincerely yours,

W. S. SAMPSON,
Captain, U.S. Navy, Deputy Chief.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 10, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce, U.S. Senate.

DEAR MR. CHAIRMAN: Further reference is made to your letter of February 18, 1961, acknowledged on February 20, requesting the comments of the General Accounting Office concerning S. 966, 87th Congress, 1st session, entitled "A bill to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions, and for other purposes."

In pursuing the study authorized in section 2 of the bill, we would suggest that line 2 on page 2 thereof be amended to provide that "the Secretary of the Treasury, in consultation with the Atomic Energy Commission, shall conduct a feasibility and development study of the utilization of nuclear power in this type of cutter."

Aside from the foregoing, and since we have no special information or knowledge relative to the need for or desirability of such legislation, we make no recommendation with respect to its enactment.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

(The following agency comments were subsequently received for the record.)

U.S. ATOMIC ENERGY COMMISSION,
Washington, D.C., March 24, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate.

DEAR SENATOR MAGNUSON: By telephone call on March 6, 1961, August J. Bourbon, professional staff member of your committee, requested that the Atomic Energy Commission furnish its views on S. 966, a bill to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions, and for other purposes.

The purpose of the bill is to authorize the Secretary of the Treasury to construct and equip three cutters especially designed for icebreaking in the Arctic and Antarctic regions. According to the bill, the cutters would further the interest of national defense and would provide necessary facilities for the Coast Guard in the performance of its duties. In order to assure that the cutters would be of the most advanced practicable design for the functions they will perform, the bill provides that the Secretary of the Treasury shall conduct a feasibility and development study (involving a sum not to exceed \$500,000) as to the utilization of nuclear power in this type of cutter.

Proposed legislation to provide for an icebreaking vessel was introduced in the 85th and 86th Congresses. The original version of H.R. 4, 86th Congress, is an example of such proposed legislation. That bill was identical to H.R. 9196, 85th Congress, which was passed by the 85th Congress and was subsequently vetoed by the President on August 12, 1958.

S. 966 differs from H.R. 4, as introduced, in that the latter bill specifically provided that the icebreaking vessel authorized by the bill would be nuclear-powered. As noted above, S. 966 does not specify the type of propulsion unit to be used in the cutters but requires that a study be made as to the utilization therein of a nuclear powerplant.

The Committee on Merchant Marine and Fisheries, House of Representatives, conducted hearings on the original version of H.R. 4, 86th Congress, and at the conclusion thereof the committee reported the bill with amendments (see Rept. No. 1057). The amended version of H.R. 4 passed the House of Representatives on June 8, 1960, but was not enacted at the close of the 86th Congress. S. 966, 87th Congress, is virtually the same bill as the amended version of H.R. 4, 86th Congress.

As the Commission indicated to the chairman, Committee on Merchant Marine and Fisheries, House of Representatives, in reports on prior bills on this subject, the determination of requirements for icebreakers, whether nuclear-powered or of the conventional type, is not within the purview of the Commission, but is the responsibility of other agencies. We therefore have no comments on the merits of the bill.

If the bill were to be passed, it is recommended that it state that the study contemplated by the bill be conducted jointly by the Atomic Energy Commission and the Department of the Treasury to take advantage of data and developmental material already available in the Commission. This could be accomplished by amending section 2 of the bill to read as follows:

"SEC. 2. In order to assure that the cutters authorized to be constructed by the first section of this Act shall be of the most advanced practicable design for the functions they will perform, the Secretary of the Treasury and the Atomic Energy Commission shall jointly conduct a feasibility and development study of the utilization of nuclear power in this type of cutter."

We have been advised by the Bureau of the Budget that there is no objection to the transmission of this report from the standpoint of the administration's program.

Sincerely yours,

GLENN T. SEABORG,
Chairman.

THE SECRETARY OF COMMERCE,
Washington, April 28, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request of February 18, 1961, with respect to S. 966, a bill to authorize the construction and equipping of three Coast Guard cutters designed for icebreaking in the Arctic and Antarctic regions, and for other purposes.

The bill would authorize and direct the Secretary of the Treasury to construct and equip three cutters especially designed for icebreaking in the Arctic and Antarctic regions to be operated by the U.S. Coast Guard.

Additionally, the bill would authorize the sum of \$500,000 to carry out a feasibility and development study by the Secretary of the Treasury into the utilization of nuclear power for these vessels.

It is anticipated that Alaskan statehood will cause an expansion of merchant shipping into areas impeded by ice conditions. Similarly, the recent opening of the St. Lawrence Seaway will place additional burdens upon icebreaking facilities in the Great Lakes, in order to gain maximum economic advantage throughout the operating season. However, this Department has no information as to whether this legislation is needed to enable the Coast Guard to meet its responsibilities, and therefore defers to the Department of the Treasury on the merits of the bill.

The Bureau of the Budget advised there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUEDEMAN,
Undersecretary of Commerce.

Senator BARTLETT. The committee will now stand in adjournment.
(Whereupon, at 12:02 p.m., the subcommittee was adjourned.)





