1967 ANNUAL REPORT
F THE MARITIME ADMINISTRATION

U.S. DEPARTMENT OF COMMERCE / Maritime Administration

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LETTERS OF TRANSMITTAL

UNITED STATES DEPARTMENT OF COMMERCE,
MARITIME ADMINISTRATION,
Washington, D.C.
October 10, 1967

To: Secretary of Commerce.
From: Acting Maritime Administrator.
SUBJECT: Annual report of the Maritime Administration for fiscal year 1967.

I am submitting herewith the report of the Maritime Administration covering activities of the fiscal year ended June 30, 1967.

J. W. GULICK.

SECRETARY OF COMMERCE
Washington, D.C.
November 18, 1967

TO THE CONGRESS:

I have the honor to present the annual report of the Maritime Administration of the Department of Commerce for fiscal year 1967.

SECRETARY OF COMMERCE.

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"Throughout American history, the Merchant Marine has been indispensable to our security and prosperity. Today, our merchant fleet binds us in peaceful commerce with the increasingly interdependent nations of the world."

LYNDON BAINES JOHNSON
President of the United States

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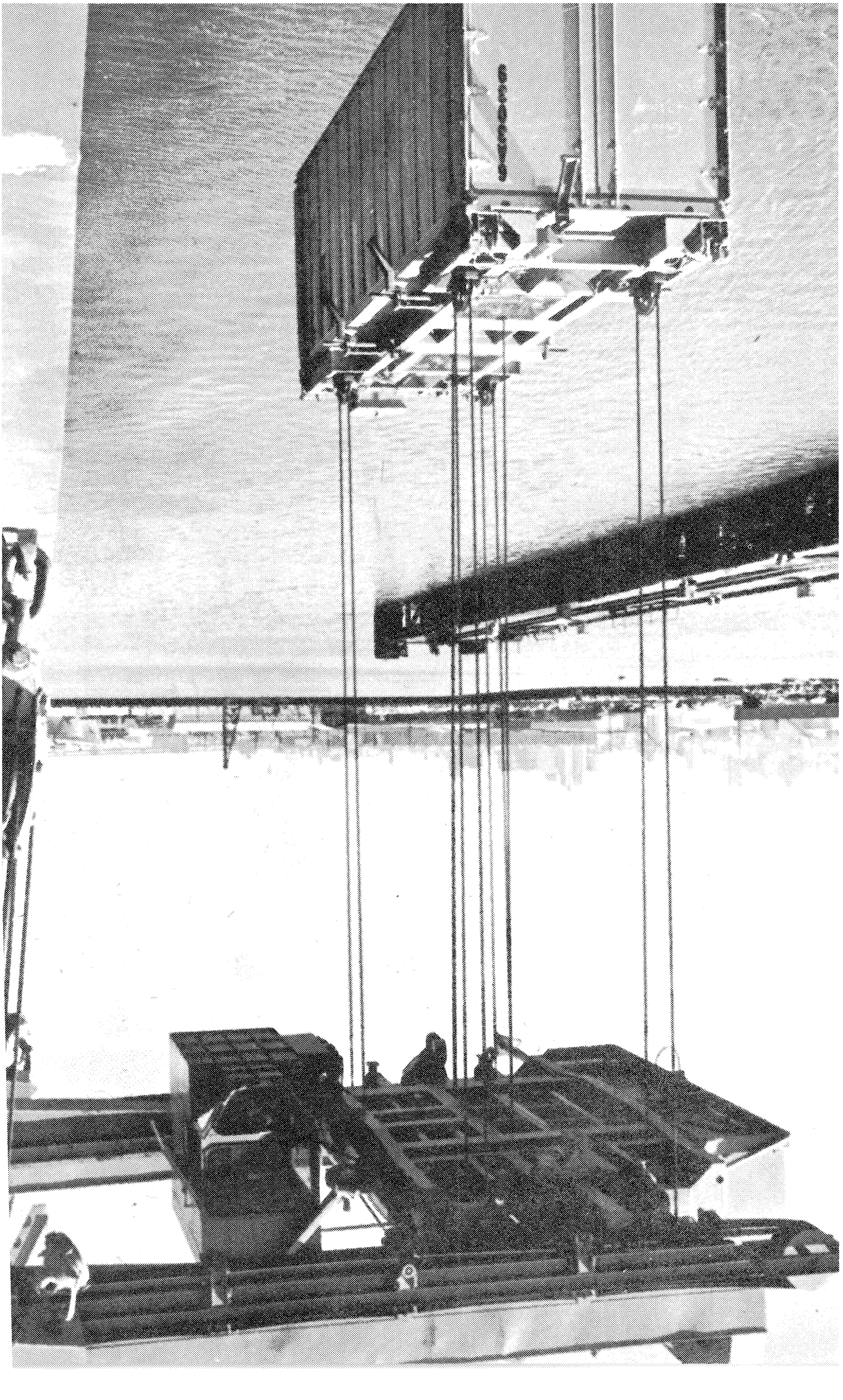


iscal Year 1967 was marked by
ı intensified interest in the use
' containers, which have become
creasingly important to all
odes of transportation, includ-
g the maritime industry, which
developing special ships de-
gned for the efficient transpor-
tion of containers.

INTRODUCTION AND SUMMARY

NEW TRENDS IN MARITIME TRANSPORTATION

The Maritime Administration took steps during fiscal year 1967 to turn new trends in cargo handling to good account for the U.S. Merchant Marine and for the Nation's businessmen.

The development of integrated transportation through the use of containers has become increasingly important to all types of carriers. The inherent advantages of unitized cargo handling are such that no operator or shipper can afford to ignore the possibilities. The promise of decreased turnaround time for the shipowner, reduced costs of packaging, distribution, insurance, loss through pilferage or transit damage, and storage for the shipper have provided the incentive for the heavy investment in containers and related equipment now in evidence in all segments of the transportation industry.

Technically, containers lend themselves to optimum systems simply because they are the common denominator for all modes and cargo handling methods. Containerization is also amenable to the most modern tools of management. While the use of computers to control container operations has been put to the test in only limited applications, the potential offers possibilities of worldwide computerized container control networks.

Barges, or lighters, are actually large "containers" in themselves—a container with the further advantage of providing its own waterway transportation from producer to receiver, with no extra handling of the cargo necessary. Barge-carrying ships developed to exploit the benefits of this type of unitization offer the opportunity to every inland terminal located on a navigable waterway to participate in the

Nation's expanding oceanborne foreign commerce. Used in combination with containers, the barges offer maximum flexibility to the shipper and shipowner in choosing the best possible conditions for a particular shipment.

In fiscal year 1967, the Maritime Administration took a number of actions aimed at achieving greater productivity in the U.S. Merchant Marine through the application of these new cargo-handling techniques in its ship construction and conversion programs.

Further steps taken by the Maritime Administration to increase the participation of the U.S. marchant fleet in the integrated transportation systems were the agency's participation in a through container experiment with the Federal Republic of Germany, a joint project with the Department of Agriculture for the development and testing of a multipurpose container featuring variable temperature compartments, and a container cargo data collection project.

SHIP EXCHANGE PROGRAM

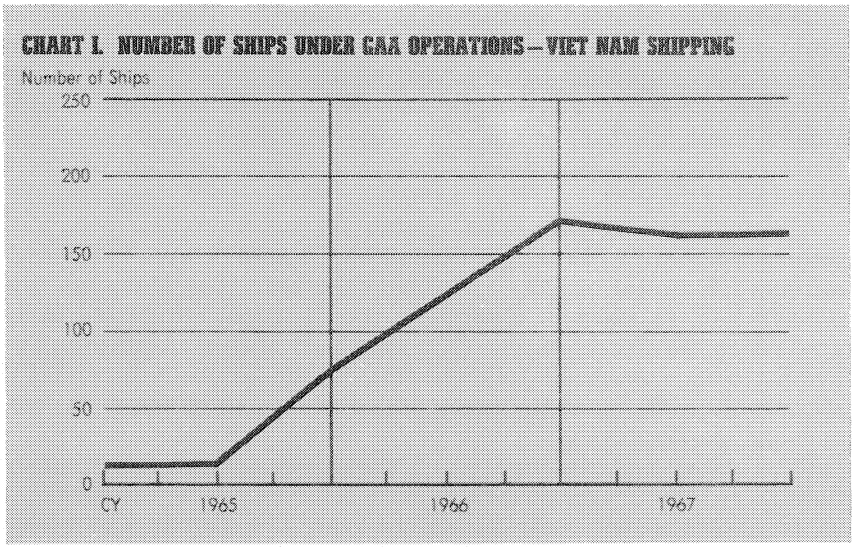
While the Maritime Administration has available administrative tools for the support of the shipping lines under contract for operating- and construction-differential subsidy, direct financial support has not been available to other major segments of the U.S. merchant fleet—such as bulk carriers and ships in the domestic services. However, the Maritime Administration does offer the opportunity through the ship exchange program for the operators of these ships to upgrade their fleets.

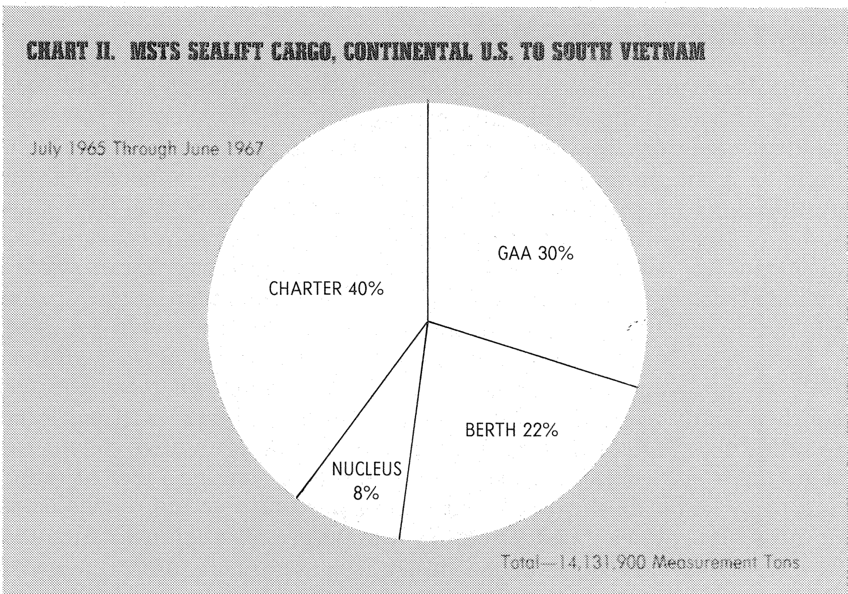
The release of 25 C4 troopships by the Department of the Navy during the year for exchange to these operators gave a welcome opportunity to that part of the U.S. merchant fleet to improve the quality of their vessels. These ships were offered for exchange and conversion on condition that the operators would fit the ships for breakbulk, heavy lift, container, or roll-on/roll-off operation. Allocations of 15 of these ships had been made at the end of the year. Conversion work resulting from this program was expected to total some $100 million in shipyard contracts. Two tankers and a hospital ship were also made available for exchange.

Contracts for exchange of 15 ships were signed during the year. In the 7 years of the Ship Exchange Program, Maritime has exchanged 81 Government-owned ships for 85 private ships, and received in cash approximately $11,439,362 in excess value of the ships going to private operators over those traded in. The conversions of the 81 ships have resulted in $125 million of work for U.S. shipyards and have provided better service for U.S. shippers.

SHIPPING FOR VIETNAM

Support of the supply effort for our forces in Southeast Asia continued to be a major agency program. Ships assigned to General





Agents (GAA ships) reached a peak number of 172 during the year, through the breakout of an additional 60 ships from the reserve fleets (Chart I). Approximately 3,100,000 measurement tons of cargo were carried to Southeast Asia by GAA ships, which comprised more than one-third of all cargo handled by or for MSTS during the fiscal year (Chart II). The ships of the GAA fleet completed 53,243 voyage days, each voyage averaging over 14,000 miles.

The backlog of ships waiting to be unloaded in Vietnam, a serious problem in fiscal year 1966, was reduced markedly during the year. This was accomplished by concerted efforts of the military and the maritime industry. Twenty-eight deep-draft berths were made available in South Vietnam by the end of the year. As a result, ships discharged their cargoes and left the area within an average of 12–15 days during the year.

A serious hindrance to GAA operations was a severe shortage of seamen, especially of licensed officers, which caused delays of 228 GAA sailings for a total of 749 days during the year. The Maritime Administration, to assist in alleviating the situation, authorized early graduation for cadets of the U.S. Merchant Marine Academy. The five State marine schools followed suit. Public-service radio and TV appeals also were made to urge qualified seamen to return to the sea, and many responded.

Reactivation and repairs of GAA ships were delayed somewhat by the strike of the International Brotherhood of Electrical Workers that occurred on the west coast during the year. The dispute was settled shortly after the fiscal year's end.

CONSTRUCTION SUBSIDY

The Maritime Subsidy Board continued its previously established policy of approving shipbuilding programs on the basis of the most productive design, and with preference for large flights of ships to be built in a single shipyard. In October 1966, after considering the applications or proposals of 10 subsidized operators, the Maritime Subsidy Board selected five to participate in the 13 ship construction program for fiscal year 1967. This was a tentative program which included also optional ship awards for seven of the 13 ships anticipated for fiscal year 1968, subject to the availability of new funds for 1968.

However, this program was later modified and a new combined 1967–68 program was adopted, aimed at getting the most for the subsidy funds available. This planned 2-year program was designed to take advantage of the new concepts of ship design under consideration—such as containerization and lighters carried aboard ship, and to provide the shipyards with an opportunity to bid on the basis of possible volume production. It was expected that an estimated 24–25 ships would be awarded under this combined program. Final determination of the exact number of ships to be awarded under the program, however, would depend on the actual cost of the ships in relation to funds available.

Only one ship was actually awarded in 1967—an optional ship for American Mail Line, which had three other ships under construction under a prior year's contract. In addition, approval was given for the redesign of five United States Lines ships under construction, from less desirable break-bulk ships to large container ships.

At the end of the year 155 ships had been contracted for under the approved 300 ships long-range replacement program of the subsidized operators, including 118 delivered (eight of these ships were delivered during the year) and 37 under construction (Chart III).

OPERATING SUBSIDY

Fourteen operators participated in the operating-differential subsidy program, with a total of 311 ships under contract. Payments during the year on operating subsidy due for 1967 and prior years totaled $175,631,860.

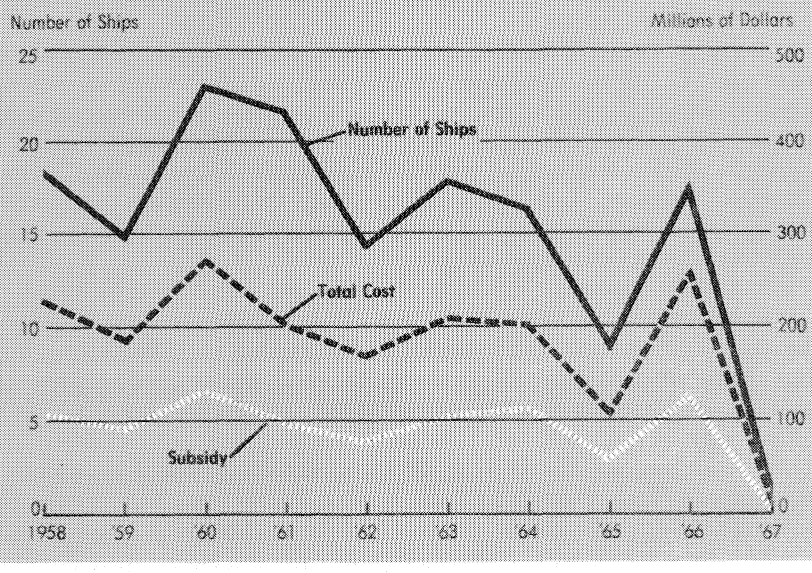
At the end of the year, applications were pending from four subsidized operators seeking increased sailings on their existing services as well as new services. In addition applications were pending from five nonsubsidized operators for operating-differential subsidy.

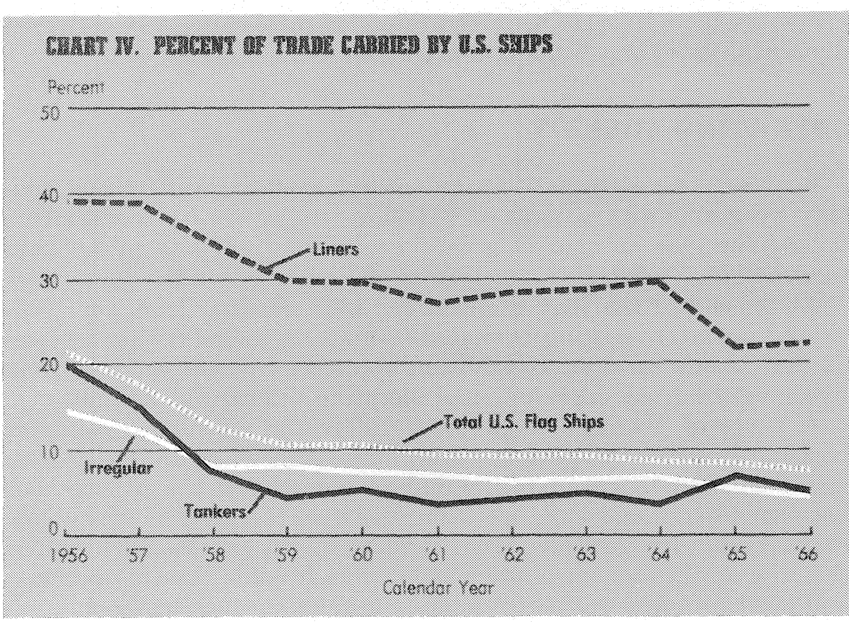
A study of Maritime's operating-differential subsidy system was continued during the year, to determine whether a simplified system could be used to calculate, by indexing methods, the differentials between foreign and U.S. operating costs, on the basis of which subsidy accruals are computed. By the year's end it had been determined that the application of a wage index was feasible for this purpose, and good progress was being made in developing such a system.

CARGO PARTICIPATION

During the calendar year 1966, despite the addition of 12 dry cargo and one tank ship to the American-flag fleet, participation by U.S.

CHART III. REPLACEMENT PROGRAM





ships in the carrying of the Nation's waterborne commerce continued to be low (Chart IV). The share of the liner segment on essential trade routes in 1966 remained at 23 percent, after a decline from 30.4 percent in 1964 to 23 percent in 1965. This low participation in liner carryings continued to reflect the demand for ships and space to serve the Vietnam supply effort (Chart V), as well as the fact that growth in our foreign waterborne commerce has advanced faster than growth in U.S. shipping capacity.

During the year, U.S.-flag liner vessels were operating at near capacity outbound. At the same time the demand for nonscheduled vessels for Vietnam use had caused a decline in the percentage of preference cargoes carried by the bulk carriers. Further aggravations to the tight shipping situation were the closing of the Suez Canal, which put a heavy demand on the world's merchant fleets, and a severe seaman shortage. The Suez closure led to an increase in charter rates approved for Government-sponsored cargoes.

For similar reasons, U.S.-flag ships in several instances failed to carry their statutory 50 percent share of Government-financed cargoes (Chart VI). Because of the shortage of available U.S.-flag ships, only 40 percent of agricultural products shipped under Public Law 480 moved in U.S. vessels in calendar year 1966.

This was 10 percent below the statutory requirement. In the movement of shipments for the Agency for International Development, 48.2 percent were carried in U.S. vessels, while Inter-American Development Bank shipments subject to Public Law 664 showed only 36.5 percent carried in U.S.-flag ships in calendar year 1966. This low

CHART V. PRIVATELY OWNED SHIP OPERATIONS TO VIETNAM

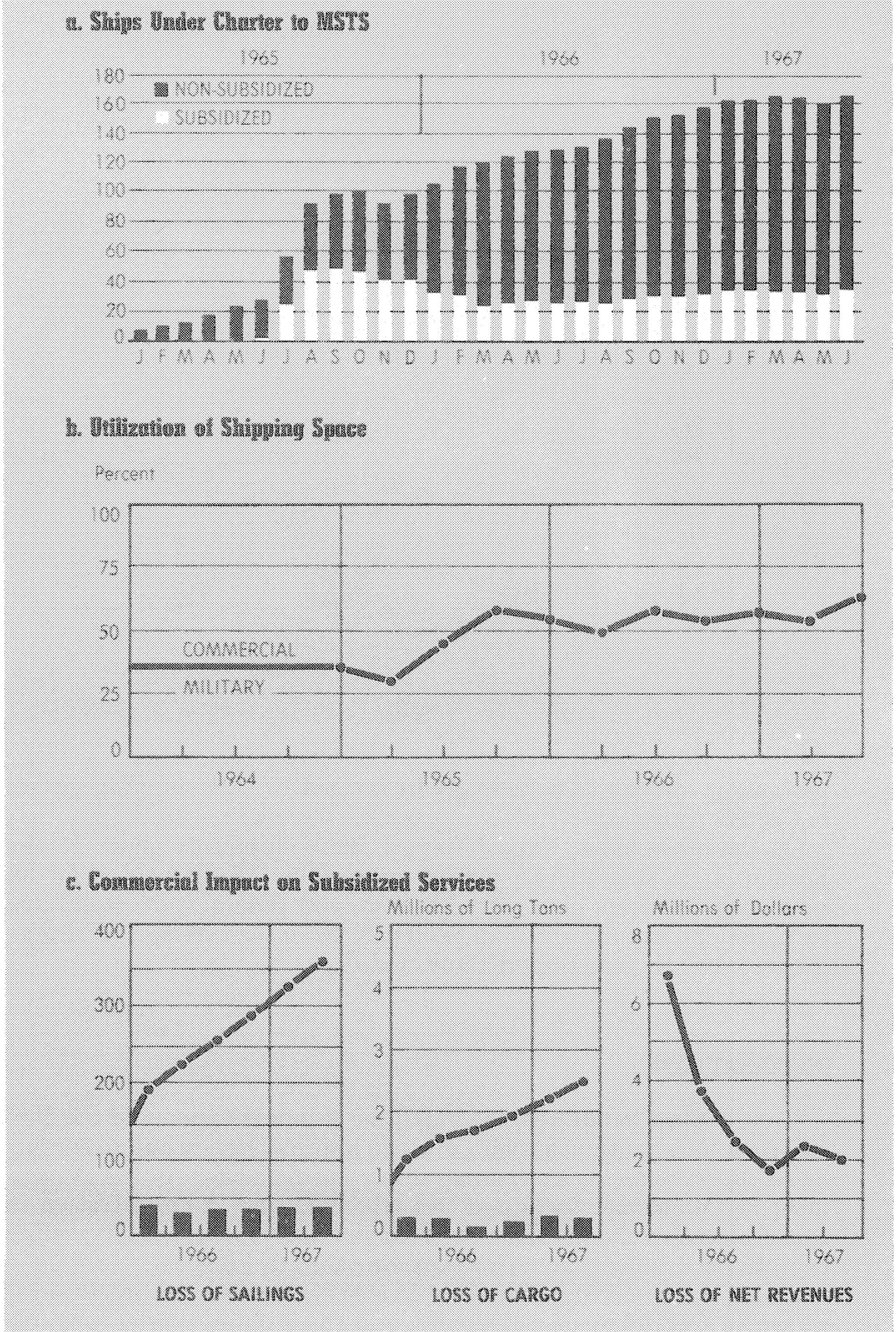


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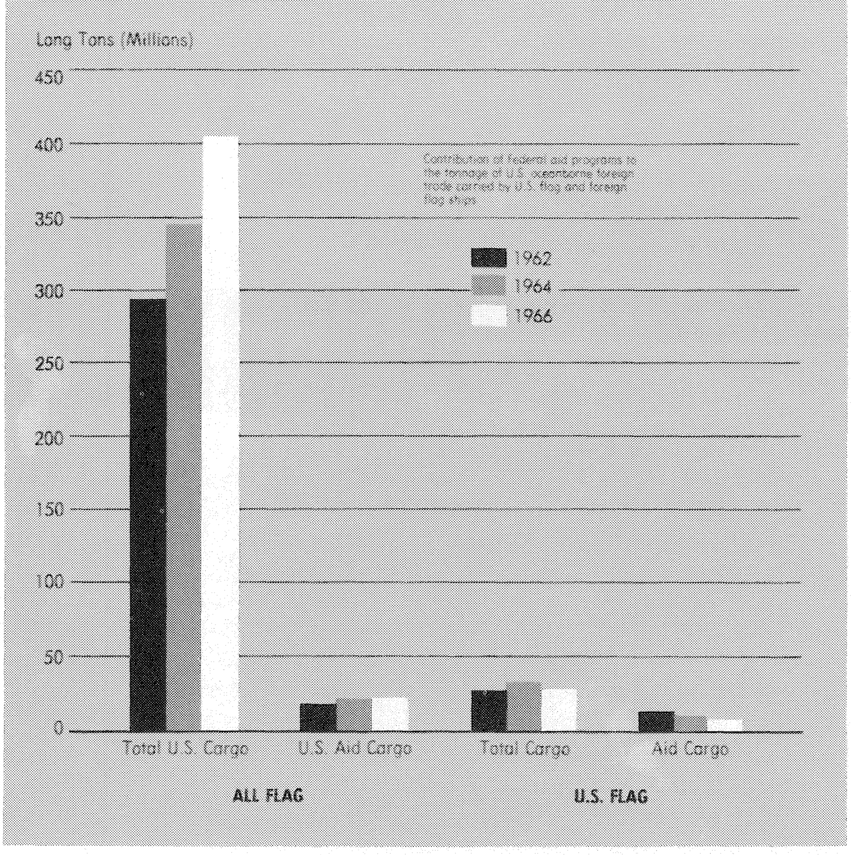
CHART VI. FEDERAL AID CARGO



percentage was caused principally by the lack of U.S. shipping service to Central America.

On the other hand, Export-Import Bank shipments under Public Resolution 17 showed 89.8 percent carried in U.S.-flag ships for an increase of 5 percent over 1965. There were 24 general waivers granted to 12 nations to participate up to 50 percent in the carriage of cargoes generated by Export-Import Bank credits.

PROMOTION

Despite these handicaps, the Maritime Administration and the U.S. shipping lines continued their efforts to improve service and to encourage shippers to use American-flag ships. The field offices of the Department of Commerce cooperated with the Maritime Administration in this project. Brochures were published and distributed, and a traveling exhibit was displayed at various appropriate functions.

The 11th annual Maritime Day Poster Contest winner received his award in Capitol steps ceremonies, and the winning poster was displayed on postal trucks during May. These and other promotional activities were sponsored by the agency to bring about a better understanding of the value of the U.S. Merchant Marine to the Nation.

The agency encouraged its employees to accept responsibility for promoting an understanding on the part of the general public of the significance of the U.S. merchant fleet to the commerce and defense of the Nation. To assist in this effort the agency made available to them a slide talk prepared for presentations before local groups.

FEDERAL SHIP MORTGAGE INSURANCE AND RESERVE FUNDS

The Federal ship mortgage insurance and various reserve funds continued to be an aid to financing the construction of both subsidized and nonsubsidized ships. A total of 17 ship loans and mortgages were insured for $104 million under the Federal ship mortgage insurance program during the year, making a total of 113 vessels insured for an outstanding balance of $562 million at the end of the year. This included insurance on loans to help build seven new tankers, the first new tankers to be built under this program in 6 years.

Applications for insurance of mortgage loans on 44 ships and 692 barges for an estimated total of $248 million were being processed. There were no defaults on insured mortgages during the year. Retained income of the Federal Ship Mortgage Insurance Fund at the end of the year was about $15 million.

There was a balance in eight construction reserve funds totaling $2.3 million, or $3.5 million less than last year, and in the statutory reserve funds of the subsidized operators a total of $185.6 million, or a decrease of $7.3 million from last year.

RESEARCH AND DEVELOPMENT

A Maritime Administration Research and Development Advisory Committee was established during the year, and held its first meeting in April. The committee is composed of 10 members holding senior positions of responsibility in varied segments of industry, labor, and universities. It will assist the Maritime Administration in developing a more effective research and development program and in encouraging industry to utilize the results of the program.

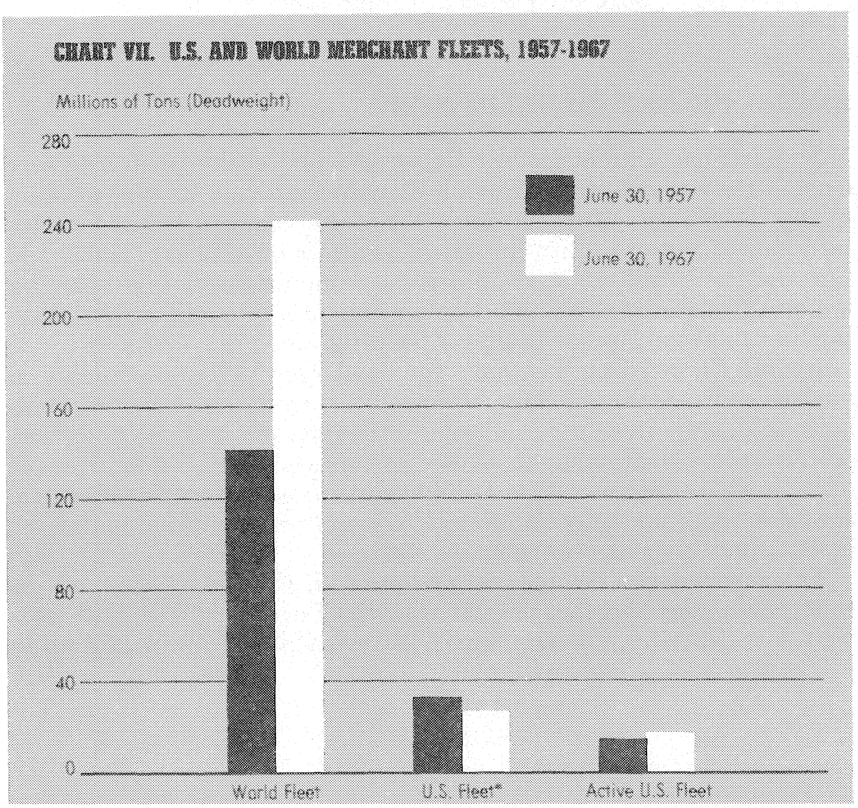
Among the research programs for fiscal year 1967 were studies on nuclear ships, advanced ship concepts, contrarotating propellers, bulbous bow, ship structure, seakeeping, navigation, and oil pollution. An electronic instrument to detect and measure small quantities of oil in a ship's bilge or ballast discharge, developed under Maritime contract, was named by *Industrial Research* magazine as one of the best new industrial developments of 1966.

The experimental commercial operation of the NS SAVANNAH was continued under bareboat charter with the First Atomic Ship Transport, Inc. Initially, it was planned that the ship would be laid up in

August 1967, at the end of the charter year. However, after weighing the costs of its operation over layup, and the additional benefits to be gained from its operation, and because of great interest in Congress and by the general public, it was decided to continue its experimental commercial operation for at least another year, depending on availability of funds as recommended by the House Appropriations Committee. In its first 2 years of regular commercial service, the NS SAVANNAH made 14 voyages. A report on the ship's first year in commercial service showed greater revenues and lower expenses than had been anticipated, resulting in an annual operating loss of approximately $400,000 less than previously estimated.

The Maritime Administration in fiscal year 1966 sent inquiries to 56 U.S. ship operators to determine their interest in building and operating nuclear-powered ships. The responses indicated that shipping companies representing over three-quarters of the tonnage polled would be interested if nuclear operations proved profitable and feasible in their services. Many operators expressed the view also that a second generation nuclear ship program would be necessary to demonstrate further the economics of nuclear power, gain experience, and clear legal and regulatory barriers. Freighters, tankers, containerships, and bulk carriers were all seen as possible candidates for nuclear power application.

Other advances in ship design and ship propulsion were studied during the year, as the Maritime Administration requested proposals for a catamaran containership, to take advantage of the stability of this type of vessel, and negotations were undertaken by the joint Commerce-



Navy Surface-Effect Ship Program Office for design studies for the construction of surface-effect ship test crafts of 90 gross tons.

A computer program to simulate ship operations was developed which portrays the activities of a ship on a multiport trade route, with results analyzed on a profit and loss basis. The program promises to be a valuable management tool in choosing various alternatives of cargo bookings, routing changes, etc.

SAVINGS AND SALES

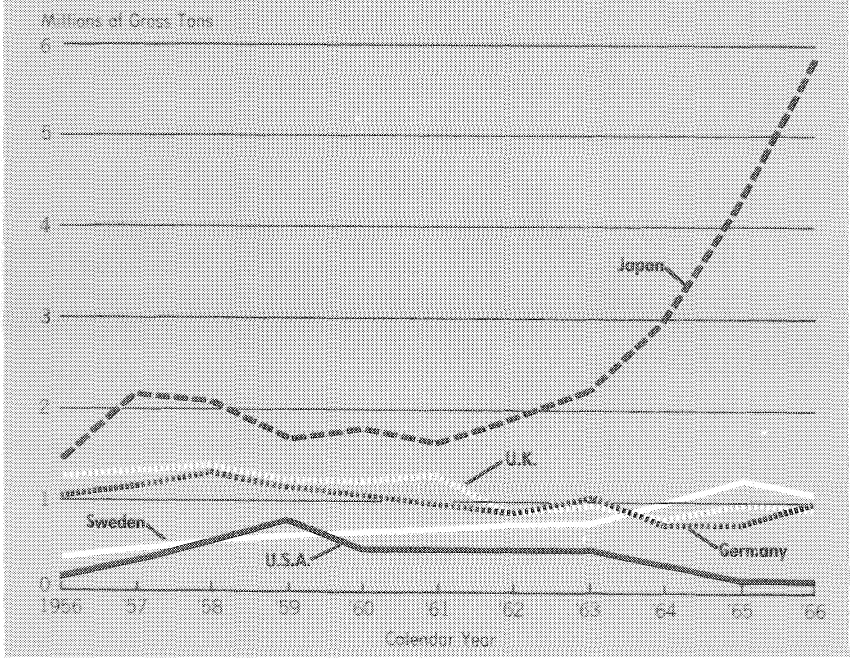
The Maritime Administration continued to participate actively in the 3–E improvement program. Reduction of wage costs of subsidized ships through mechanization, elimination of wasteful water production and conservation practices on GAA ships, reduction of costs in procurement, supply and property management, and other actions had at the end of the year resulted in savings of $6,579,000.

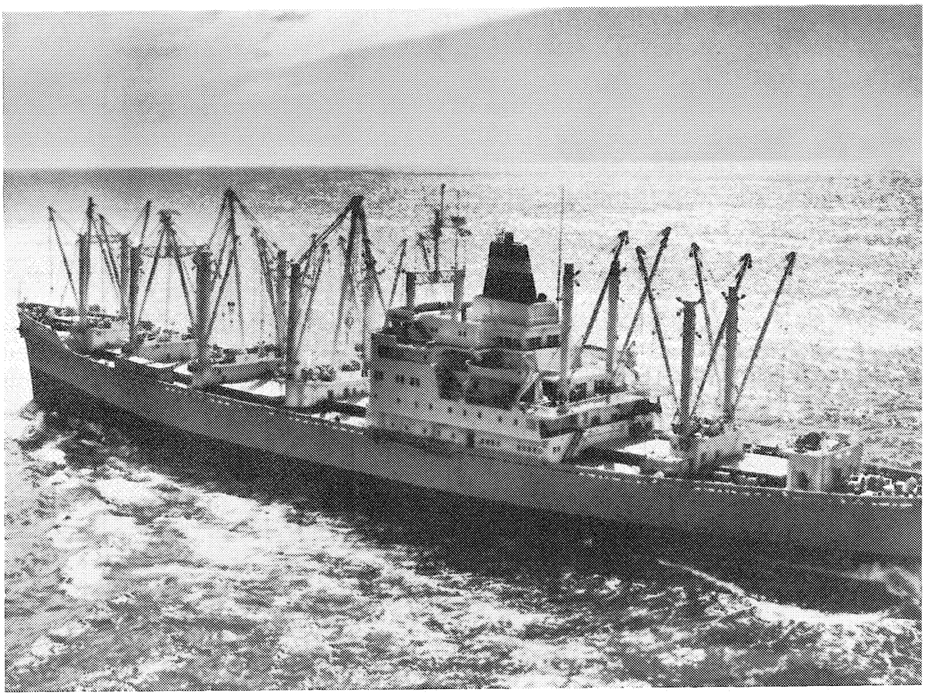
The sale of 88 Libertys and 31 other ships for scrap or nontransportation use during the year returned $5.8 million to the Government.

FLEET STATUS

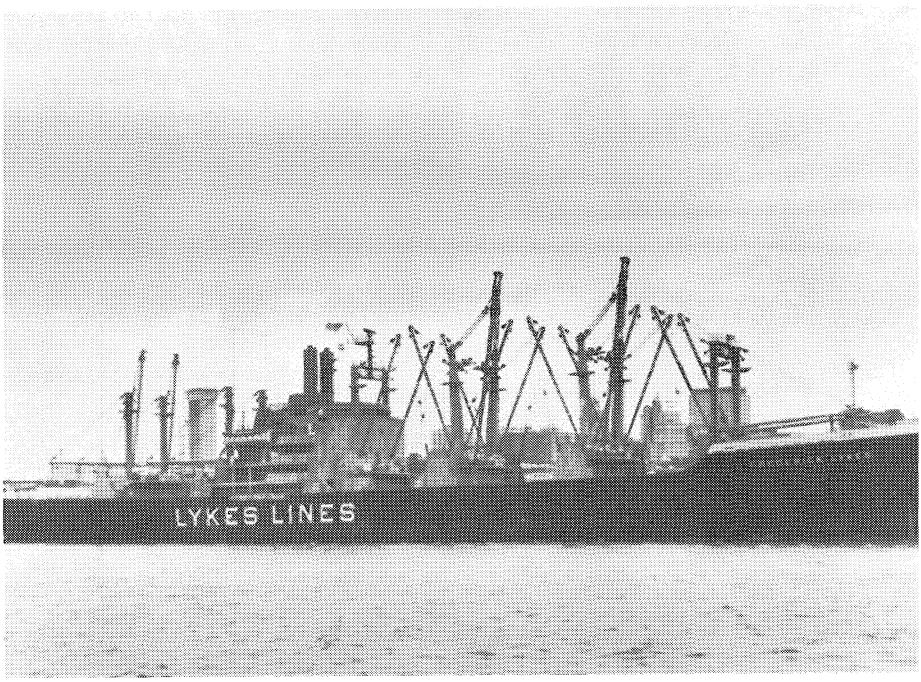
The United States declined to fourth place in total world merchant fleet deadweight tonnage, fifth in deadweight tonnage of privately owned ships (Chart VII and Appendix I), and 15th in total deadweight tonnage built (Chart VIII and Appendix II). Of a total U.S. merchant fleet of 2,209 ships of 26,561,000 deadweight tons, 1,107 of 16,274,000 deadweight tons were in active service on June 30, 1967 (Appendix III). Of the 1,102 inactive ships, 1,039 were in the National Defense Reserve Fleet, of which 616 were under priority preservation. Most of the rest were Liberty ships available for scrapping.

CHART VIII. SHIPS COMPLETED, 1956-1966, IN LEADING SHIPBUILDING NATIONS





Shown are two ships delivered during the year in the long-range replacement program of the subsidized lines—the SS SANTA CRUZ of Grace Line, and the SS FREDERICK LYKES of Lykes Bros. Steamship Co., Inc.



GOVERNMENT ASSISTANCE

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

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

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

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

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

OPERATING-DIFFERENTIAL SUBSIDY

Payments during the year on operating-differential subsidy due for fiscal 1967 and for prior years totaled $175,631,860.

Operating-differential subsidy accrued from January 1, 1937, to June 30, 1967, totaled $2,676 million; recapture amounted to $234 million; net payable as of June 30, 1967, was $2,442 million, of which $2,317 million had been paid out, leaving an estimated unpaid balance of $125.8 million at the end of the fiscal year. (See Appendix IV.)[1]

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

Operating subsidy was being paid on 124 overage ships pending their replacement.

A study undertaken last year by the Maritime Administration, in cooperation with the subsidized lines, was underway to ascertain whether a simplified system of calculating operating-differential subsidy rates can be used, based on indexing methods, to determine variances in foreign and U.S. operating costs and to establish the amounts of subsidy accrual. By the year's end, it had been determined that the application of a wage index representing various industrial groups, both domestic and foreign, was feasible, and work was continuing toward development of the system.

On November 8, 1966, the Maritime Subsidy Board authorized an extension until December 31, 1969, of the existing operating-differential subsidy agreement with the United States Lines, Inc., covering the operation of the SS UNITED STATES, subject to a further extension to June 20, 1972, if replacement plans acceptable to the Board are undertaken by December 31, 1969.

Pending Applications

Applications were pending from four subsidized operators seeking increased sailings on their existing services, as well as a new service. These are shown in the table below.

The application of American President Lines, Ltd., to engage in nonsubsidized cargo services to Hawaii, under consideration in Docket No. S–191, was ordered to be held in abeyance by a June 15, 1967, ruling, pending developments concerning proposed modifications of the arrangements between APL and Castle & Cooke, Inc.

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

Table I

APPLICATIONS FROM SUBSIDIZED OPERATORS FOR INCREASED SAILINGS AND NEW SERVICE

Company	Trade route	Number sailings requested
American Export Isbrandtsen Lines, Inc	18	30
" " " " "	12	25
" " " " "	5-7-8-9	26
" " " " "	26	28
American Mail Line Ltd	29	18
Lykes Bros. Steamship Co., Inc	13	12
" " " " "	22	*24
" " " " "	26	18
United States Lines, Inc	12	26

*Temporary increase.

The application of Sea Coach Transatlantic Lines, Inc., covering a proposed North Atlantic passenger service, which was incomplete at the close of fiscal year 1966, was not pursued further during fiscal 1967, and accordingly was placed in an inactive status. Applications for operating subsidy were pending from five nonsubsidized operators at the close of the year (Table II).

Table II

ODS APPLICATIONS PENDING FROM NONSUBSIDIZED OPERATORS

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

Applications Granted or Denied

The application of States Steamship Co. to revise the service description for its Trade Route 29 transpacific freight services was approved. The changes permit a greater degree of operating flexibility without increasing the number of calls previously permitted at any port or area.

The application of Prudential Lines to increase its sailings on Trade Route 10, North Atlantic to Mediterranean, was approved, permitting an increase of sailings to 53 annually when the proposed LASH vessels have entered subsidized service.

Pacific Far East Line was permitted to transfer its interest in one C5-S-75b type cargo ship under construction at Newport News Shipbuilding & Dry Dock Co. to American Mail Line. The ship is a sister ship to four others being constructed for American Mail Line.

Operating-differential subsidy was denied on certain structural al-

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terations and betterments on the SSs INDEPENDENCE and CONSTITUTION.

The Subsidy Board authorized the continued payment of subsidy to Lykes Bros. Steamship Co., Inc., on a total of 12 vessels, which otherwise would have been withdrawn from subsidy upon delivery of new replacement vessels, during the period of time a similar number of vessels were under charter to the Military Sea Transportation Service.

Delta Steamship Lines' request to provide service on a privilege basis between U.S. Gulf ports and Barbados, B.W.I., in connection with its Trade Route 14 service was granted.

The Board authorized amendment of Moore-McCormack Lines' contract to provide that a minimum of four sailings are to be provided between Great Lakes ports and the east coast of South America. These sailings will count toward Trade Route 1 sailing requirements. Moore-McCormack was also given permission for privilege calls in the Great Lakes by its vessels operating in the Trade Route 15, east coast/south and east Africa services.

The Board also authorized Farrell Lines to include Great Lakes calls on a privilege basis on its west African and south and east African services.

The contracts of American President Lines and American Export Isbrandtsen Lines were amended to permit vessels of those companies to proceed via the Cape of Good Hope in connection with round-the-world and Indian services, during the period of closure of the Suez Canal.

The Board on March 10, 1967, after a request by American President Lines for reconsideration, reaffirmed its action of June 16, 1966, refusing to permit addition of three more vessels to its subsidized fleet. On March 20, APL requested a second reconsideration of the Board decision in connection with its request for an increase in sailings, and this appeal was pending at the end of the year.

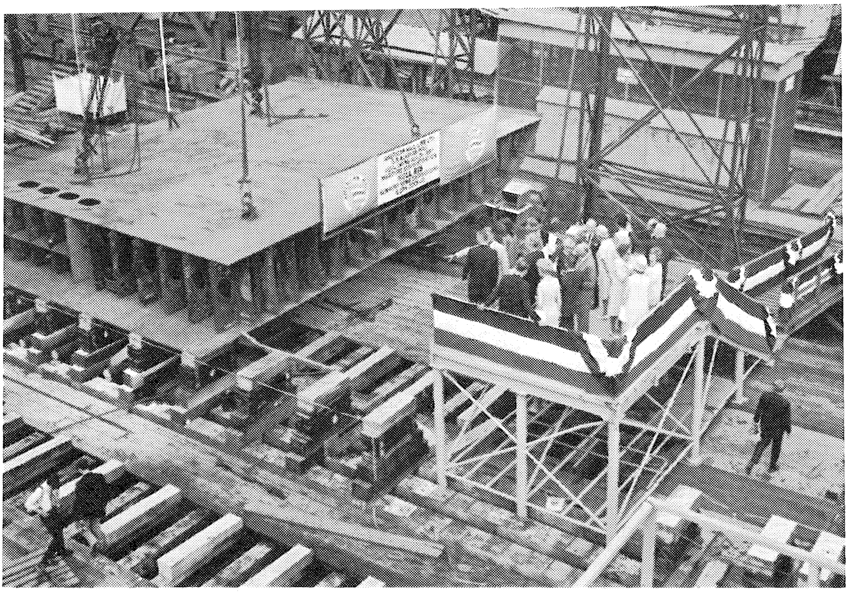
Diversification

Effective January 3, 1967, the United States Lines Co., with the approval of the Maritime Subsidy Board, underwent a corporate reorganization under which it transferred its subsidy agreement and all of its assets, except approximately $3 million, to a wholly owned subsidiary called United States Lines, Inc.

Lykes Bros. Steamship Co., Inc., applied for permission to recapitalize and reorganize its corporate structure by mortgaging several of its subsidized vessels and transferring certain of its assets and its subsidy agreement to a subsidiary. This application was under consideration at the end of the fiscal year.

Subsidy Operations Examining

The examination of subsidy operations placed greater emphasis on a comprehensive review of provisions of union wage agreements and on



Keel-laying ceremonies are held for the first of four ships being built at Newport News Shipbuilding and Dry Dock Co. for American Mail Line. The contract for the fourth ship was signed during the year.

manning scales on newly constructed ships and for proposed new construction to determine their fairness and reasonableness. Significant improvements and savings were made possible as a result of certain suggestions and corrections in regard to vessel operations, operating costs, and shoreside expenses.

CONSTRUCTION-DIFFERENTIAL SUBSIDY

Policy and Plans

Maritime Administration continued its previously established policy of approving shipbuilding programs on the basis of the most productive design, and with preference for large flights of ships to be built in a single shipyard. On October 28, 1966, the Maritime Subsidy Board, after considering the applications or proposals of 10 subsidized operators, selected five to participate in the 13-ship construction program for fiscal 1967. This tentative program also included optional ship awards for seven additional ships of the 13 anticipated for fiscal year 1968. The program was later modified and a new combined 1967–68 program was adopted, aimed at getting the most for the subsidy funds available. As a planned 2-year program, it was designed to take advantage of the new concepts of ship design under consideration—such as containerization and lighters carried aboard ship—and to provide the shipyards with an opportunity to bid on the basis of possible volume production. Although final determination of the exact number of ships to be awarded will depend on the actual cost of the ships in relation to funds available, it was tentatively planned to allocate the ships under this program as follows:

Company	*Type of ship*	*Number of ships*
Prudential Lines, Inc.	LASH [1]	5
Pacific Far East Line, Inc.	LASH [1]	6
Lykes Bros. Steamship Co., Inc.	Sea barge carrier	3
United States Lines, Inc.	C4 containership	1
Farrell Lines Incorporated	C5 containership	5
American President Lines	C5 containership	3
American Mail Lines	C5 containership	1
Total		24

[1] Lighter-aboard-ship.

The LASH and the Lykes sea barge ships represent major innovations in the methods of handling cargo. Both designs are based on the concept of carrying the cargo on preloaded barges or lighters, which are loaded onto the ship or unloaded from it by special shipboard equipment. These ships will provide significantly greater capacity and flexibility of services over the conventional ships. Of even greater importance is the dramatic reduction in cargo handling time which will be achieved with these new concepts.

In approving the assignment of three sea barge carriers to Lykes Bros. Steamship Co., the Maritime Subsidy Board had proposed to require separate subsidy recapture for the barge carriers, similar to previous proposals for other highly productive vessels being constructed for Moore-McCormack Lines, Inc., American Export Isbrandsten Lines, Inc., and United States Lines, Inc. The Lykes recapture proposal was appealed by the company, which led to the issuance of a Maritime Subsidy Board opinion eliminating the provision for separate subsidy recapture for the sea barge carriers, and providing the basis for elimination of similar provisions for the other three companies.

Building Contracts

One C5–S–75a ship for American Mail Line Ltd., was the only contract awarded during the fiscal year. This was in the form of an addendum to the original contract for three ships signed by AML in 1966. Total estimated cost of the ship (excluding changes and extras) was $15,715,450 including national defense features of $45,000, with an estimated cost to the Government of $7,047,000. The contract was signed on November 30, 1966, with Newport News Shipbuilding & Dry Dock Co.

This made a total of 151 cargo ships contracted for in the subsidized operators' replacement program since 1958 (excluding four passenger ships ordered in 1955 and 1956).

No contracts were allocated under section 502(f) of the Merchant Marine Act, 1936.

Bids were requested on 14 additional new ships on which construction subsidy was to be paid. (See Table III.)

Table III

BIDS REQUESTED FOR SUBSIDIZED SHIP CONSTRUCTION

Owner	Number of ships	Design	Invitation date
Prudential Lines, Inc.*	5	C8-S-81a(LASH)	May 15, 1967
Pacific Far East Line, Inc.*	6	C8-S-81b(LASH)	May 15, 1967
Lykes Bros. Steamship Co., Inc.	3	C8-S-82a, or C8-S-82b (Sea Barge).	June 14, 1967

*Joint invitation for 11 ships.

Applications Pending

At the end of the year, applications were pending from eight subsidized operators and from seven nonsubsidized operators for construction-differential subsidy on 72 new and converted ships. (See Table IV.)

Table IV

PENDING APPLICATIONS FOR CONSTRUCTION SUBSIDY

Company	Number ships	Type
Subsidized		
American Export Isbrandtsen Lines, Inc.	3	Containerships
" " " " "	10	"
" " " " "	[1] 2	"
" " " " "	10	Bulk carriers
American President Lines, Ltd.	3	Containerships
" " " "	[1] 2	"
" " " "	4	Bulk carriers
Farrell Lines Incorporated	5	Cargo
Lykes Bros. Steamship Co., Inc.	3	Sea barge carriers
The Oceanic Steamship Company	[1] 2	Containerships
Pacific Far East Line, Inc.	6	Lighter-aboard-ship
Prudential Lines, Inc.	5	" " "
United States Lines, Inc.	1	Containership
Total	56	
Nonsubsidized		
Hudson Waterways Corp.	2	Bulk carriers
Jackson Agents, Inc.	2	" "
Marine Carriers Corp.	4	" "
Overseas Transportation, Inc.	2	" "
Penn Steamship Company	3	" "
T. J. Stevenson & Co.	1	" "
T. C. C. Shipping Co., Inc.	2	" "
Total	16	

[1] Reconstruction/conversion.

At the close of the fiscal year there was one application from Prudential Lines, Inc., pending for trade-in allowance on three ships to be applied against new construction.

Containerships and Bulk Carriers

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

In order to meet foreign-flag competition more effectively and to serve the needs of their respective foreign trades, several lines applied for aid in construction of new containerships or conversion of partially containerized vessels to full containerships. The application of American Export Isbrandtsen Lines, Inc., to convert three cargo ships to full containerships at no cost to the Government was approved by the Maritime Subsidy Board in October 1966. Table V shows the status of these applications.

In addition, the Board in June approved the application of United States Lines, Inc., to change the design of five ships under construction, from less desirable break-bulk ships to large containerships for use in the U.S. Atlantic/North Europe trade. These ships, together with one new identical ship anticipated to be contracted for in 1968 (as shown in Table V), are expected to provide a highly competitive six ship container service in this trade on a weekly basis.

Both Moore-McCormack Lines, Inc., and United States Lines, Inc., requested and were given approval to enter into agreements with foreign-flag ship operators to permit the use of foreign-built containers

Table V

APPLICATIONS FOR CONTAINERSHIP CONSTRUCTION OR REDESIGN AND CONVERSION

Company	Number of ships	Status
American Export Isbrandtsen Lines, Inc.	2 (conversion) [1]	Pending
" " " " "	3 (construction)	"
" " " " "	10 (construction)	"
" " " " "	3 (redesign)	Approved
American President Lines, Ltd.	3 (construction)	Pending
" " " "	2 (conversion)	"
The Oceanic Steamship Company	2 (conversion)	"
United States Lines, Inc.	5 (redesign)	Approved
" " " "	1 (construction)	Pending
Total	31	

[1] Minor additional work on previous conversions.

under a lease arrangement. The operators are required, whenever practicable, to purchase and use items of U.S. manufacture, including containers. The Maritime Subsidy Board determined that it is not always practicable for these operators to lease containers only of U.S. manufacture, but if the companies purchase containers, they are obliged to buy U.S. products.

FEDERAL SHIP MORTGAGE INSURANCE

Federal ship mortgage or loan insurance contracts or commitments to insure aggregating $104,095,575 were placed on 17 ships: three owned by Delta Steamship Lines, Inc.; seven owned by Moore-McCormack Lines, Inc.; and seven 37,250 deadweight-ton tankers to be owned by the following companies: Eagle Terminal Tankers, Inc. (two ships), Intercontinental Bulktank Corp., Ocean Tankships Corp., Overseas Bulktank Corp., Wabash Transport, Inc., and Willamette Transport, Inc. Mortgage insurance contracts aggregating $20 million were placed on four additional vessels on which commitments had been made in a prior year.

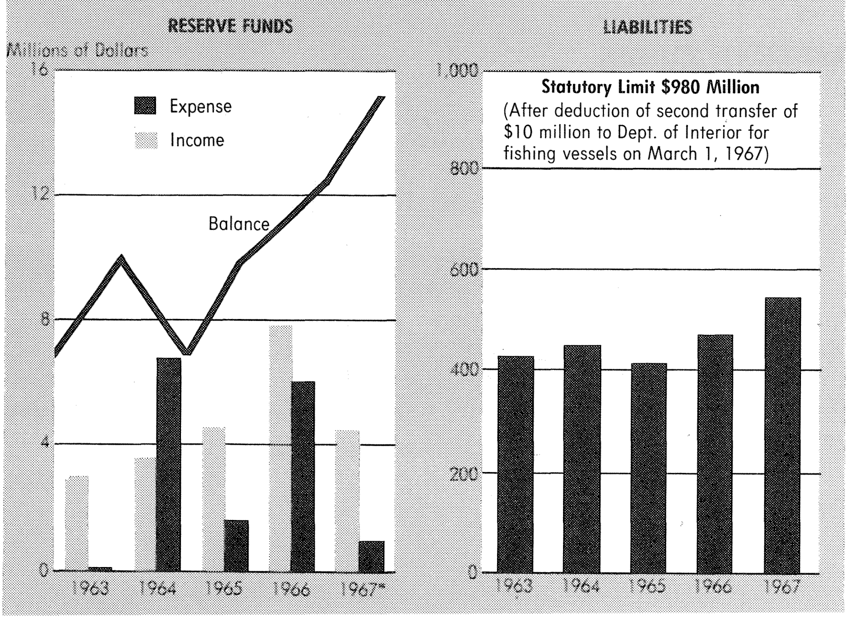
At the end of the year, 14 applications for loan and/or mortgage insurance were pending. They covered the construction of 44 ships and 692 barges, at a total estimated cost to the applicants of $344,300,000. Insurance applied for would cover estimated construction loans of $176 million and estimated mortgage loans of $248 million.

The application of Sapphire Steamship Lines and Atlantic Express Lines of America, Inc., for ship mortgage and loan insurance to aid in building three all-container ships was considered withdrawn when the applicants did not meet the terms of the conditional finding of economic soundness which was made on May 6, 1966.

At the year's end, the outstanding balance of principal and interest of insured mortgage and loans and commitments to insure was $562,096,000 on 113 vessels. There were no defaults during the year.

The Title XI Federal Ship Mortgage Insurance Revolving Fund received over $2,285,000 in net income during the year (after depreciation of $1,129,000 on the SS CARIB QUEEN, on loan to the Navy), making the retained income of the fund approximately $15,201,000. (See Chart IX.)

CHART IX. MORTGAGE INSURANCE—RESERVE FUNDS AND LIABILITIES



The CONTAINER DESPATCHER, a bulk carrier acquired by American Export Isbrandtsen Lines, Inc., and converted for containership service on the U.S. North Atlantic/United Kingdom and European Continent trade routes.

RESERVE FUNDS

On June 30, 1967, balances in eight construction reserve funds of operators totaled $2,320,621, compared with $5,790,506 in nine funds at the beginning of the fiscal year, a decrease of $3,469,885. Six funds were established during fiscal year 1967, and seven were closed. (See Appendix VII.)

At year's end, statutory reserve funds of subsidized operators totaled $185,621,257, consisting of $50,989,378 capital and $134,631,879 special reserve funds, as compared with $192,892,010 at the beginning of the fiscal year, a decrease of $7,270,753. (See Appendix VIII.)

In addition to the mandatory deposits in special and capital reserve funds, three subsidized operators were authorized to make voluntary deposits of $2,374,422.

TRADE ROUTES

A review of the essentiality and U.S.-flag service requirements of Trade Route No. 5–7–8–9 (U.S. North Atlantic/United Kingdom and Continent) resulted in a finding that 34 sailings per month with freight ships and biweekly sailings with the SS UNITED STATES were required. After similar reviews, it was determined that requirements for the round-the-world (eastbound) service and round-the-world (westbound) service were four sailings and six sailings per month, respectively.

There were also supplementary studies resulting in modifications with respect to essentiality for subsidized service on the following U.S. foreign trade routes (see Table VI):

Table VI

TRADE ROUTE MODIFICATIONS

Trade Route No.	U.S. coastal area/foreign area	Modified to include the following area(s)
1	Atlantic/East Coast South America	St. Lawrence River ports west of Montreal and Great Lakes ports.
14–1	Atlantic/West Africa	
15–A	Atlantic/South and East Africa	
2	Atlantic/West Coast South America	Kingston, Jamaica (passenger-combination ships).
10	North Atlantic/Mediterranean	Virgin Islands (passenger ships).
14–2	Gulf/West Africa	Barbados, British West Indies.

In addition, hostilities in the Middle East and the closure of the Suez Canal resulted in a determination that, until such time as the United States found that the Suez Canal was feasible for transit, it was essential to the promotion, development, expansion, and maintenance of the foreign commerce of the United States for ships that usually transited the canal to travel to and from South Asia via the Cape of Good Hope.

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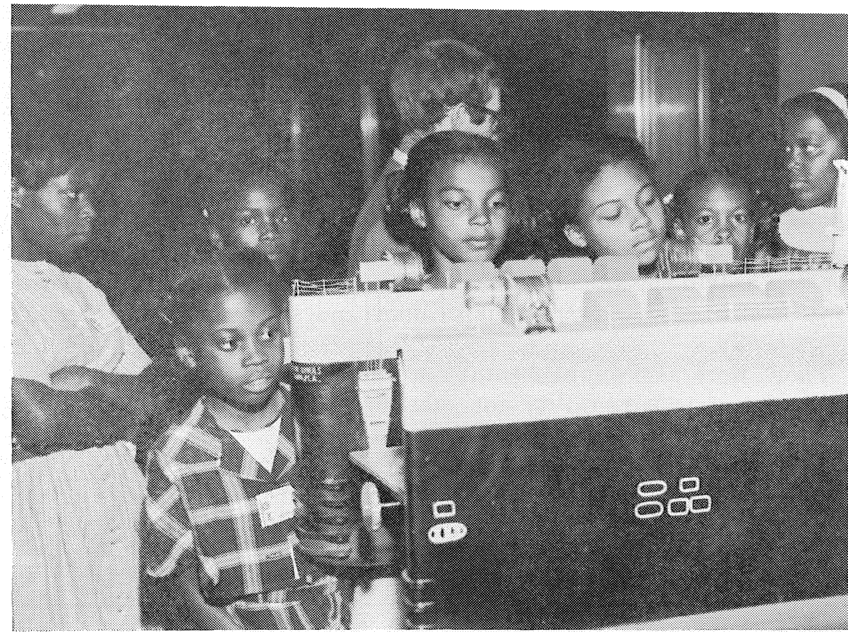


Visitors to the Maritime Administration merchant marine exhibit are interested in a model of the proposed Lykes Sea Barge Carrier. Guided tours of the exhibit were a main attraction at a day-long program held at the agency's headquarters on Maritime Day, 1967.

The Maritime Administration's traveling exhibit has been displayed at various trade fairs and similar functions to promote an understanding of the importance of the U.S. Merchant Marine to the Nation's commerce.

PROMOTION

CARGO PROMOTION

The Maritime Administration continued to place emphasis on a cargo promotion program designed to increase the percentage of import and export cargo carried by the American Merchant Marine in our foreign commerce and to protect and develop the domestic segment. Previous adverse factors that contributed to the decline in the percentage of U.S. cargo carried in American-flag ships in 1965 continued to prevail, and as a result participation in calendar year 1966 remained below a satisfactory level. Some of the factors that contributed to the unfavorable percentage included the diversion of vessels to Military Sea Transportation Service operations, a greater demand for space by the Department of Defense in vessels remaining in regular service, and a general increase in the total volume of our foregn commerce without a corresponding increase in U.S. carrying capacity.

The percentage of liner tonnage carried by U.S.-flag ships on essential trade routes declined from 30.4 percent in calendar year 1964 to approximately 23 percent in calendar year 1965, and remained at that figure for calendar year 1966. Data for 1966 indicate that U.S.-flag liner ships carried approximately the same tonnage as in calendar year 1965, about 11 million tons. U.S. commercial cargo carried in foreign-flag liner vessels for calendar year 1966 was approximately 36 million tons, about the same as that carried in calendar year 1965.

Efforts to solicit the support of importers and exporters were continued in an attempt to maximize carriage in U.S.-flag bottoms. As a result of the heavy demand for outward shipping space confronting the American Merchant Marine, greatest emphasis was placed on contracts with importers. American steamship lines, also, continued their efforts to improve service wherever possible consistent with available shipping space.

A new brochure entitled, "The Importer and the U.S. Merchant Marine," was published during the year, and given broad distribution to importers as part of Maritime's effort to encourage shippers to give preference to American-flag ships.

The Maritime traveling portable exhibit was displayed at several trade fairs and conferences and continued to call the attention of the general public to the value of the U.S. Merchant Marine.

CARGO PREFERENCE

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

Liaison was maintained with all Government agencies and wholly owned Government corporations concerned with such cargoes in order to assist them in carrying out their responsibilities and to assure compliance with the cargo preference provisions.

The following table shows the percentage of U.S.-flag carryings under the several major Government-sponsored programs:

Table VII

U.S.-FLAG CARRYINGS UNDER GOVERNMENT-SPONSORED PROGRAMS

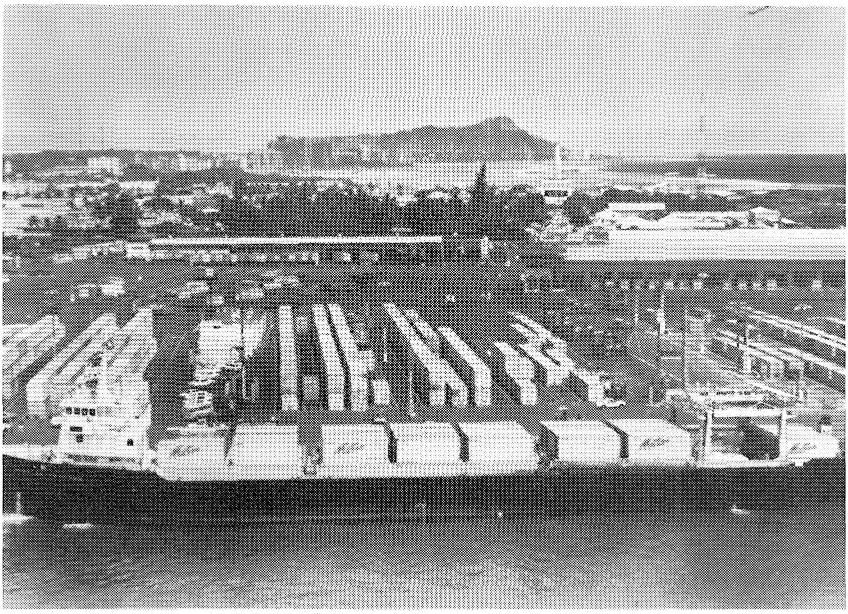
Program	Period	Total tonnage or value	U.S. flag	Percent United States
Public Law 480	CY 1966	14,584,000 tons	5,834,000 tons	[1] 40.0
AID	CY 1966	5,788,000 tons	2,792,000 tons	48.2
Export-Import Bank	CY 1966	$54,408,604	$48,880,240	89.8
Inter-American Development Bank	CY 1966	17,026 tons	6,216 tons	[2] 36.5

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

[2] U.S.-flag imbalance caused by majority of shipments being made to Central America when U.S.-flag service was not available.

WAIVERS

Public Resolution 17, 73d Congress, enacted March 26, 1934, requires that exports of agricultural and other products from the United States, purchased with the aid of Government loans must be carried on U.S. ships except when waivers of the U.S.-flag requirement are granted by the Maritime Administration. It has been Government policy to grant waivers permitting 50 percent of such cargoes to be carried on ships of recipient nations so long as there is no discrimination by that country against U.S.-flag ships.



The interisland containership HAWAIIAN PRINCESS, delivered during the year to Matson Lines. The twin-screw vessel can be operated with an unattended engine-room and can carry up to 156 containers and 1,200 tons of fuel oil.

The Maritime Administration approved 24 general waivers of Public Resolution 17 during calendar year 1966 to 12 nations, authorizing foreign ships to carry up to 50 percent of their U.S. purchases financed by the Export-Import Bank.

A special problem arose in connection with waivers for Venezuelan-flag ships, since Venezuelan Decree 331, issued in March of 1961, provided that items granted total or partial exoneration of certain import duties should be imported only on vessels of the Venezuelan Line.

This decree discriminated against U.S.-flag vessels, with the exception of Grace Line, which had the equivalent of associate status through a pooling agreement with the Venezuelan Line. Waivers on several Export-Import Bank loans, totaling $61.8 million, were therefore held in abeyance pending negotiations with the Venezuelan Government.

A meeting of officials of the Venezuelan Line, Venezuelan Embassy, the Maritime Administration, and the U.S. Department of State held in Washington in June, 1966, was followed by a meeting in Caracas in August. It was decided that Venezuela would grant waivers of Decree 331 up to 50 percent, and that the United States would in turn grant waivers of Public Resolution 17 up to 50 percent. In October, a meeting of all interested parties was held for confirmation of the understanding. Pending Public Resolution 17 waivers for Venezuela were then granted.

No waivers of Public Resolution 17 were granted to Brazil by the Maritime Administration for several years because of various discriminatory laws, particularly two[1] which provided Brazilian Government subsidy, including preferential exchange rates, to importers of goods essential to the Brazilian economy. Such concessions called for shipments to move on Brazilian-flag ships to the extent of space available. No Public Resolution 17 waivers had been requested by Brazil since 1958, until in December 1966 a waiver was requested on a railroad equipment loan in the amount of $17 million. As a result of discussions between officials of the Maritime Administration, Department of State, Lloyd Brasileiro and the Government of Brazil, Decree 60739 was issued, giving U.S.-flag ships the right to carry up to 50 percent of all Brazilian Government-favored cargoes. In return, the Maritime Administration agreed to grant waivers of Public Resolution 17 requirements for Brazilian ships up to 50 percent of all Export-Import Bank-generated cargoes for that country. A Memorandum of Understanding between the Maritime Administration and the Brazilian Merchant Marine Commission was signed in June, 1967.

Colombia has had a long history of discrimination against U.S.-flag vessels; for that reason no waivers had been granted to that country since 1958. In connection with a request for Public Resolution 17 waiver in May, 1966, discussions were held with the Colombian Embassy, the State Department, and the Maritime Administration, concerning Decree 994, which fixed a percentage of imports and exports for Colombian-flag vessels, and Decree 1771, which required the payment of light and buoy dues by foreign-flag vessels, but which exempted Colombian-flag vessels. As a result of these discussions, the Colombian Government advised that Decree 994 would not be implemented and that the objectionable portion of Decree 1771 had been rescinded. Thereafter waiver was granted to permit the carriage in Colombian-flag vessels of up to 50 percent of Public Resolution 17 cargoes.

In September 1966, the Indian Government advised the Maritime Administration that the unilateral shipping agreement between India and the United Arab Republic had been amended to eliminate provisions against third flag participation, which had been limited to 20 percent of such traffic to be carried by conference members. The 20 percent waiver limitation of Public Resolution 17 cargoes which had been in effect was raised to permit thereafter the usual 50 percent Indian-flag participation.

INTEGRATED TRANSPORTATION SYSTEMS

The Maritime Administration continued to make contributions toward the worldwide development and acceptance of intermodal transportation systems. During the year, a Through Container Project

[1] Decree 47225 and SUMOC 181.

was undertaken in conjunction with the Federal Republic of Germany. Some 30 containers moved from points in the United States to German destinations, and 26 vans moved into this country from various inland German cities. The diverse cargoes, ranging from beer to tape recorders, required the employment of many cargo-handling techniques, all of which were to be carefully reviewed along with other data to be developed as the project continues.

In an attempt to make container cargo statistics available for research work as well as to the general public, Maritime began a collection of data on containerized shipments. Evaluation of this information will aid in economic studies of the system, and will provide valid data by which to judge performance.

The Maritime Administration has cooperated with the Department of Agriculture in initiation of development and testing of a multipurpose van container. Since movement of agricultural products in containers will probably become desirable, it is necessary to develop means of protection and temperature control for these goods. The joint program is an attempt to develop a container capable of accommodating both refrigerated and nonrefrigerated cargoes in an efficient, effective, and economical manner. Temperature controls should allow the use of various sections of the van for different commodities, each requiring suitable temperature tolerances.

TRANSPORTATION RESEARCH

With the advent of new types of ships and shipping systems, including barge-carrying ships, increasing use of U.S. inland waterways for the carriage of foreign commerce is anticipated. Southern Illinois University was retained to compile essential information on inland waterways. This information will be available for use by ship operators, port authorities, and others concerned with barge and ocean shipping systems.

The University of Washington was retained to develop a transportation program to be used as a framework for long-range planning of transportation facilities to serve the needs of the State of Alaska during the next two decades.

Negotiations were in progress with American University for the purpose of undertaking a study of legal, regulatory, and other restraints as they affect the use of containers and barge systems, with primary emphasis on barge-carrying-ship restraints in foreign countries.

Arrangements were being made with the National Bureau of Standards to determine where best to locate shipment consolidation centers of greatest advantage to shippers.

PORT DEVELOPMENT

Several studies and reviews of proposed port development projects in economically depressed regions of the country were made at the request of the Economic Development Administration.

Comprehensive evaluations were made on several proposed Corps of Engineers river and harbor projects. This included such factors as need and economic justification and effects of proposals on navigable waterways and ports.

Discussions were held with the American Association of Port Authorities on areas requiring further study, such as integrated transportation, new cargo-handling trends, and recent developments in the shipping industry affecting ports.

A report on "Port Development Expenditures Survey," including data on capital expenditures for marine facilities in principal ports of the United States, its possessions, and Canada from 1946 through 1965 was completed during the year. Data on general cargo and specialized facilities were presented by coast, region, and individual port. A section on planned port development expenditures for 1966–70 was also included. It is planned to publish the report during fiscal year 1968.

Also scheduled for publication in fiscal 1968 is a study, "Public Works-Marine Port Facilities," originally prepared for the Joint

Winner of National Maritime Day poster contest, in which high school students throughout the country participate, proudly displays the poster on the occasion of receiving his award at ceremonies on the Capitol steps. Annually the winning poster appears on Post Office trucks to focus public attention on the importance of our Merchant Marine to the Nation's commerce and defense.

Economic Committee of the Congress, which describes U.S. port facilities with regard to age, ownership, value, costs and user charges, revenue, financing, trends, needs, and prospective capital outlays for port development.

MARITIME DAY

The 11th National Maritime Day Poster Contest sponsored by the Maritime Administration, the Post Office Department, and the marine industry, gave high school students around the country an opportunity to compete for various awards by designing posters carrying the contest slogan, "American Ships Bridge the Seas." The first place winner was Anthony Garcia, of Carteret, N.J. The poster was displayed on all mail trucks in the Nation during the month of May. Senator Warren Magnuson, chairman of the Senate Commerce Committee, unveiled the winning poster on the steps of the Capitol and presented the $500 award. Prizes were also awarded to 52 other contestants.

Mayors and postmasters in towns and cities throughout the country joined in placing the poster on post office trucks in their areas, and in other ways participated in emphasizing the importance of the American Merchant Marine to the Nation. Many of the mayors issued proclamations following President Johnson's Proclamtion of Maritime Day, which commemorates the May 22, 1819, sailing of the SS SAVANNAH, first steamer to cross the Atlantic. These ceremonies prompted a large number of radio and television programs and newspaper stories and editorials on the national significance of the merchant marine.

Maritime Day was observed at the Maritime Administration headquarters by an employee recognition ceremony and a special day-long program for area students. Several hundred students participated in the activities, which included films, lectures, tours of Maritime's merchant marine exhibit, and slide talks.

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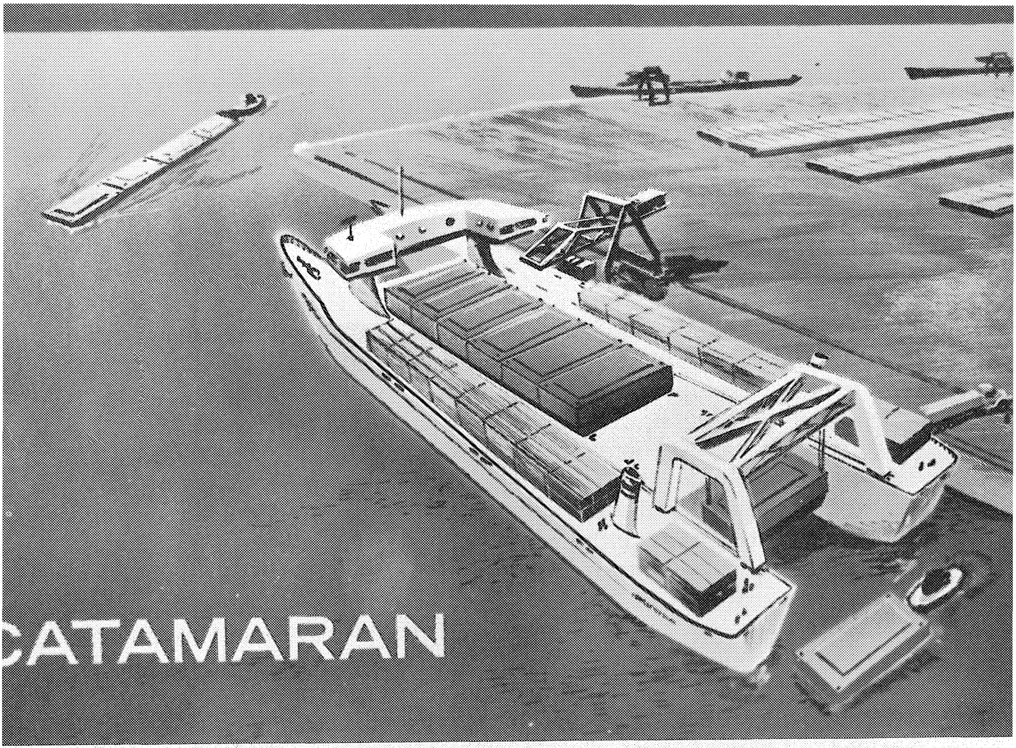
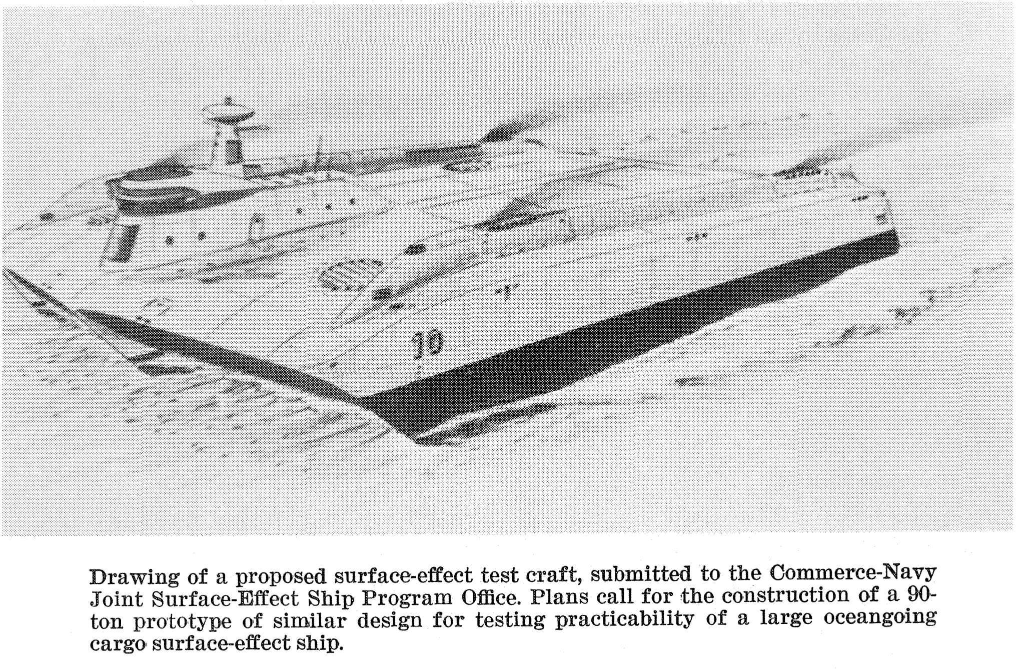


An artist's conception of a catamaran containership, on which the Maritime Administration requested proposals for a feasibility study during the past year. The catamaran design has possibilities of providing needed stability for container operations.



Drawing of a proposed surface-effect test craft, submitted to the Commerce-Navy Joint Surface-Effect Ship Program Office. Plans call for the construction of a 90-ton prototype of similar design for testing practicability of a large oceangoing cargo surface-effect ship.

RESEARCH

NUCLEAR SHIPS

NS Savannah

The NS SAVANNAH made 14 voyages during her first 2 years of experimental commercial operation, which began in August 1965 under a bareboat charter to First Atomic Ship Transport, Inc. (FAST). Seven of these were to North European ports on Trade Route (TR) 5–7–8–9, six to Mediterranean ports on TR–10, and one was to the Far East on TR–12. She made commercial visits to Germany, France, Spain, Italy, Belgium, the Netherlands, Yugoslavia, Portugal, Canal Zone, Korea, Taiwan, the Philippines, and Hong Kong.

Under the agreement between FAST and the Government, arrangements were made that gave FAST an incentive to keep expenses to a minimum and to book full cargo. If successful they would make a reasonable profit; if the net result of actual vessel expenses less revenue was higher than estimated, they could incur a loss.

During the first year of experimental commercial operation, revenues were greater than expected, and voyage expenses less. The annual operating loss was thus approximately $400,000 less than anticipated, half of which was "profit" to the operator and half returned to the Government. The vessel operated in and out of ports routinely and there were no delays in schedule caused by reactor plant malfunction.

The annual vessel outage for inspection, which was 30 days in the first year of experimental commercial operation, was reduced to 12 "out-of-service" days in the second year. Plant and vessel operation throughout the 2 years was normal. The SAVANNAH demonstrated that a nuclear-powered merchant vessel can operate successfully in regular commercial trade.

It was initially planned to lay up the NS SAVANNAH in August 1967, the end of the charter year, since the construction and operation of the ship had established the technical feasibility of nuclear-powered merchant ships, and had provided much valuable data concerning the economics of nuclear ships. The layup was expected to achieve a savings of approximately $2 million per year. The recommended layup and consequent reduction in appropriations was the subject of extensive congressional interest, as well as interest on the part of industry and the public. It was recognized that the proposed action was generated primarily by Federal budgetary and fiscal policies, taken on balance with all program requirements. However, as was testified before the House Merchant Marine and Fisheries Committee, the Maritime Administration recognized that there were still significant benefits to be gained from its continued operation—such as:

(1) Maintenance and expansion of a cadre of skilled officer personnel capable of operating future nuclear vessels.
(2) Expansion of agreements between U.S. and various other countries regarding SAVANNAH use of their ports and waters.
(3) Accumulation of additional operating and technical data as a basis for improved design and operational procedures.
(4) Development of a safety record for consideration by the insurance industry to reduce or minimize the basic uncertainties involved in the nuclear ship operation and thereby tend to reduce liability requirement cost.

Considering all these facts and the increasing active interest in the potential benefits from use of nuclear power on merchant ships of the future, it was decided to continue the experimental commercial operation of the ship for a third year, if the necessary appropriated funds were made available by the Congress, as recommended by the House Appropriations Committee.

The Nuclear Servicing Facility at Galveston, Tex., continued to prepare procedures and equipment necessary for refueling the SAVANNAH reactor, which is scheduled to begin in August 1968. The staff has also been actively engaged in up-dating mechanical and electrical plans for the ship and engineering design changes to improve operational reliability.

Nuclear Ship Research

In May 1966 the Maritime Administration sent inquiries to 56 U.S. ship operators to determine the extent of current interest in building and operating nuclear-powered merchant ships. Thirty shipping companies, representing over three-quarters of the tonnage polled, expressed a desire to build and operate nuclear ships if profitable operation in their services proved feasible. Five of the 30 stated that under such circumstances they would be interested in having a combined total of 51 nuclear ships in operation within the next decade.

The replies made by leaders of the maritime industry brought out several other significant points, including the following three:

Among those operators most likely to be interested in a nuclear ship program within the next 10 years, there was interest in a variety of ship designs: freighters, tankers, containerships, bulk carriers, and LASH-type vessels—indicating that nuclear propulsion may ultimately achieve wide application.

The majority of the companies polled felt that a second generation nuclear ship program is necessary before large scale construction programs get under way, in order to demonstrate favorable economics, gain knowledge of technology and operating experience, clear legal and regulatory barriers, and open the world's ports to commercial nuclear ship operations.

Many companies had nuclear ship economic studies in process. The Maritime Administration provides assistance in these efforts by disseminating economic data on nuclear ships to all interested ship operators as it becomes available.

A study of the application of nuclear power to advanced high-speed merchant vessels on Trade Route 12, U.S. North Atlantic to the Far East, was completed for the Maritime Administration by John J. McMullen Associates, Inc. Entitled "Maritime Nuclear Power for High Speed Services, U.S. North Atlantic to Far East," the study concluded that from the operator's point of view, the 30-knot nuclear system was predicted to have a higher profit return than either a 20-knot or 27-knot conventionally fueled system. The 30-knot system, said the study, would have a much greater ability to withstand an extended period of rate competition from projected foreign nuclear ships.

In order to eliminate and correct design features which might prove unacceptable to the Atomic Energy Commission Regulatory Staff before letting any contract for a nuclear vessel, it was decided to offer to cooperate with each reactor manufacturer proposing a fixed price plant, by sharing the cost of preparation of a preliminary safety analysis for review by the AEC. Contracts were developed with the Westinghouse Electric Corp. and the Babcock & Wilcox Co. The cost of each reactor safety analysis is shared with the reactor manufacturer.

General Dynamics was awarded a $394,590 contract to study the economic and technical feasibility of an advanced nuclear cargo ship system for high speed container service. General Dynamics is to provide the application design for a commercial nuclear propulsion plant for a large, 100,000 SHP, 30-knot containership, and to evaluate capital costs, operating costs, and productivity of the nuclear-powered ship as compared to equivalent conventional fossil-fuel ships. Reactor and machinery space arrangements will be provided which will accommodate any combination of reactor plant and propulsion machinery presently available.

ADVANCED SHIP CONCEPTS

Surface-Effect

The Joint Surface-Effect Ship Program Office, established by the Department of Commerce and the Navy Department in June 1966, was negotiating contracts with Aerojet General Corp., Bell Aerosystems Corp., and Electric Boat Division of General Dynamics Corp. to carry out competitive design studies designed to pave the way for construction of a 90-ton test craft to serve as a model for a 4,000- to 5,000-ton, 80-knot surface-effect ship. Other test and development contracts were being negotiated.

The surface-effect principle offers a potential for greatly improving the speed and efficiency of military and commercial ships. Surface-effect ships utilize a "cushion" or "bubble" of pressurized air to support their weight. Exploitation of this basic principle may make possible a class of ships with a speed of three to five times that of conventional ships.

Catamaran

The General Dynamics Corp. was awarded a contract to carry out a feasibility study of a catamaran cargo container ship. The study, which was expected to be completed in 9 months at a cost of $98,770, was to include model tow-tank testing, and a systems analysis of the economic value of such craft for merchant service. Catamarans are twin-hulled craft well known for high sea speed, stability, and sea-keeping ability. The steadily expanding use of containers in foreign trade is expediting the movement of cargo to and from inland ports and permitting the more rapid loading and discharge of ships. The higher utilization of the ship made possible by containerization makes a higher sea speed more attractive. The stacking of containers on deck, which increases ease of handling on and off the ship, introduces stability problems in conventional ships, requiring large amounts of ballast to compensate for additional topside weight. The characteristics of the catamaran may neutralize those problems. Included in the General Dynamics study will be a preliminary ship design in sufficient detail to provide reliable cost information to be used in an economic analysis of the ship in a realistic ship operation environment.

CONTRAROTATING PROPELLERS

With the continuing requirement for increased operational speed for new ships, it is becoming more necessary to find ways of increasing the efficiency of the ship's propellers, since propeller efficiency tends to decline as speeds increase. The use of contrarotating propellers—two propellers of approximately equal size rotating in opposite directions on a single shaft—offers a means for substantial fuel cost savings. The propellers are attached by two concentric shafts, one inside the other, turned by the ship's engine. Tests indicate that high speeds can be maintained with decreased shaft horsepower. The fuel savings would have to be weighed against increased machinery costs.

BULBOUS BOW

In regard to resistance problems, a new approach in bulbous bow design is showing promise. By shifting the bulb closer to the waterline, better than 10 percent reduction in resistance, previously found only in ballast condition, can be realized at full load. Work on the development of bulbous bow design was being conducted at the University of Michigan.

STRUCTURAL RESEARCH

Structural tests to determine the actual stresses experienced by the Lakes ore carrier, EDWARD L. RYERSON, were conducted during the 1966 winter season. Of particular interest were readings taken during the storm which sank the ore carrier, DANIEL J. MORRELL. The analysis revealed that stresses induced by storm waves were not critical on the RYERSON but indicated that under certain conditions, resonance occurs between the frequency of wave impact and the natural frequency of the hull which produces high frequency stresses of hitherto unsuspected significance. This information will have a direct bearing on the design of any new, larger, ships designed to exploit the available 1,200-foot length of the new Soo Locks.

POWER PLANT STUDIES

The Maritime Administration contracted with the Illinois Institute of Technology (IITRI) for a "Collation of Integrated Marine Power Plant Studies" to provide a clear and concise technical and economic evaluation of the two studies on steam powerplants, two on gas turbines, and one on a diesel engine developed under previous contracts with Newport News Shipbuilding & Dry Dock Co., Allis-Chalmers Manufacturing Co., General Electric Co., Pratt & Whitney Aircraft, Division of United Aircraft Corp., and Fairbanks-Morse, Power System Division of Colt Industries.

Development and erection on a test bed of a self-regulating steam generator at the Navy's Boiler Testing Laboratory in Philadelphia were completed. The boiler is of an advanced design featuring self-regulation and reduced maintenance. Testing will be carried out next year.

During the year, Babcock & Wilcox and IIT Research Institute completed studies of ideal or low excess air combustion aimed at reducing corrosion and deposition at high temperatures on boiler metal surfaces to increase boiler efficiency by permitting operation at higher temperatures.

OIL POLLUTION

A contract let by Maritime to the Permutit Co. resulted in the development of a marine oily-water separator. After extensive field testing of the separator at Port Mobil, Staten Island, a report was issued which included a recommended separator design for a shipboard prototype system. (See "Shipping Studies and Reports," p. 80.)

As part of this country's commitment to the Intergovernmental Maritime Consultative Organization on the prevention of the pollution of the seas by oil, a contract was awarded to the Cuno Engineering Corp. for the development of a shipboard oily-water separator using standard filtration techniques and generally available stock equipment. The test facility was constructed and the system checked out in preparation for an extensive test program to determine the oil removal efficiency of this system.

Under another contract, the IITRI built and tested an electronic instrument to detect and measure small quantities of oil in a ship's bilge or ballast discharge. This instrument was named by *Industrial Research* magazine as one of the 100 best new products of 1966.

SEAKEEPING

At present to avoid structural damage, cargo damage, and undesirable motions, ships have to reduce speed in rough weather, thereby incurring a loss in ship earning capacity. The Massachusetts Institute of Technology was retained to develop a computer program designed to increase the seakeeping qualities of ships and permit higher speeds in rough weather. This program is made more essential by present day requirements for higher operational speeds.

A parallel joint Government-industry study on the effect of ship form on slamming was conducted at the Naval Ship Research and Development Center. This study showed that consideration should be given to the use of V-form bows, rather than exclusive use of the U-form bows current in American design practice.

Necessary data on the analytical evaluation of the basic factors governing ship steering and maneuvering is insufficient to provide rational design methods for rudders. The Stevens Institute of Technology was given the assignment of developing such a rational rudder design method.

NAVIGATION

Satellite communication and navigation testing will be cooperatively undertaken by the Maritime Administration and the National Aeronautics and Space Administration during the next fiscal year, using the Applications Technology Satellite. The purpose is to improve the reliability and range of fast, accurate communications between ships and shore. A contract was awarded to the Westinghouse Defense and Space Center to provide data for systems and economic feasibility determinations.

Means of simplifying celestial navigation position determination were being developed by Kollsman Instrument Co. The program was to study the feasibility of providing the navigator in commercial ships with a computer to facilitate the task of determining the ship's position on the high seas.

ADVISORY COMMITTEE

The Maritime Administration Research and Development Advisory Committee held its initial meeting in April 1967. The committee, chaired by the Chief, Office of Research and Development, is composed of 10 other members holding senior positions of responsibility in varied segments of industry, labor, and in universities. It is expected that the committee will meet two or three times a year to evaluate and advise the Maritime Administrator on the research and development program of the agency, identify weaknesses, and suggest improvements. The committee will also serve to assist the Maritime Administration in encouraging industry to accept and utilize research and development products that emanate from the program.

RESEARCH INDEX

An index of the reports generated by the Office of Research and Development as of June, 1967, was completed for publication in fiscal year 1968.

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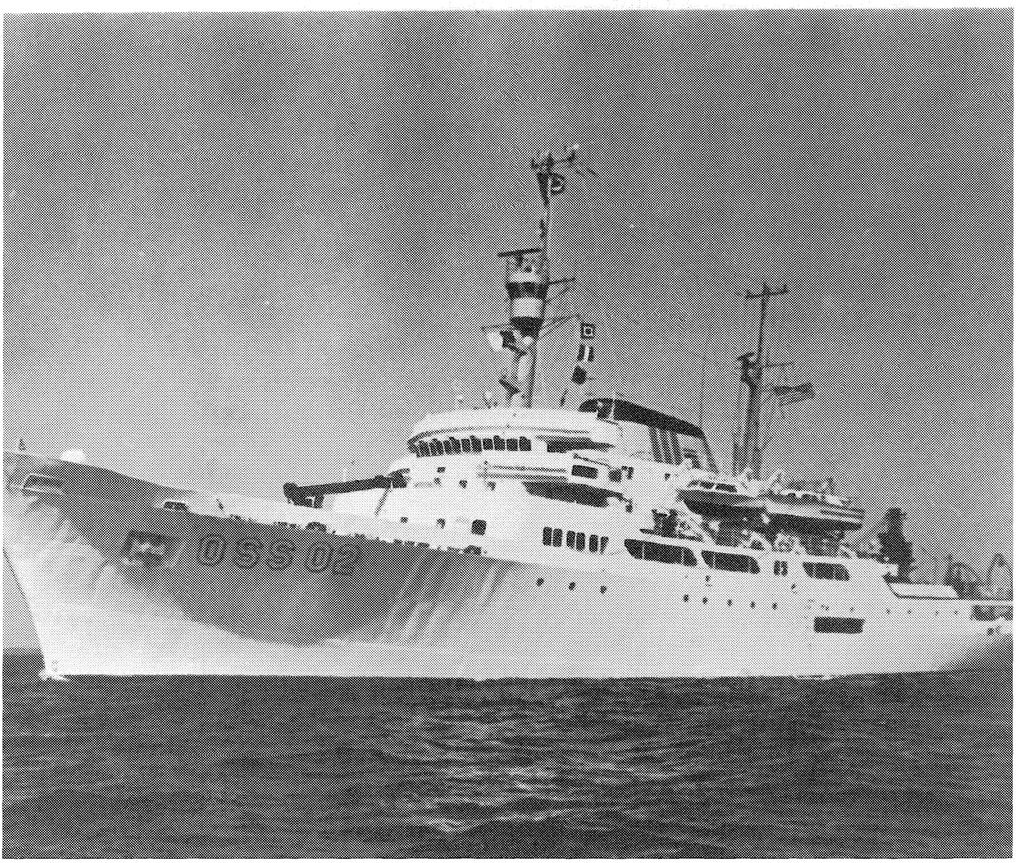


The DISCOVERER, a survey ship for the U.S. Coast and Geodetic Survey, was built under the direction of the Maritime Administration by Jacksonville Shipyard.

SHIP CONSTRUCTION

The total number of large merchant ships under construction or conversion or on order in private U.S. shipyards decreased from 70 on July 1, 1966, to 63 on June 30, 1967, as shown in Table VIII. These include new ships built with construction subsidy, privately financed ships, and Government-owend ships built under Maritime supervision.

Table VIII

SHIPS UNDER CONSTRUCTION

	Number of ships		
	Total	New	Conversions
Under contract July 1, 1966	70	56	[1] 14
Contracts awarded during fiscal year 1967	23	11	12
Subtotal	93	67	26
Completed during fiscal year 1967	30	15	15
Total under contract June 30, 1967	63	52	11

[1] Includes 3 ships under conversion for private owners on June 30, 1966, that were not reported until after close of the fiscal year, and therefore, omitted from 1966 year-end report.

The 63 ships under contract at the end of the year had a contract value of about $688.8 million. Of these, 37 with a contract value of approximately $494.6 million were being built under the subsidized operators' replacement program.

CONTRACT AWARDS

In addition to an award for one new cargo ship to be built with the aid of construction-differential subsidy, orders were placed by private companies for one new roll-on/roll-off ship at Sun Shipbuilding & Dry Dock Co., and for eight new tankers at Bethlehem Sparrows Point Shipyard. A contract was also awarded to Harvey F. Gamage Shipbuilder, Inc., South Bristol, Maine, for construction under Maritime Administration supervision of a research vessel for the National Science Foundation.

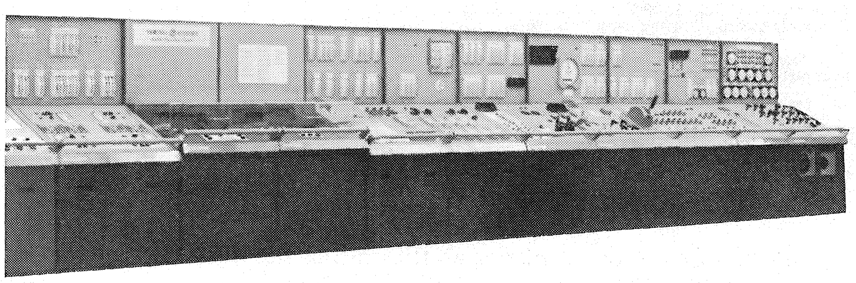
SHIP DELIVERIES

On July 1, 1966, there were 54 new ships being constructed under Maritime Subsidy Board and Maritime Administration contracts. Of these, 14 were completed during the fiscal year, as shown in Table IX. One tanker was delivered for a private company.

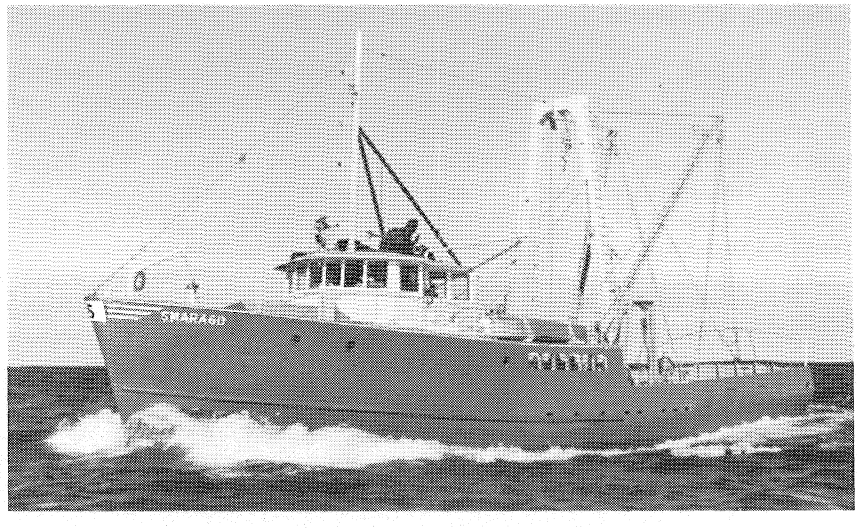
Table IX

SHIP DELIVERIES

Owner	Builder	Design	Delivered
Grace Line	Sun Shipbuilding & Dry Dock Co.	C4-S-65a	3
Lykes Bros. Steamship Co., Inc.	Avondale Shipyards, Inc.	C4-S-66a	5
Coast and Geodetic Survey	Aerojet-General Shipyards	S2-MT-62a	1
Coast and Geodetic Survey	Jakobson Shipyard	S1-MT-71a	2
Coast and Geodetic Survey	Norfolk Shipbuilding & Dry Dock Co.	S1-MT-70a	2
Military Sea Transportation Service	Lockheed Shipbuilding & Construction Co.	C4-ST-67a	1
Total			14



A mechanized engineroom, designed for one-man watch, places full control of the ship's plant at a central location.



A steel scalloper, built under the direction of the Maritime Administration as part of the Department of the Interior's fishing vessel program.

Fifteen conversions were completed, of which five were Great Lakes carriers, two received construction subsidy, seven were carried out as part of the Ship Exchange Program, and the other as a private venture. On June 30, 1967, the 52 new ships under construction or on order included 37 being built with subsidy under the replacement program, eight private tankers, two private roll-on/roll-off, one for National Science Foundation, and four for the Coast and Geodetic Survey. (See Appendix IX.) Eleven ships were being converted.

MECHANIZATION

Since the introduction of shipboard mechanization in the subsidized American Merchant Marine, operating experience has indicated that this technology has increased ship productivity and operating efficiency. The Maritime Administration has therefore reviewed recent new designs, such as lighter and barge carriers, with special attention to the economic utilization of mechanization designed to produce a one-man engineroom watch design. Attention was also given to the simplification of automatic control systems to insure more effective and economic installations.

Other potential areas of mechanization were under consideration, including economic methods for improving mooring and line handling systems, shipboard commissary techniques, systems design, and marine materials. Also under study were improved designs for more effective navigation and communication equipment.

The eight new ships delivered during the year and the 37 under construction for subsidized operators were all highly mechanized.

SMALL VESSELS

The United States Fishing Fleet Improvement Act authorized the Secretary of the Interior to pay up to half of the construction cost of a new fishing vessel. The vessels are required to be of the most modern design in order to compete with foreign vessels. The Maritime Administration has the responsibility for administering the technical aspects of design and oversees the construction of the ships for the Department of the Interior.

Applications for nine vessels under this program were approved. Fourteen vessels were under construction, one was in process of being awarded, and invitations to bid were issued for four others. Seven vessels were delivered. One application was withdrawn by the owner after receipt of bids.

In addition, applications for nine vessels were under review. These vessels included many types: scallopers, tuna clippers, herring seiner, trawlers, draggers, and others.

TRIALS AND GUARANTEE SURVEYS

Sea trials and acceptance surveys were conducted on nine subsidized ships and final guarantee surveys on 11. Two trial and acceptance surveys and one final guarantee survey were conducted on vessels converted under the program.

Five sea trials and acceptance surveys and three guarantee surveys were conducted on ships built for the Coast and Geodetic Survey. Sea trials and acceptance survey were also made on one roll-on/roll-off vessel constructed for the Department of the Navy.

DESIGN AND DEVELOPMENT

Preliminary studies were prepared for four ship designs for other Government agencies. One of these, a design for current and survey work in coastal waters, was to be used as the basis for soliciting proposals under a simplified procurement system.

A preliminary design for a low-cost commercially acceptable cargo ship was completed. This was prepared for ready adaptation for construction under emergency conditions with standardized hull and for flexibility in accommodating available propulsion equipment.

Studies continued to establish optimum cargo handling systems for replacement ships. A systems analysis on the merits of containerships and barge-carrying vessels was published. (See "Shipping Studies and Reports," p. 81.)

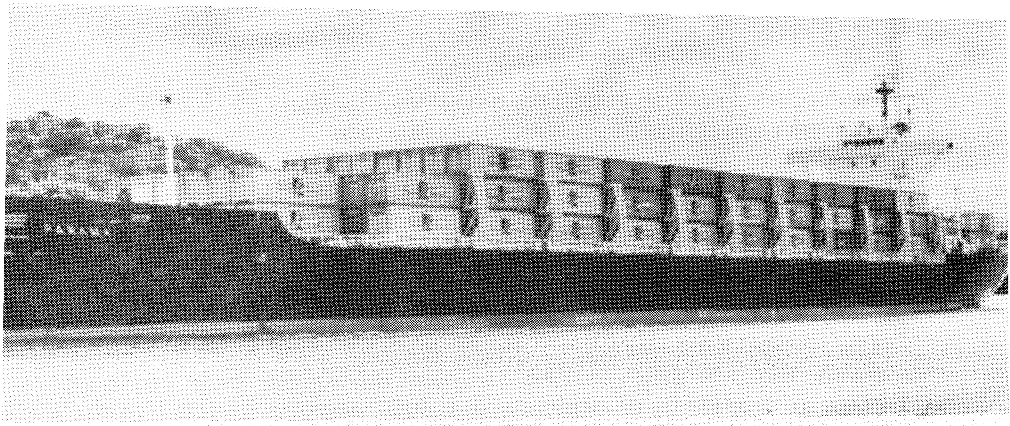
A full-scale investigation was underway of the effectiveness of passive antiroll tank installation. Design investigations were also undertaken into the economic and technical feasibility of prefabricating shipboard accommodations, development of ship vibration standards, and new designs of high-torque propulsion shafting, including flexible couplings.

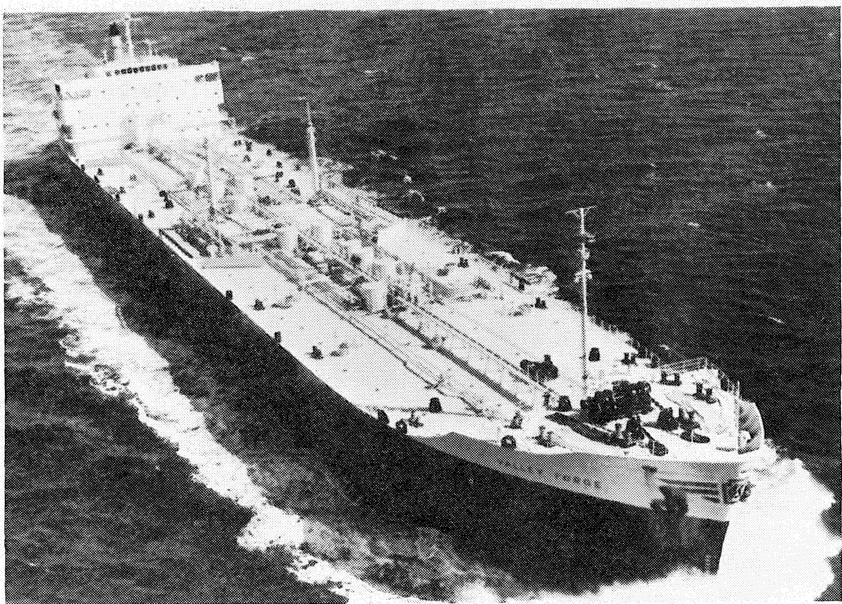
In cooperation with industry, novel combinations of new types of protective coatings were selected for application in unique cargo hold environments such as the new barge and lighter-carrying ships, to evaluate their economic benefits under service conditions.

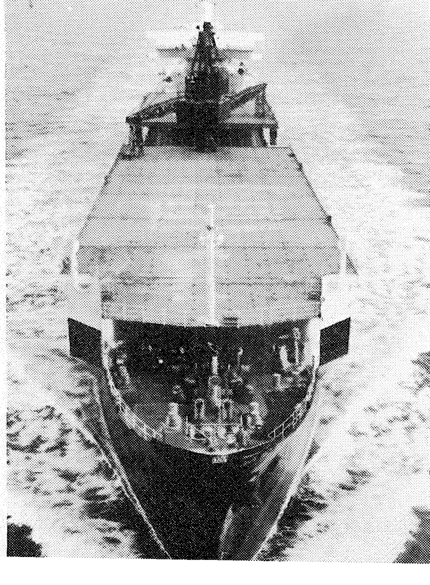
VALUE ENGINEERING

The Value Engineering Program for reduction of shipbuilding costs on the one ship contract awarded during the year produced savings of $294,000, of which about 40% accrued to the Government, and the remainder to the operator. Four new value engineering informational letters were issued to the industry; one previously issued letter was withdrawn and one letter was revised and reissued.

The "Standard Specification for Cargo Ship Construction" developed by the Maritime Administration to effect cost reduction for the Government and the maritime industry through standardization of ship designs, components, and systems was being revised to reflect recent developments.







Fifteen ships were traded out during the year from the Government's National Defense Reserve Fleet to private operators as part of the Ship Exchange Program, which provides an opportunity for unsubsidized operators to upgrade their fleets. Shown are the PANAMA, of Sea-Land Services, Inc., the VALLEY FORGE, of Keystone Shipping Co., and the SEATRAIN PUERTO RICO, of Hudson Waterways Corp.

OPERATIONS

GENERAL AGENCY OPERATIONS

During the first 4 months of the fiscal year, MSTS requested that an additional 60 ships be broken out of the National Defense Reserve Fleet for use in the Vietnam sealift—making a total of 161 since July 1965. Three other ships which had been under bareboat charter to Alaska Steamship Co. were made available for the program in lieu of their normal winter layup, and six were reassigned from use agreement. These ships, together with two reefer ships previously assigned, brought the General Agency fleet to a peak of 172 ships at the end of October 1966. These ships are operated under General Agency Agreements by private shipping companies which handle reactivation, husbanding, crewing, and operation of the ships as agents of the National Shipping Authority of the Maritime Administration.

From March 1967 to the close of the fiscal year, six ships had been withdrawn from the GAA program because of excessive repair costs, return to bareboat charter, or damage caused by enemy action, leaving 166 assigned to 40 agents assisting MSTS in supplying our forces in Vietnam.

The BATON ROUGE VICTORY was a casualty of enemy attack during the year. The ship was mined in the Saigon River in August of 1966 and seven crew members were killed. Extensive hull and engineroom damage made repair impractical, and the ship was sold for scrap in Singapore.

Concerted effort by the military and the U.S. maritime industry had made 28 deep-draft berths available in South Vietnam by the end of the year. The backlog of waiting ships which had developed during the previous year from lack of port facilities, barges, man-

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power, and equipment had diminished, and cargoes were beng moved expeditiously to the forward areas. Ships discharged their cargoes and departed from the Southeast Asia area within an average of 12 to 15 days during the fiscal year. Approximately 3,100,000 measurement tons of cargo were carried to Southeast Asia by GAA ships, which comprised more than one-third of all cargo handled by or for MSTS during fiscal year 1967. To accomplish this feat, the ships put in 53,243 voyage-days, each voyage averaging over 14,000 miles.

In June 1967, a Maritime Administration area operations representative was assigned to Yokohama, Japan, to assist GAA ships calling at Japan, in particular the 15 coastal ships (CIB's) drawn from the Reserve Fleet for use in the Far East shuttle service, with any logistical and repair problems.

Because of increased general and administrative costs of American steamship operators since 1951, when the National Shipping Authority first established fees payable to general agents for husbanding and operating its ships, the compensation for such services was increased from $100 per day to $125, effective September 1, 1966. General agents were also allowed a maximum of $1,500 per ship for reactivating reserve fleet ships and $750 per ship for deactivation upon termination of General Agency Agreement.

In February the Comptroller General suggested to the Maritime Administration that cash advances to the General Agents for husbanding and reactivation and repair costs be limited to current needs, since cash allowances to the General Agents to the maximum of $100,000 per vessel or $500,000 per agent resulted in unnecessary interest costs to the Treasury. Under a new funding procedure established in March as a result of the GAO recommendation, cash in the hands of General Agents was limited to their requirements for 1 week, thus reducing outstanding cash advances and interest costs to the U.S. Treasury.

The provision of 28 deep-draft berths in South Vietnam and the concerted efforts of the military and the maritime industry during the year made it possible to reduce markedly the backlog of waiting ships in the Southeast Asia area, and to speed the discharge of cargo for support of our Armed Forces. Shown is the new port facility at Cam Ranh Bay, Vietnam.

REACTIVATION COSTS

Time requirements were not as stringent for the ships reactivated for Vietnam service in fiscal 1967 as for the ships reactivated in fiscal 1966, so that the burden upon shipyards was reduced. Competitive bids were obtained on each reactivation contract, shakedown sea trials were conducted, and additional time was taken by the shipyards to place the ships in operation, reducing breakdown and casualties. Costs of GAA reactivation, however, increased during the fiscal year, since the ships of the last group were not in as good condition as those of earlier groups.

The variation in reactivation costs are shown in Table X.

Table X

REACTIVATION COSTS [1]

Number of ships	Date	Average reactivation costs
Group 1: 14	July–August 1965	$455,127
Group 2: 8	August–October 1965	424,300
Group 3: 29	August–November 1965	372,500
Group 4: 25	December 1965–February 1966	405,000
Group 5: 25	February–June 1966	470,085
Group 6: 41	July–August 1966	509,869
Group 7: 19	September 1966–April 1967	639,144

[1] These figures cover shipyard activation costs only; other costs such as outfitting, towing, husbanding, etc., are not included. Returning ships to shipyards following sea trial breakdowns are included in the reactivation figures, whereas previously such added repairs were reflected in the first voyage operating expenses.

OTHER MAINTENANCE AND REPAIR

Twenty-seven surveys were made to establish outstanding defects and deficiencies on ships in subsidized service, and to establish eligibility of costs for operating-differential subsidy.

There were 984 repair inspections to verify the need for repairs and their satisfactory completion. Drydocking and underwater work on subsidized ships were reviewed to determine eligibility for subsidy and the fair and reasonable cost for the repairs. Repair costs totaled $46.9 million, of which $1.8 million was found ineligible for subsidy.

Approximately 2,600 other surveys, inspections, and repair cost estimates were made to assure compliance with various contractual requirements.

CHARTERS

At the end of the fiscal year, 11 Government-owned ships were under bareboat charter, a decrease of two from last year. These were chartered under various provisions of law. Three were war-built ships chartered for use in Alaskan service (during normal winter layup these three ships were placed under General Agency Agreement for MSTS); one was the NS SAVANNAH, chartered for experimental commercial operation to First Atomic Ship Transport, Inc.; four were ships traded in to the Government for credit toward construction cost of new ships and used by the former owners to maintain their services until the new ships were completed; and three had been traded in for Government ships under the Ship Exchange Program and were being employed by the former owners until the transfer ships were converted and placed in service.

SUEZ CRISIS

The closing of the Suez Canal on June 6, 1967, for the second time in slightly over a decade, forced the ships which normally use the waterway to be diverted around the Cape of Good Hope.

"Suez 1967" brought on a sharp increase in the demand for tonnage, particularly in the tanker segment, with greatly stepped-up chartering activity and a significant increase in world market tanker charter rates. The routing of U.S.-flag ships engaged in the carriage of U.S. Government-sponsored full cargoes of bulk commodities to India and Pakistan was similarly affected. The fair and reasonable guideline rates, set by the Maritime Administration to provide guidance to Government agencies who must use American-flag vessels if they are available at "fair and reasonable rates," were increased in order to compensate owners for the additional voyage days.

The closure of the Suez Canal entrapped two U.S.-flag vessels: the SS AFRICAN GLEN, under charter to the Military Sea Transportation Service, and SS OBSERVER, a 28,000-deadweight-ton tanker enroute to India with a full cargo of surplus grain.

VESSEL EXCHANGES

Under Public Laws 86–575 and 89–254, Maritime exchanged during the year 15 Government-owned ships for 15 private ships.

During the year the Department of Defense made available for exchange 25 C4 troopships that had been held in custody as priority ships at Maritime's Reserve Fleet sites. The requirements for the release were that (*a*) the ships be converted to conventional cargo ships, containerships, roll-on/roll-off ships, or heavy-lift cargo ships; and (*b*) the ships be offered after conversion to the Military Sea Transportation Service for service at fair and reasonable rates. Ships not immediately required were to be placed in commercial operation, subject to recall after reasonable advance notice by MSTS that they were required for military or national defense use.

Twenty-seven companies filed proposals for conversion of a total of 86 ships. Fifteen of the 25 were allocated as follows:

Company	Number of ships	Proposed conversion
U.S. Bulk Carriers, Inc	2	Heavy lift
Hudson Waterways Corp	2	Heavy lift
Consolidated Mariners, Inc	1	Breakbulk
Doric Shipping & Trading Corp	1	Breakbulk
Waterman Steamship Corp	3	Breakbulk
Central Gulf SS Corp	2	Breakbulk
Bulk Transport, Inc	1	Breakbulk
Isthmian Line, Inc	3	Containerships

At the request of the Department of Defense, allocation of the remaining 10 ships was deferred, since the Navy had issued a request for proposals for containership service to Vietnam using helicopters for lift-on/lift-off of cargo. The 10 C4 ships were set aside for possible use in response to the request for proposals. After receipt of the proposals, however, the Defense Department released these 10 C4's for unconditional allocation, and 14 companies filed proposals for the conversion of 23 ships. Allocations of these ships had not been made at the end of the fiscal year.

Five C4's which were originally allocated to Consolidated Mariners, Inc., Doric Shipping & Trading Corp., and Waterman Steamship Corp., were later canceled. The ships were reallocated, two to Central Gulf Steamship Corp. and one each to Merrimac Transport, Inc., Victory Transport, Inc., and Hudson Waterways Corp. for conversion to breakbulk ships. Also withdrawn were the three ships allocated to Isthmian Lines, Inc., which had not been reallocated to another company by the end of the fiscal year. Contracts were signed before the year's end for the trade-out of three of the 15 C4's for conversion to breakbulk ships. Extensions of time were granted for contract execution on the remaining allocated ships.

The C4 hospital ship USS Haven was also made available by the Navy for conversion to commercial service; six applications were received, but no assignment had been made at the close of the fiscal year.

Several of the 13 Mission type tankers which were allocated last year were reallocated to other applicants. Contracts for five of the ships were signed during the year.

One additional Mission type tanker was exchanged and one T2–SE–A3 type tanker made available for exchange was allocated, but no contract had been signed at the end of the year. Other ships traded out under the Ship Exchange Act were three Victory ships, one C2 cargo ship, and two R1 refrigerated coastal ships.

In the 7 years of the Ship Exchange Program, Maritime has exchanged 81 Government ships for 85 private ships, and received approximately $11,439,362 in excess value of the ships going to private operators over those traded in, subject to adjustment when contract work on certain of the ships is completed.

NATIONAL DEFENSE RESERVE FLEET

On June 30, 1967, 1,152 ships were moored in the eight locations of the National Defense Reserve Fleet. During the year 19 ships were placed in the fleets and 194 ships were withdrawn, of which 60 were for operation in the Southeast Asia operations.

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

Table XI

SHIPS IN RESERVE FLEETS AS OF JUNE 30, 1967

Fleet	Priority	Scrap	Total
Hudson River, N.Y.	81	60	141
James River, Va.	141	150	291
Wilmington, N.C.	----------	31	31
Mobile, Ala.	107	71	178
Beaumont, Tex.	106	25	131
Suisun Bay, Calif.	155	64	219
Astoria, Oreg.	11	30	41
Olympia, Wash.	120	----------	120
Total	721	431	1,152

This total represented a decrease of 922 ships in the past 10 years. (See Appendix X.) The number of priority ships decreased from 796 to 721 during the year.

SHIP SALES

Eighty-eight Libertys were sold for scrap and/or nontransportation use for a total sales return of $4,155,719 during the year. Sale of 885 Libertys from 1958 through 1967 had resulted in a total return to the Government of $52,558,871.

In addition, 31 non-Liberty surplus ships were sold for scrap and/or nontransportation use for $1,652,015 during the year. The sale of 174 non-Liberty ships from 1958 through 1967 had returned $11,781,767 to the Government.

FOREIGN TRANSFERS

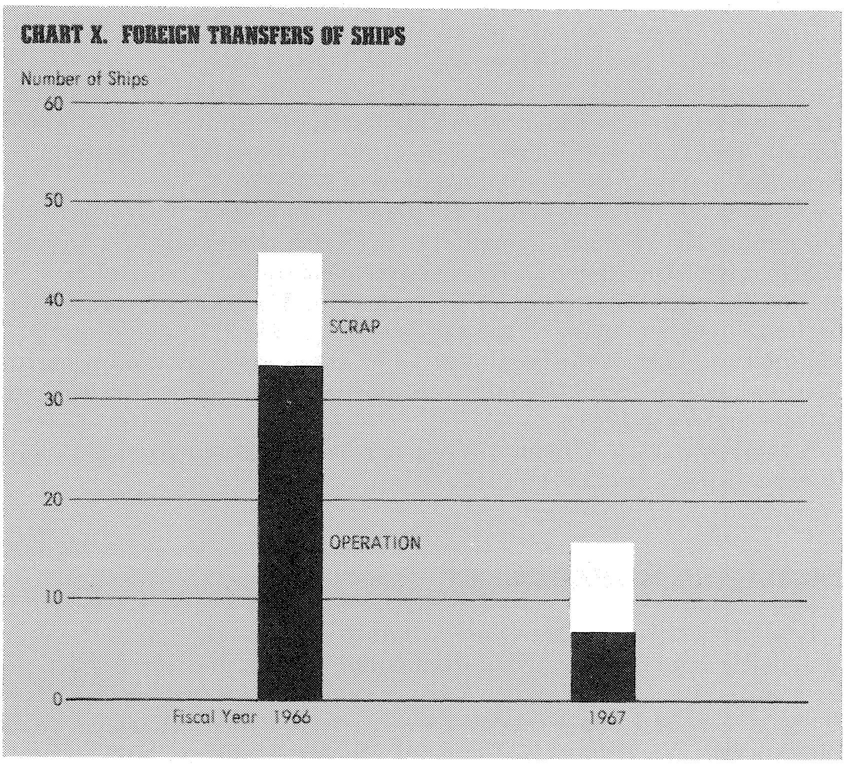
In the spring of 1967 controversy arose over the carriage of AID cargo in the Far East by two ships under provisional U.S. registry, the GOOD EDDIE and the GOOD WILLIE, owned by Nationwide Communications Carriers, Inc., a New York corporation. The GOOD WILLIE had been acquired by Nationwide from the Cathay Navigation Corporation, Ltd., a Nationalist Chinese corporation, without permission of the Maritime Administration, which was necessary under the provisions of a 1961 Maritime contract with Cathay which approved transfer of the ship (originally a U.S.-flag Liberty ship) to that company on a restricted basis providing that no further exchange in ownership could be made without permission of the Maritime Administration.

Both the GOOD WILLIE and the GOOD EDDIE, which were operated with largely foreign crews, were found ineligible for carriage of U.S. AID cargo as U.S.-flag ships under cargo preference statutes. Both the GOOD EDDIE and the GOOD WILLIE were subsequently transferred to Panamanian flag, with Maritime Administration permission.

The Maritime Administration in March 1967 issued amendments to its General Order 58, General Order 59, and the Foreign Transfer Policy of August 19, 1964, prohibiting trade and other transactions involving Southern Rhodesia, and removing Poland and Rumania from the list of Communist-controlled countries for which certain restrictions exist in these orders.

Ten applications for approval as trustee, to act in connection with ship financing pursuant to Public Law 89–346, were approved, and 17 banks or trust companies were approved to continue as trustees on the roster of approved trustees.

Applications for transfer foreign of 30 ships of 1,000 gross tons and over were approved during the year under sections 9 and 37 of the Shipping Act, 1916, as amended, 31 less than in fiscal year 1966. Of the 30, 16 with a total gross tonnage of 76,098 and an average age of 29.7 years were under U.S. flag when approval was granted. Approximately 56 percent were sold for scrapping abroad. (See Chart X.) Fourteen of the 30 ships were undocumented or registered under foreign flag though owned by a U.S. citizen. (See Appendix XI.)



Charter of U.S.-owned ships to aliens were approved on 18 ships of 1,000 gross tons and over.

Applications for transfer foreign of 251 ships of less than 1,000 gross tons were approved during the year—139 commercial craft and 112 pleasure craft. Charter of U.S.-owned ships to aliens was approved on 40 ships. There were 50 violations of sections 9 and 37 of the Shipping Act, 1916, as amended, reported on vessels of 1,000 gross tons and under; all were mitigated or settled.

Under the provisions of the Ship Mortgage Act, 1920, as amended, the Maritime Administration from July 1, 1966, to May 9, 1967, approved the surrender of marine documents of 411 U.S.-flag vessels for change of ownership, home port, name, rig, etc. By reorganization Plan No. 1, effective May 9, 1967, these functions were transferred from the Secretary of Commerce to the Secretary of Transportation, who has delegated these functions to the Documentation Officer, U.S. Coast Guard.

User charges for filing applications for foreign transfers and similar actions amounted to $25,755.25.

MORTGAGE SALES

Of the 446 ships sold to noncitizens under the Merchant Ship Sales Act of 1946, for total original mortgages of $229,001,030, at the end of the fiscal year a cumulative total of $225,871,713 in principal and $54,968,106 in interest had been collected. During the fiscal year $13,274 in principal and $11,609 in interest were collected from Banco do Brazil under its agreement with the Maritime Administration dated June 1, 1965, whereby Banco assumed the payment of 11 outstanding Brazilian mortgages with total balances of $379,270.

On June 30, 1967, the principal balance outstanding on foreign ship sales under the 1946 act amounted to $282,807, consisting of a balance of $252,216 on the Banco do Brazil agreement, and a balance of $30,591 on one defaulted mortgage on a Greek ship. The total due on the defaulted Greek mortgage at the year's end was $41,971, including $11,380 interest. Also, at the fiscal year's end, there were outstanding principal balances of $358,194 on seven mortgages on ships sold to U.S. citizens under the 1946 act.

A total of $115,383,569 in interest has been collected from U.S. and foreign ship sales under the 1946 act.

FACILITIES MANAGEMENT

Real property of the Maritime Administration at the end of the year included a reserve shipyard at Richmond, Calif.; and the former reserve shipyard at Wilmington, N.C.; warehouses at Kearney, N.J., New Orleans, La., and San Francisco, Calif.; terminals at Hoboken, N.J., and Norfolk, Va.; the U.S. Merchant Marine Academy, Kings Point, N.Y.; and National Defense Reserve Fleet sites at Tomkins Cove, N.Y.; Lee Hall, Va.; Wilmington, N.C.; Mobile, Ala.; Beaumont, Tex.; Benicia, Calif.; Astoria, Oreg.; and Olympia, Wash.

The Pacific coast warehouse was moved from the Richmond Reserve Shipyard to Fort Mason in San Francisco. The General Services Administration was negotiating the sale of the Richmond shipyard to the city of Richmond. The Wilmington shipyard was under lease-purchase and long-term lease agreements with the North Carolina State Ports Authority.

The Hoboken Terminal was under long-term lease to the Port of New York Authority, and the Norfolk terminal was under lease to the city of Norfolk until June 30, 1969. The city agreed to purchase and the Maritime Administration agreed to sell the property within the lease period. In the meantime, the city was proceeding with improvements to develop the property as a modern cargo-handling facility.

Rents from leases of real property to private interests during the year amounted to $285,123.

MATERIAL CONTROL AND DISPOSAL

Rental of mobilization reserve machine tools and equipment to commercial concerns working on defense contracts or in support of merchant marine programs produced a revenue of $346,259.

At the beginning of fiscal year 1967, marine equipment on loan to steamship operators and Government agencies was valued at $593,853. New loans of material valued at $471,888 were made. At the end of the year, equipment with a value of $577,789 was on loan. User charges for this equipment amounted to $3,200.

Excess personal property having an acquisition value of $3,833,683 was disposed of during the year, including property with an acquisition value of $1,421,126 donated or transferred to other Government agencies. Property valued at $109,760 was destroyed or abandoned, and property with acquisition value of $2,302,796 was sold for $478,162.

Warehouse inventories were reduced by $2 million in the fiscal year; remaining equipment was valued at approximately $10 million.

The Master of the SS Cotton State of States Marine Lines accepts the Gallant Ship Award and the Merchant Marine Meritorious Service Medals for himself and crew members. The Cotton State was named a Gallant Ship in recognition of her part in rescuing 29 members of the sinking Greek ship SS Grammatiki in the North Pacific in 1965.

MANPOWER

LABOR DATA

Seafaring employment during the fiscal year averaged 54,790 shipboard jobs per month, or an increase of 8.2 percent over the monthly average of 50,660 jobs in fiscal year 1966.

Employment in commercial shipyards with facilities to construct oceangoing ships 475 by 68 feet averaged 58,753 production jobs per month, 1,453 more than that in 1966. The total shipyard labor force, including indirect labor comprising management and supervisory staffs, clerical personnel, and plant maintenance workers, averaged 72,135 jobs per month, 600 above the monthly average of 71,535 in fiscal year 1966. The longshore labor force followed the normal employment pattern of about 70,000 men, although more than 95,000 men were usually available for work. Pacific coast ports increased the number of weekly hours of work to handle the expanded cargo activity without any substantial increase in the longshore work force.

LABOR-MANAGEMENT RELATIONS

While none of the seafaring labor contracts were due to expire before 1969, wage reopeners based on erasing alleged inequities among seamen's unions caused two different work stoppages during the year. The first, occurring in January 1967, involved the National Maritime Union (NMU) which engaged in a series of slowdown actions to accelerate management agreement. Twelve ships were subjected to delayed sailings for varying periods of several hours. The second occurred in mid-June, when the International Organization of Masters, Mates & Pilots (MMP) instructed their members not to sail unless management agreed to grant the MMP contract equality with other unions. The MMP refused to adhere to arbitration procedures until forced to do so by court order, after 52 merchant ships had become strikebound during the 8-day work stoppage.

Labor-management disputes in allied maritime industries accounted for the major portion of the reported work stoppages. Seven disputes involving shipyard workers caused 222 days of plant idleness, incurring a productivity loss of about 305,600 man-days. One of these involved the International Brotherhood of Electrical Workers, which struck west coast shipyards from San Francisco to Portland, causing some delay to repairs and reactivation of GAA ships. The strike was settled shortly after the end of the fiscal year. Marine personnel aboard harbor tugs at New York, Philadelphia, Baltimore, and Mobile caused 236 days' disruption to tug and towing services at those ports, with more than 53,300 man-days lost to strike action. Longshoremen engaged in a wildcat strike, lasting 1 day, at Philadelphia. At New Orleans, longshore workers engaged in handling of grain caused the delay of 19 ships scheduled to load export grain products. Almost all of the disputes in the allied maritime industries stemmed from contract expirations.

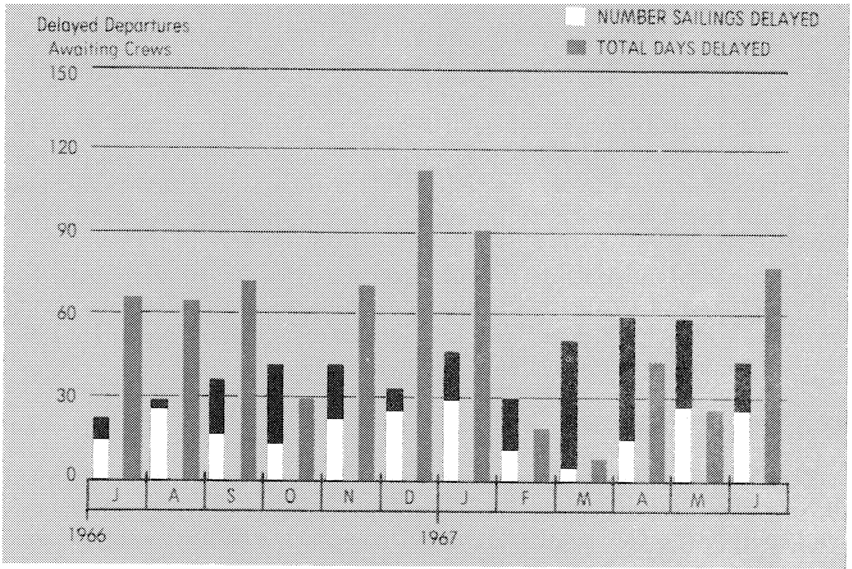
The 1965–69 seafaring contracts, which prescribed a 3.2 percent improvement factor for each year, had in several instances invoked the grievance machinery and arbitrators' decisions to resolve the extent of increase permissible within the 3.2 percent guideline. As the fiscal year drew to a close, most of the major seafaring unions had planned or were planning to enforce the "favored nation" clause in their contracts to assure contract gains equal to those obtained by other seafaring unions.

SEAMEN SHORTAGES

The continuing tight supply of skilled seafaring personnel, particularly marine engineers and navigating officers, continued to delay the sailing schedules of government-owned ships serving military requirements in Southeast Asia. A total of 228 sailings under General Agency operation experienced a cumulative delay of 749 days during the fiscal year, for an average of 3.3 days' delay per ship affected, compared with an average of 2.9 days' delay for 42 sailings affected during the first six months of calendar year 1966 (Chart XI). To meet the continuing demand for skilled seafaring manpower, the U.S. Coast Guard relaxed its regulations wherever possible to accelerate the upgrading of seamen and officers to higher skills.

While a number of seafaring unions had training programs, the output of skilled seamen was low. The full effect of the deck and engine officer training programs under union sponsorship was not expected to be realized before the latter part of fiscal year 1968.

The most effective addition to the skilled work force came, as it did a year earlier, from the U.S. Merchant Marine Academy at Kings



Point and the five State marine schools, all of which contributed to some easing of the officer shortage by advancing their normal graduation dates from 1 to 5 months.

Other efforts to ease the shortage included a program of spot TV and radio announcements publicizing the manpower needs. Maritime continued to intercede at the local draft board level on behalf of seafarers threatened by induction, if their category was in short supply.

Additional steps were taken to improve various aspects of seamen's welfare in Vietnam. Assistance was given to United Seamen's Service in the expansion of their shore facilities at Cam Ranh Bay; the program of on-board movies was continued at the previous year's level; and efforts to improve mail services were highly successful.

U.S. MERCHANT MARINE ACADEMY

The U.S. Merchant Marine Academy at Kings Point, N.Y., had an average of 829 cadets in training; 202 successfully completed the 4-year course; 77 received licenses as third mates and 125 as third assistant engineers. They also received bachelor of science degrees and, if qualified, commissions as ensigns in the U.S. Naval Reserve.

To assist in overcoming the shortage of seafaring officers, the Academy moved its 1967 graduation date from the customary late July to February 10, 1967.

In December 1966 cadet sea-year pay was increased from $111.15 to $151.95 per month.

STATE MARITIME SCHOOLS

The State maritime academies at Vallejo, Calif.; Castine, Maine; Buzzards Bay, Mass.; Galveston, Tex.; and New York State Maritime

College at Fort Schuyler, N.Y., had a combined average enrollment of 1,599 cadets during the year. Some 1,534 of these cadets received a Government allowance of $600 each toward the cost of uniforms, textbooks, and subsistence, and each school received an annual Federal assistance payment of $75,000 for use in maintenance and support of the school. Licenses were granted to 156 graduates as third mates and to 208 as third assistant engineers. All who qualified received commissions as ensigns in the U.S. Naval Reserve.

All the State maritime schools graduated early to help ease the officer shortage. California graduated on May 27, 1967, Maine on April 29, 1967, Massachusetts on March 4, 1967, New York on April 18, 1967, and Texas on January 21, 1967.

SEAMEN TRAINING

The Maritime radar, gyro, and loran training programs continued in New York, New Orleans, and San Francisco, with a total of 651 seamen completing the radar course, 121 completing the gyro course, and 49 completing the loran course. In addition, 1,191 seamen completed the nuclear, biological, and chemical warfare, firefighting and damage control course in Bayonne, N.J., in a program supported by both the Maritime Administration and the Military Sea Transportation Service.

To increase the capabilities of the radar course, radar simulators were being added to the training equipment in both New Orleans and San Francisco.

MERCHANT MARINE AWARDS

A Gallant Ship Award was presented to the SS COTTON STATE, owned by the States Marine Lines, Inc., of New York, for the rescue in February 1965 of 29 survivors from the foundering Greek freighter GRAMMATIKI. The award was presented to Capt. Robert J. Pease, who also accepted Merchant Marine Meritorious Service Medals for himself and seven members of the crew.

A Gallant Ship Award was also presented to the Tug ADELINE FOSS, owned by the Foss Launch & Tug Co. of Seattle, for its heroic participation in the rescue of the entire crew of the SS ODUNA, foundering in heavy seas off the coast of Alaska in November 1965. The master and five crew members were also presented Merchant Marine Meritorious Service Medals.

Another Merchant Marine Meritorious Service Medal went to Mr. George A. Croff, former chief mate on the SS CHOCTAW, who risked his life in an effort to save a fellow crew member during a fire in the ship's hold in April 1963.

The American Merchant Marine Seamanship Trophy for 1967 was presented to Capt. Philip Mohun, former master of the AMERICAN FALCON, for his outstanding ship handling, fine seamanship, and good judgment in saving his ship during a typhoon off Keelung, Taiwan, in July 1965.

ADMINISTRATION

INTERNAL MANAGEMENT

Actions to improve the efficiency, economy, and effectiveness of Maritime's operations were continued throughout the year. Several organizational changes made for better administration of agency programs were: (*a*) reorganization of the Office of Personnel Management, with establishment of the Division of Employee Development to strengthen the employee training and development program; and (*b*) realinement of responsibilities and authorities of the U.S. Merchant Marine Academy to provide an improved working relationship with the Maritime Administrator.

Cost reduction projects under the 3–E Improvement Program included: (*a*) a program to reduce wage costs on subsidized ships through addition of mechanization features, (*b*) elimination of wasteful practices in fresh water production and conservation on General Agency ships, and (*c*) reduction of costs in procurement, supply, and property management. These and other actions resulted in savings of $6,579,000 for the year.

IMPROVED QUALITY OF SERVICE TO THE PUBLIC

Participating actively in the Government-wide campaign to improve the quality of service to the public, the agency encouraged employees to accept responsibility for promoting an understanding on the part of the general public of the importance of the U.S. Merchant Marine to the Nation's commerce and defense by making use of a slide talk prepared for presentation before local groups. Employees also participated in training for office practices conducive to good relations with the public.

AUDITS

Internal audits were conducted and reports issued during the year on (*a*) selected activities of the U.S. Merchant Marine Academy, (*b*) electronic data processing operations, (*c*) payroll activity for Washington, D.C., (*d*) estimated uniform and textbook costs of U.S. Merchant Marine Academy cadets, and (*e*) Richmond Reserve Shipyard and equipment leasing.

The General Accounting Office issued a report during the year recommending that the Maritime Administration consider a further reduction in the requirements for performance and payment bonds on ship construction contracts after sufficient experience with current policy procedures under which such bonds were waived for Title V Construction Differential Subsidy contracts if the financial resources of the bidder or his guarantor were sufficient to permit a waiver. Current procedures were to be studied and the program extended if determined to be feasible.

In response to another recommendation in the GAO report, Maritime has intensified its cooperation with the Navy Department in shipbuilding contract administration activities, in the interest of adopting any beneficial changes that either agency may develop. Another GAO report dealing with the procedures for making cash advances to general agents has been reported in the chapter on "Operations."

PERSONNEL

During the year, the total of Maritime personnel employed decreased by 12 positions from 2,301 to 2,289. These figures do not include 7,464 seamen employed by contractors operating ships for the Maritime Administration under General Agency Agreements.

The management development program of specialized training at the executive, middle, and junior management levels continued. Eighteen college graduates recruited from the Management Intern and Federal Service Entrance Examination register were selected as management trainees. Two new trainees joined the program for naval architects and marine engineers during the year.

The first year of the Middle Management Development Program was completed in April 1967. Thirteen of the original 23 participants completed the course. Twenty-nine of the agency's employees participated in the Department of Commerce middle management course.

PROGRAM PLANNING

Program planning activities in 1967 continued to develop programs and policies to assure adequate and economic shipping services by reducing the economic disadvantages that the American Merchant Marine encounters in relation to its foreign-flag competition. Programs included the introduction and use of modern scientific and professional analysis of Maritime Administration activities; examination of the financial structure of subsidized lines; analysis of current and projected trends in ocean shipping technology, including containerships, surface-effect, and lighter-aboard ship; and the development of plans for maintaining merchant shipping and support services in a national emergency.

A computer program to simulate ship operations was developed to aid in planning and programing future operations and ship types. The simulation portrays the activities of a ship operating on a multiport trade route, taking into account the influence on loading, discharging, and booking cargo. Results of the simulation are analyzed on a profit and loss basis. Various alternatives of cargo bookings, effects of strikes, delays of departures and arrivals, cargo-handling productivity, routing changes, etc., can be readily interpreted and analyzed with the simulation program.

SAFETY

As part of the Government-wide "Mission Safety—70" program instituted by President Johnson, a goal of 10 percent a year in accident reduction between 1965 and 1970 was set for the Department of Commerce. Maritime reduced its rate by 19 percent in 1966 as compared to the 1963 "Mission Safety—70" basic year.

EMERGENCY READINESS

Emergency plans to provide a capability for continuity of agency operations were further developed and strengthened during the year. Maritime continued its program of guiding and assisting U.S. seaport organizations in the development of individual port mobilization plans.

In cooperation with the Office of Civil Defense, Maritime produced a film entitled, "Port Preparedness," which describes the planning efforts of port authorities and Government agencies to carry on port operations in the event of natural disaster or enemy attack. The film is suitable for television use, and is available from both the cooperating port associations and Maritime district offices for use by local television stations and civic organizations.

FINANCE

ACCOUNTING

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

Net cost of combined operations of the Maritime Administration for the fiscal year totaled $357 million. The cost included $228.1 million for operating- and construction-differential subsidies, $103.6 million for depreciation on Reserve Fleet vessels and other assets, $6.8 million for research and development, and $9.2 million for administrative expenses. The equity of the Government at June 30, 1967, totaled $1,210.9 million, a decrease of $21.8 million from June 30, 1966. The decrease includes the net cost of combined operations of $357 million and the return of $30.5 million in collections and unobligated balances to the Treasury, offset by $311.1 million appropriated by Congress and $54.6 million in property transfers from other agencies.

The details of the financial position of the Maritime Administration at June 30, 1967, and the financial results of its operations for the fiscal year are presented in the financial statements at the end of this report.

Of the $26,749,851 of notes and accounts receivable on June 30, 1967, $4,444,495 consisted of amounts of additional charter hire collectible only upon submission and approval of final accountings, amounts referred to the General Counsel or Department of Justice for collection or litigation, amounts on the books of National Shipping Authority agents, and amounts represented by notes and formal agreements accepted in place of open-account indebtedness. Of the $4,535,877 billings made during the fiscal year, only $115,338 or about 2½ percent, remained to be collected at the end of the fiscal year from miscellaneous debtors, exclusive of other Government agencies.

CONTRACT AUDITING

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

Audits to permit final payments were completed for four operators generally covering the period from 1957 through 1962. Most of the audits of expenses eligible for subsidy of the 14 subsidized operators were completed through calendar year 1965. Wage expenses of six of the operators were audited through calendar year 1966, and protection and indemnity insurance expenses through calendar year 1963.

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

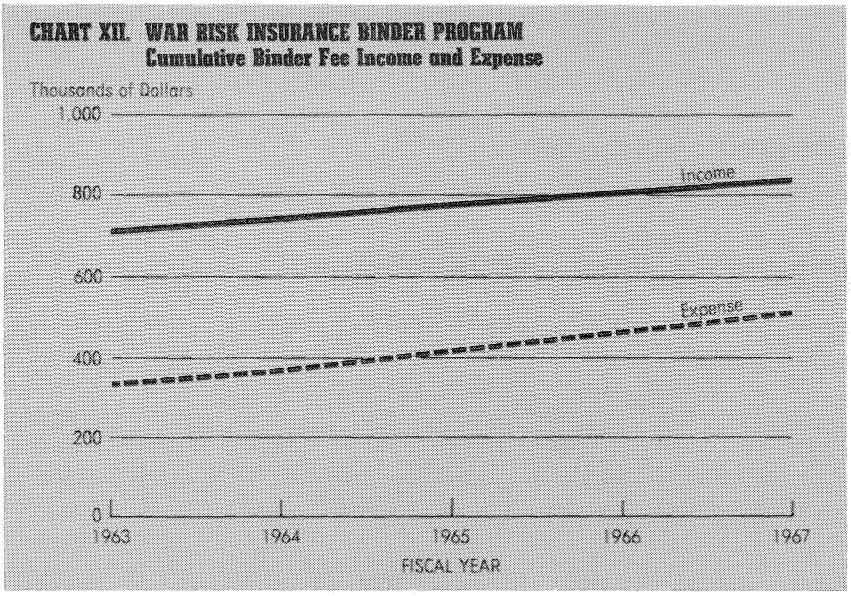
Audits completed during the fiscal year resulted in reduced billings of about $4 million to the Government.

TITLE XII INSURANCE

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

War risk insurance binders covering shipowners from the time commercial war risk insurance ceases to provide adequate coverage until 30 days after the outbreak of war involving the major powers, outstanding on June 30, 1967, were: 1,438 for war risk hull insurance, 1,314 for war risk protection and indemnity insurance, and 1,113 for war risk insurance of crew life and personal effects. From the inception of the binder program in 1952 to June 30, 1967, binder fees totaled $826,338, and expenses totaled $517,644, of which $300,034 was paid to the underwriting agent appointed by Maritime to process the binders. (See Chart XII.)

War risk builder's risk insurance for the prelaunching construction period was written on 142 ships from the inception of the program in 1953 through June 30, 1967. Premiums totaled $2,880,199. From October 1962 through June 30, 1967, 33 policies were issued for war risk builder's risk insurance for the postlaunching construction period, each with a service fee of $75, and each subject to attachment and premium assessment upon automatic termination of commercial insurance resulting from outbreak of hostilities.



A standby war risk cargo insurance program was continued, which becomes effective when the Maritime Administrator finds that insurance adequate for the needs of U.S. waterborne commerce cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States. Commercial underwriting agents will be employed to write this insurance, and as of June 30, 1967, 38 were under contract.

The Maritime Administration is continuing its review of the war risk insurance program referred to in the "Notice of Proposed Rule Making," published in the Federal Register on May 28, 1966. The notice proposed the revision and restatement of the terms and conditions under which war risk insurance would be provided.

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

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

Claims to date have involved only the tanker program (No. 1 above), with payments totaling $110,740 and pending claims approximating

$11,250. Net premium saving to the Navy from inception of the program in 1954 to June 30, 1967 was estimated at $528,000.

Under section 1208(a) of the Merchant Marine Act, 1936, money in the war risk insurance revolving fund may be invested in securities of the United States or in securities on which the United States guarantees principal and interest. Since the first investment on October 29, 1962, and June 30, 1967, interest earned totaled $630,533.

OTHER INSURANCE ACTIVITIES

Maritime continued to self-insure Government-owned ships, with the exception of 166 ships operated by general agents of the Maritime Administration, on which marine protection and indemnity insurance was purchased to take advantage of the worldwide claims settling facilities of commercial underwriters.

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

Table XII

MARINE AND WAR RISK INSURANCE CLAIMS

Fiscal year 1967	Claims reported	Number of claims settled [1]	Amount settled
Marine protection and indemnity:			
Against the Government [2]	6,713	3,443	$1,259,177
Marine hull:			
In favor of the Government	95	32	4,687.17
Against the Government	24	4	13,775.13
Marine builder's risk:			
Against the Government	1	1	10,000.00
Second Seamen's war risk:			
Against the Government [3]	43	42	139,050.00

[1] Settlements include claims reported in prior years.
[2] Approximate.
[3] Represents death benefits for 7 seamen and loss of personal effects of crew aboard the SS BATON ROUGE VICTORY, struck by a mine in the Saigon River on August 23, 1966.

The Maritime Administration was authorized by the Attorney General to abandon and close out the Government's claim in respect of investment earnings against commercial underwriters under various wartime protection and indemnity insurance agreements.

Mortgagee insurance providing coverage when marine policies are invalidated was renewed on April 1, 1967, at a reduced rate of approximately 14 percent on ships owned by unsubsidized operators who have mortgages insured under Title XI. Owners of 29 vessels covered will save an estimated $23,000. Availability of insurance in the American market, because of the further reduction in premium, was reduced to 11½ percent of the primary coverage, with 100 percent of the excess of $13 million per vessel being insured in the British market. The mortgagor pays the insurance premium.

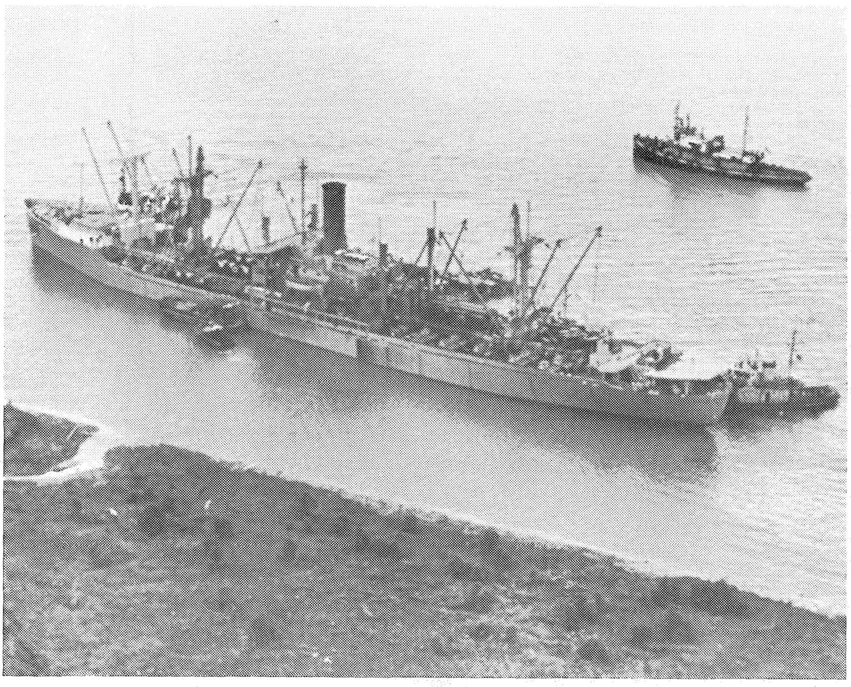
The Maritime Administration determines whether the insurance placed in commercial markets by mortgagors of ships on which the Government holds or insures mortgages, by charterers of Government-owned ships, and by subsidized operators of ships, complies with the contract requirements. During the fiscal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

Table XIII

INSURANCE APPROVED

Kind of insurance	Total amount	Percentage American	Percentage foreign
Marine hull	$1,622,761,000	60	40
Marine protection and indemnity	1,737,782,000	62	38
War risk hull	1,360,401,000	14	86
War risk protection and indemnity	1,287,918,000	14	86

The SS BATON ROUGE VICTORY, shown here after having struck a mine in the Saigon River in August 1966, involved insurance claims against the Government for death benefits for 7 seamen and loss of personal effects of the crew.



LEGAL

LEGISLATION

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

The Senate Subcommittee on Merchant Marine and Fisheries of the Committee on Commerce held hearings on merchant marine policy in April, May, and June of 1967. The committee was interested in the present state of the merchant marine and in plans for its future. Witnesses were heard from Government, industry, and labor. Government witnesses included representatives from Defense, Commerce, and Transportation.

The hearings will continue in fiscal 1968.

THE SURFACE-EFFECT SHIP

The latest marine technological innovation, the surface-effect ship, was legally determined to be a "vessel" within the meaning of the Merchant Marine Act and therefore eligible for Title XI Mortgage Insurance. Eligibility was established by the General Counsel after a review of municipal legislation defining motor carriers, aircraft and vessels, and the provisions of various international agreements entered into by the United States relating to aircraft and airspace.

OCEANOGRAPHIC SHIP CLAIM

The Government in January 1966 filed suit against Marietta Manufacturing Co. of Point Pleasant, W. Va., and its surety, the Travelers

Indemnity Co. for recovery of costs involved in the reprocurement of two ships on which Marietta was in default. The company had been found in default by the Maritime Administrator in 1965 under a contract for the construction of two ships for the Coast and Geodetic Survey. The ships were reprocured by a contract awarded to Aerojet-General Shipyards in May 1965. After having received no payment in response to a request to Marietta for payment of the reprocurement costs, the Government filed suit in the U.S. District Court for the Southern District of West Virginia, where the matter was pending.

LITIGATION

Litigation had not yet been resolved in cases regarding the damage inflicted September 9–10, 1965, on the Government-owned SSs WAKE FOREST VICTORY and WINGED ARROW. Petitions for exoneration from or for limitation of liability were filed on March 8, 1966, by the Government in the U.S. District Court, Eastern District of Louisiana. The ships broke loose and collided with other ships or shore property while they were being reactivated in New Orleans at a ship repair yard. Pending claims against the WAKE FOREST VICTORY total $201,380 and against the WINGED ARROW total $158,562.

This year nine charter hire cases on claims that had been filed for as long as 12 or more years were closed out by settlement agreements involving payments to the United States of $518,913.69 and payment by the United States of $33,255.75. Only six cases remain to be resolved by adjudication or compromise.

There were 15 miscellaneous claims by or against the United States that are not now subject to litigation pending compromise and settlement efforts, but which may be subject to litigation or set-off if such efforts fail.

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

Table XIV

SUITS AND NONLITIGATED CLAIMS

Number of cases	Subject	Amounts claimed: By United States	Amounts claimed: Against United States	Status June 30, 1967
345	Seamen's and shoreworkers' claims filed under the Suits in Admiralty Act (death, injuries, illness, maintenance and care, loss of effects, detention or repatriation).	0	[1] $18,234,056.00	59 open litigated claim files in backlog at beginning of fiscal year plus 286 new claims received during year including claims improperly filed against parties other than the United States. At the end of the year 249 litigation files were open and pending in the backlog, an increase of 190 claims. During the year 96 litigation files were closed and removed from the workload.

See footnote at end of table.

Table XIV—Continued

SUITS AND NONLITIGATED CLAIMS—Continued

Number of cases	Subject	Amounts claimed		Status June 30, 1967
		By United States	Against United States	
3	Ship collision, striking submerged objects, ship damage to shore property, buoys and other property under Suits in Admiralty Act and the Public Vessels Act.	0	$359,942.00	1 closed, complaint dismissed.
11	Foreclosure of ship mortgages under Merchant Marine Act, 1920, and Merchant Marine Act, 1936, Title XI, and related litigation (including assertion of same and related claims in bankruptcy, reorganization, and other proceedings).	$29,041,054.46	[2] 9,004,670.02	In 1 case a final decree awarded the Government a deficiency judgment in the amount of $2,500,082.37, which is uncollectible except to the extent of a maximum of approximately $90,000.
3	Judgment claims	7,783.73	0	Efforts to collect continuing.
	Contract claims:			
35	Charter hire	1,326,245.10	7,943,860.45	10 cases closed by compromise and settlement. United States was paid $968,931.69. 15 cases closed by consent decrees against the United States. United States paid $765,729.68.
6	Construction differential subsidy or repair.	1,582,516.19	10,049,415.40	United States is named as a codefendant in 1 suit for $1,682,000 against a shipyard. No claim against United States.
2	Operating differential subsidy.	0	1,762,400.00	
4	Other	1,996,105.00	22,006.00	
2	Tort claims	0	150,500.00	1 case claiming $50,500 settled and released for $1,700 and case closed. Remaining case pending.
1	Patent infringement claim	0	97,500.00	Dismissed. No appeal filed.
1	To compel administrative decision re forfeiture of sales proceeds of vessel.	0	0	Dismissed. Appeal pending.
1	Motion for leave to intervene in forfeiture claim.	0	0	*Chemical Bank* v. *SS Westhampton*. Motion denied, case closed.
7	Miscellaneous litigated actions	0	0	Closed—various dates.
15	Miscellaneous nonlitigated	$148,413.05	$30,000.00	3 cases closed. 2 cases settled for total of $187,268.97 paid to United States. 1 case settled by insurors; no U.S. payment.

[1] Amount pertains only to 249 claims pending as of June 30, 1967. According to recent experience, claims were settled for about one-fifth of one percent of the amount claimed.
[2] Amount does not include an additional unliquidated claim for amounts to be determined.

NOTE.—On 4 claims by the United States the amounts are unliquidated and subject to determination of amounts due. On 3 liquidated claims by the United States the amounts are subject to counterclaims for unliquidated set-offs and tax credits. In 1 case no claim has been submitted, but the incident has been reported with estimates of damage and the Division of Insurance has requested advice concerning liability for damage payments. Amount of estimates not included in claim figures.

MARITIME SUBSIDY BOARD

ORGANIZATION AND FUNCTIONS

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

BOARD DECISIONS

During fiscal year 1967 the Board held 76 meetings and resolved 293 matters.

Twelve decisions of the Board were appealed to the Secretary of Commerce for review, but review was denied in eleven of the cases; therefore, all decisions and orders of the Board became final except in one case, identified as Docket No. A–30.

Administrative Decisions [1]

Docket No. A-30.—In approving the construction of three Sea Barge Carriers for Lykes Bros. Steamship Co., Inc., the Maritime Subsidy Board imposed a number of conditions, including a provision for separate recapture accounting on the Sea Barge Carriers. Lykes, on April 6, 1967, appealed this requirement to the Acting Secretary of Commerce. The matter was remanded to the Board, and in an opinion served May 10, 1967, the Board modified its previous provision to eliminate separate recapture. In addition, the Board determined that three other operators which had agreed to separate recapture on new replacement vessels should be extended the same treatment as Lykes by elimination of their separate recapture accounting requirements.

Docket No. A-27.—On October 31, 1966, the Board denied the request of Grace Line, Inc., to reconsider its decision of September 22, 1966, which denied the line's request for approval of increases in the limitations on owner's costs of design and engineering services related to the construction of six vessels being built at Sun Shipbuilding & Dry Dock Co.

Docket No. A-26.—On September 8, 1966, the Board reaffirmed its previous determination of estimated foreign construction costs of five vessels to be constructed for Delta Steamship Lines, Inc., which had been appealed by the line, and accordingly reaffirmed the resulting construction-differential subsidy rate of 53.3 percent.

Docket No. A-28.—The Board on December 12, 1966, partially disallowed operating-differential subsidy on three Grace Line ships held idle in foreign ports during the 1965 strike by U.S. seamen. The Board allowed full subsidy for the first 10 days of idleness in the case of each vessel, and layup subsidy for the remainder of the strike period idleness.

Docket No. A-29.—The Board on November 10, 1966, determined that no part of the travel expenses incurred by Lykes Bros. Steamship Co., Inc., in the transportation of crew members, in either direction, between South Africa and the United States, stemming from the grounding of the SS Aimee Lykes, was eligible for operating-differential subsidy accrual, since the wages of the crew should have been recoverable from the cargo interests or the operator's insurance underwriters. A "Petition for Reopening" filed by Lykes on December 15, 1966, was pending at the end of the fiscal year.

Subsidy Decisions

Docket No. S-153 et al.—Lykes Bros. Steamship Co., Inc., had applied for increased sailings on Trade Route 13 (Gulf/Mediterranean) from a minimum of 42 and maximum of 48 to 48 and 60, respectively; Central Gulf Steamship Corp. was seeking an operating-differential

[1] The A-Docket series is used to designate written opinions of the Board to explain administrative decisions rendered where no evidentiary hearing was involved.

subsidy contract for a minimum of 44 and maximum of 48 sailings on Trade Routes 10 (North Atlantic/Mediterranean) and 13. Prudential Lines requested an increase of sailings on Trade Route 10 from 24–35 to 45–55. Central Gulf also asked for subsidized service of 36–40 sailings annually on Trade Route 18 (Atlantic and Gulf/India, Persian Gulf and Red Sea). On Trade Route 18, also, American Export Isbrandtsen Lines, Inc., had asked for an increase of maximum sailings from 29 to 59 annually.

Following public hearings on the 605(c) issues involved, the Board found that:

1. Central Gulf does not operate an existing service on Trade Route 10 or 13;

2. Existing U.S.-flag service on Trade Route 13 is inadequate; additional U.S.-flag service would be in the accomplishment of the purposes and policy of the Act, and section 605(c) is no bar to authorization of 25–30 additional sailings;

3. Existing U.S.-flag serivce on Trade Route 10 is inadequate; an additional 35–40 sailings would be permitted under section 605(c);

4. Central Gulf operates an existing service on Trade Route 18 to the extent of 21 sailings to the Persian Gulf, 43 sailings to the West Coast of India/West Pakistan, six sailings to the East Coast of India/East Pakistan and 40 sailings to the eastern Mediterranean area, and granting subsidy therefor would not result in undue advantage or be unduly prejudicial to U.S. citizens in competitive services, routes, or lines;

5. Existing U.S.-flag service on Trade Route 18 is inadequate; additional U.S.-flag service would accomplish the purposes and policy of the Act; and section 605(c) is no bar to authorization of 49 additional sailings to the Persian Gulf and six additional sailings to East Coast of India/East Pakistan.

The Board's findings did not have the effect of granting permission for any particular number of additional subsidized sailings to any particular carrier, since a final determination as to the number of subsidized sailings which might be granted to various applicants was subject to subsequent determinations to be made by the Board under other sections of the 1936 Act.

Docket No. S–170.—The Board ruled that a section 606(1) hearing on subsidy rate determination for combination vessels of American President Lines, Ltd., should be limited to relevant data collected, including that submitted by APL prior to the applicable cutoff date provided by Board rules, except as such cutoff date may have been waived. APL petitioned for reconsideration of the ruling, or waiver of the cutoff date for submission of data to be used in subsidy rate calculation.

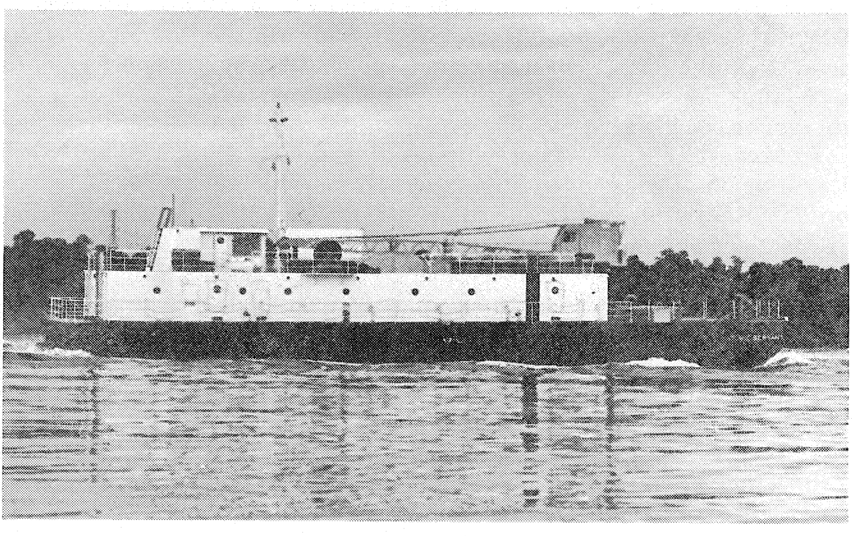
The Board on November 14, 1966, reaffirmed its previous ruling and denied the alternative request for waiver. APL then advised that the company had decided to "accept the rates originally proffered and abandon the hearing." Accordingly, on January 20, 1967, the Board terminated the proceedings.

Docket No. CA–10.—Bethlehem Steel Corp. appealed the decision of the Chief, Office of Ship Construction, concerning the proper decrease in contract price as a result of the deletion of national defense feature. The Board found that the deletion of the feature was a change in contract work and therefore the hearing should be suspended to afford the contractor an opportunity to submit a statement of its detailed estimate of the net decrease in cost resulting from the change. A net decrease of $94,228 covering deletion of fuel oil piping and pumping capacity was agreed upon, and the proceeding was terminated January 24, 1967.

Docket No. CA–16.—National Steel & Shipbuilding Co. appealed the decision of the Chief, Office of Ship Construction, denying its claim for reimbursement of alleged excess costs and damages for breach of contract resulting from an alleged delay in delivery of working plans by the former Federal Maritime Board under the provisions of the construction contract. The Maritime Subsidy Board on August 25. 1966, denied the appeal.

Docket No. CA–19.—Todd Shipyards Corp. appealed the decision of the Acting Chief, Office of Research and Development, denying a request to issue a change order covering costs totaling $9,733, related to emergency drydocking deemed essential in determining the source of salt water damage to the NSV ATOMIC SERVANT. The Board granted the appeal on March 17, 1967, and remanded the claim for processing to the Division of Insurance, Office of the Comptroller, Maritime Administration.

The NSV ATOMIC SERVANT, a servicing vessel for the Nuclear Ship SAVANNAH, was the subject of an appeal to the Maritime Subsidy Board over responsibility for costs involved in determining the source of salt water damage to the vessel.



Docket No. CA-22.—American President Lines, Ltd., appealed the decision of the Chief, Office of Ship Construction, denying subsidy participation in additional costs resulting from changes in container fittings and gantry spreaders on ships built for APL, such changes having been undertaken at the direction of APL during the course of construction. The appeal was denied on September 7, 1966.

Docket No. CA-26.—Avondale Shipyards, Inc., appealed the decision of the Chief, Office of Ship Construction, denying issuance of a change order authorizing increased compensation ($4,300 each for 12 vessels being built for Lykes Bros. Steamship Co., Inc.) for increased riveting of gunwale bar and deck strap. The appeal was dismissed on August 9, 1966. Avondale subsequently filed a petition to reopen and reconsider the decision, but this was denied by the Board on September 9, 1966.

Docket No. CA-27.—Sun Shipbuilding & Dry Dock Co. appealed the decision of the Acting Chief, Office of Ship Construction, that a credit from the shipbuilder for the deletion of a pump motor, controller, and necessary wiring must be included in the estimate of a cost reduction for the elimination of a sanitary pump. The appeal was denied on January 17, 1967. However, the Board determined that since the appeal involved only the scope of the contract change order in question, the matter should be referred back to the Chief, Office of Ship Construction, for a determination of the amount of credit due the owner and the Board.

Docket No. CA-28.—Avondale Shipyards, Inc., appealed the decision of the Acting Chief, Office of Ship Construction, denying an increase in price equivalent to the difference between the previous and later cost of American-made chronometers resulting from the requirement to furnish those instruments after they were no longer available as "stock items" from the manufacturer. The appeal was denied on September 26, 1966.

Docket No. CA-33.—New York Shipbuilding Corp. appealed a decision which determined that the company was entitled to $33,882,625 rather than $39,842,336 on construction of the NS SAVANNAH. Docket proceedings were terminated June 9, 1967 by reason of a Court of Claims decision divesting the Joint Maritime-AEC Panel of jurisdiction on the matter.

Docket No. CA-36.—Sun Shipbuilding & Dry Dock Co. appealed the decision of the contracting officer denying its request for a change order authorizing additional compensation in the amount of $18,000 ($3,000 per ship for six Grace Line ships) covering modifications of the refrigerated cargo temperature recording systems, allegedly the result of error in specifications prepared by Grace Line's design agent and approved by the Board. The appeal was denied on March 20, 1967.

Docket No. CA-38. (Consolidated with CA-39).—Sun Shipbuilding & Dry Dock Co. appealed the decisions of the contracting officer placing the responsibility for dock and sea trials of the converted vessel, SS CONTAINER FORWARDER, owned by American Export Isbrandtsen Lines, Inc., upon Sun SB & DD. The appeal was denied on March 13, 1967.

INTERNATIONAL AFFAIRS

A representative of the Maritime Administration served as adviser to the American delegation at the 19th meeting of the NATO Planning Board for Ocean Shipping (PBOS), held in London from April 17 through 20, 1967. PBOS adopted a number of recommendations concerning plans for NATO shipping activities in periods of emergency and established working parties to meet in the fall of 1967 to prepare reports on specific shipping problems for presentation at the 20th meeting to be held in Washington in April 1968.

A Maritime Administration technical representative participated as an adviser in the sixth session of the Intergovernmental Maritime Consultative Organization (IMCO) Subcommittee on Subdivision and Stability. The Subcommittee met in London from May 30 to June 2, 1967, to agree on implementing certain standards required by the 1960 Safety of Life at Sea Convention (SOLAS).

Maritime also participated throughout the year in the U.S. Interagency Shipping Coordinating Committee, which is responsible for drawing up a coordinated policy toward IMCO. Issues considered during the year were: safety measures for passenger ships failing to meet current international safety standards; problems arising from oil pollution caused by sinking of the tanker TORREY CANYON off the English coast.

A special study entitled "The Soviet Merchant Marine," which presents a detailed breakdown of the Russian merchant fleet, its growth potential and projections through 1970, was completed and scheduled for publication in fiscal year 1968. A continuing analysis was made of merchant ships under foreign registry deemed to be under the effective control of the United States.

SHIPPING RESTRICTIONS

Cuba

At the end of the fiscal year there were 269 ships of 1,937,646 gross tons on the list of free world and Polish-flag ships which had called at Cuban ports since January 1, 1963, 16 more than at the beginning of the year. Such ships are barred from carrying U.S. Government-financed cargoes from the United States. Twenty-five ships were added to the list during the year, and nine removed. The total number of reported arrivals in Cuba by free world and Polish-flag vessels decreased from 293 in fiscal year 1966, to 210 in fiscal year 1967.

North Vietnam

At the end of the fiscal year there were 45 ships of 313,467 gross tons on the list of foreign-flag vessels which had called at North Vietnam ports on or after January 25, 1966 (excluding vessels under the registration of countries, including the Soviet Union and Communist China, which normally do not have vessels calling at U.S. ports). Twenty ships were added to the list during the year, and one was removed. Forty-six ships had been pledged not to call at North Vietnam ports.

SHIPPING STUDIES AND REPORTS

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

General reports published during the year include:

"Annual Report of the Maritime Administration," 116 pp., 1966, 50¢, GPO

"The Economic Impact of United States Ocean Ports," 29 pp., 1966, 30¢, GPO

"Index of Current Regulations of the Maritime Administration, Maritime Subsidy Board, National Shipping Authority," 38 pp., revised as of March 31, 1967, 30¢, GPO

"Introducing the Maritime Administration," 13 pp., Maritime Administration

"The Importer and the U.S. Merchant Marine," pamphlet, Maritime Administration

"Merchant Marine Film Catalog," 20 pp., Maritime Administration

"Relative Cost of Shipbuilding in the Various Coastal Districts of the United States," Report to the Congress of the United States, 26 pp., May 1967, 50¢, Department of Commerce

"Transfer and Sale of U.S. Ships to Aliens," 28 pp., Maritime Administration

"Merchant Type Ships of 100,000 Tons Deadweight and Over Including those in Operation and Those Under Construction or on Order," 6 pp., Maritime Administration

"Fishboats Designed and Built Under the Fishing Vessel Construction Differential Subsidy Program," by Thomas W. Pross, Jr., 17 pp. plus tables, Maritime Administration

Statistical reports published during the year include:

"New Ship Construction—II Parts," Oceangoing Ships of 1,000 Gross Tons and Over, in United States and Foreign Shipyards, 16 pp., as of December 31, 1965, Maritime Administration

"Merchant Fleets of the World: Seagoing Steam and Motor Ships of 1,000 Gross Tons and Over," December 31, 1965, June 30, 1966, Maritime Administration

"Employment Report of United States Flag Merchant Fleet, Oceangoing Vessels 1,000 Gross Tons and Over," March 31, 1966, June 30, 1966, September 30, 1966, December 31, 1966, Maritime Administration

"Vessel Inventory Report," 165 pp., June 30, 1966, December 31, 1966, Maritime Administration

"Major Passenger Ships Built or Under Construction Since 1955" (1,000 passengers or more), 2 pp., Maritime Administration

"Merchant Ships Under Construction and/or on Order in Selected Countries, Oceangoing Ships of 9,000 DWT Tons and Over" as of December 31, 1966, 5 pp., Maritime Administration

"Oceangoing Foreign Flag Merchant Type Ships of 1,000 Gross Tons and Over Owned by United States Parent Companies" as of December 31, 1966, 23 pp., Maritime Administration

"Oceangoing Merchant Ships of 1,000 Gross Tons and Over Lost and Scrapped During the Calendar Year 1966," 20 pp., Maritime Administration

"Ships Registered Under the Liberian, Panamanian, and Honduran Flags Deemed by the Navy Department to be Under Effective U.S. Control" as of March 31, 1967, 9 pp., Maritime Administration

"U.S. Flag Oceangoing Merchant Type Ships of 1,000 Gross Tons and Over Delivered From United States Shipyards During the Calendar Year 1965," 3 pp., Maritime Administration

"U.S. Flag Oceangoing Merchant Type Ships of 1,000 Gross Tons and Over Delivered From United States Shipyards During the Calendar Year 1966," 3 pp., Maritime Administration

"United States Owners of United States Flag Oceangoing Dry Cargo Ships 1,000 Gross Tons and Over" as of June 30, 1966, 16 pp., Maritime Administration

"United States Owners of United States Flag Oceangoing Tank Vessels 1,000 Gross Tons and Over" as of June 30, 1966, 13 pp., Maritime Administration

Technical reports published during the year include:

"Detection of Oil Contamination in Sea Water," prepared by IIT Research Institute, Volume I, Experimental Investigations (Summary Report), April 19, 1965, through December 31, 1966, 107 pp., PB 174–702, Clearinghouse, $3, or 65¢ in microfiche. Volume II, Detailed Data (Summary Report), April 19, 1965, through December 31, 1966, 197 pp., PB 174–703, Clearinghouse, $3, or 65¢ in microfiche.

"Research and Development for a Shipboard Oil and Water Separation System" prepared by the Permutit Co., 146 pp. plus appendix, PB 174–639, Clearinghouse, $3, or 65¢ in microfiche.

"The Analysis and Modelling of Irregular Waves," prepared by Massachusetts Institute of Technology, Department of Naval Architecture and Marine Engineering, 37 pp., PB 174–640, Clearinghouse, $3, or 65¢ in microfiche.

"Effects of Shallow Water on Ship Motion Parameters in Pitch and Heave," prepared by Massachusetts Institute of Technology, Department of Naval Architecture and Marine Engineering, 112 pp., PB 174–641, Clearinghouse, $3, or 65¢ in microfiche.

"Second Order Potentials and Forces for Oscillating Cylinders on a Free Surface," prepared by Massachusetts Institute of Technology, Department of Naval Architecture and Marine Engineering, 109 pp. plus references, PB 174–642, Clearinghouse, $3, or 65¢ in microfiche.

"Maritime Nuclear Power for High Speed Services—U.S. North Atlantic to Far East," prepared by John J. McMullen Associates, Inc., 170 pp., PB 174–603, Clearinghouse, $3, or 65¢ in microfiche.

"Technical, Operational and Economic Report on the NS SAVANNAH First Year of Experimental Commercial Operation 1965–1966," 61 pp. plus appendix, PB 174–100, Clearinghouse, $3, or 65¢ in microfiche.

"The Economics of Nuclear Propulsion for Maritime Applications," prepared by NUS Corp., 54 pp., PB 174–219, Clearinghouse, $3, or 65¢ in microfiche.

"Ship's Bridge Control Console System: Study Report on Ship's Controllability System," prepared by Sperry Piedmont, 147 pp., PB 174–088, Clearinghouse, $3, or 65¢ in microfiche.

"Ships's Bridge Control Console: Operational Evaluation of Benefits, Limitations and Recommendations (Final Report)," prepared by Sperry Piedmont, 75 pp., PB 174–089, Clearinghouse, $3, or 65¢ in microfiche.

"Lookout Assist Device Feasibility Studies" prepared by Sperry Piedmont Co.:

Volume I: Human Factors, Collision Statistics, Economic Factors, Operations Research, Sensor Techniques, 104 pp. plus appendices, PB 174–090, Clearinghouse, $3, or 65¢ in microfiche.

Volume II: System Recommendations (Proximity and Tau Systems), Performance Estimates, Systems Parameters Study, A Tau Criterion Display System, 40 pp. plus appendices, PB 174–091, Clearinghouse, $3, or 65¢ in microfiche.

Volume III: Usage of Sound at Sea, Conning Function Studies, Cue Sources and Their Value, Psychoacoustics, Physical Factors, Work Activity Factors, 100 pp. plus appendices, PB 174–092, Clearinghouse, $3, or 65¢ in microfiche.

"Lookout Assist Radar Development (Final Report)," prepared by Sperry Piedmont, 65 pp. plus appendices, PB 174–094, Clearinghouse, $3, or 65¢ in microfiche.

"Lookout Assist Radar Evaluation Program (Final Report)," prepared by Sperry Piedmont, 32 pp., PB 174–093, Clearinghouse, $3, or 65¢ in microfiche.

"The Economics and Influences of Nuclear Refueling in Maritime Applications," NUS Corp., 53 pp., PB 173–508, Clearinghouse, $3, or 65¢ in microfiche.

"Evaluation and Critique Radar Data Computer Installed on USCGS UNIMAK and SS CONSTITUTION," by Charles G. Kurz, 91 pp., PB 173–550, Clearinghouse, $3, or 65¢ in microfiche.

"Nuclear Capital Costs and Cost Trends in Maritime Applications," prepared by NUS Corp., 60 pp., PB 173–348, Clearinghouse, $3, or 65¢ in microfiche.

"The Surface Effect Ship in the American Merchant Marine (Final Report)," prepared by Booz-Allen Applied Research, Inc., Part VI, The Economic and Technical Feasibility of Surface Effect Ships, revised June 1966, 246 pp., PB 173–022, Clearinghouse, $3, or 65¢ in microfiche.

"Advanced Concepts in Ocean Transport Capability: The Container/Barge Quandary" (a paper by Roy R. Moffet presented at the American Institute of Aeronautics and Astronautics/Society of Naval Architects and Marine Engineers, Advanced Marine Vehicles Meeting, Norfolk, Va., May 22–24, 1967), 12 pp., Maritime Administration.

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

Appendix I

MERCHANT FLEETS OF THE WORLD

Oceangoing Steam and Motor Ships of 1,000 Gross Tons and Over as of June 30, 1967

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

[Tonnage in thousands]

Country of registry	Total			Combination passenger and cargo			Combination passenger and cargo refrigerated			Freighters			Freighters refrigerated			Bulk carriers			Tankers (including whaling tankers)		
	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons	Number	Gross tons	Deadweight tons
TOTAL—ALL COUNTRIES	18,386	164,066	237,663	989	8,072	4,888	42	642	388	10,796	60,871	85,222	691	3,787	3,925	2,203	27,382	42,496	3,665	63,312	100,744
United States [1]	2,209	19,495	26,561	218	2,063	1,418	4	54	37	1,568	11,991	16,552	45	250	261	57	637	1,030	317	4,500	7,263
Privately owned	969	10,345	15,059	23	334	201	4	54	37	593	5,064	6,953	19	109	109	54	616	997	276	4,168	6,762
Government-owned	1,240	9,150	11,502	195	1,729	1,217				975	6,927	9,599	26	141	152	3	21	33	41	332	501
Reserve Fleet	1,039	7,649	9,449	193	1,706	1,204				785	5,504	7,621	20	99	109	2	14	22	39	326	493
Other [2]	201	1,501	2,053	2	23	13				190	1,423	1,978	6	42	43	1	7	11	2	6	8
The British Commonwealth of Nations:																					
United Kingdom	1,928	19,987	27,061	77	1,197	633	25	495	299	968	6,289	8,341	151	1,411	1,564	289	2,882	4,253	418	7,713	11,971
Australia	100	587	809	5	21	14				41	123	156				44	316	452	10	127	187
British colonies	164	1,394	2,076	18	89	84				108	601	866				20	245	373	18	459	753
Canada	62	250	292	17	44	20				19	47	57	2	2	2	8	77	108	16	80	105
Cyprus	51	339	500	1	3	1				38	249	373	1	6	5	4	14	20	7	67	101
Ghana	14	105	134							14	105	134									
India	223	1,894	2,757	16	80	81				172	1,123	1,612				27	521	799	8	170	265
Malaysia	11	27	25	7	20	15				3	5	8							1	2	2
New Zealand	51	161	188	2	13	3	3	12	9	39	119	157	1	2	2	5	12	14	1	3	3
Pakistan	60	441	603	6	58	44				48	336	490	2	14	20	3	22	33	1	11	16
Others	18	102	155							15	80	131	2	12	9				1	10	15
Argentina	153	1,066	1,433	14	90	66	3	27	20	68	381	535	6	18	18	5	40	60	57	510	734
Belgium	67	778	1,090	4	43	37				38	284	372	2	11	9	9	182	281	14	258	391
Brazil	222	1,150	1,631	13	73	59				140	550	804	2	7	7	16	68	95	51	452	666
Bulgaria*	74	470	695	1	7	2				40	188	284				20	141	206	13	134	203
Chile	45	259	352	5	18	18				26	122	155				9	53	77	5	66	102
China (Taiwan)	123	760	1,072	4	18	18				98	615	886	12	42	42	1	3	4	8	82	122
China (Communist)*	191	846	1,137	19	57	38	2	17	10	130	612	867	1	1	2	19	64	83	20	95	137
Colombia	24	143	186							23	133	170							1	10	16

Cuba*	40	223	305	----	----	----	----	----	----	34	210	291	3	7	8	1	1	1	2	5	5
Denmark	337	2,642	3,884	19	52	28	----	----	----	226	1,136	1,553	16	58	68	20	286	430	56	1,110	1,805
Finland	224	959	1,406	8	20	7	----	----	----	164	531	787	----	----	----	17	52	74	35	356	538
France	533	5,156	6,963	38	427	205	1	10	2	238	1,228	1,595	38	176	155	66	729	1,046	152	2,586	3,960
Germany (West)	845	5,449	7,831	6	82	31	1	2	1	652	2,937	4,200	67	249	263	71	1,104	1,647	48	1,075	1,689
Germany (East)*	99	613	826	5	43	31	----	----	----	70	354	499	4	20	13	10	101	140	10	95	143
Greece	954	7,157	10,420	48	332	169	----	----	----	669	3,729	5,468	15	70	73	79	970	1,506	143	2,056	3,204
Honduras	13	52	53	----	----	----	----	----	----	3	6	10	10	46	43	----	----	----	----	----	----
Hungary*	14	17	18	----	----	----	----	----	----	14	17	18	----	----	----	----	----	----	----	----	----
Iceland	24	54	70	2	5	3	----	----	----	11	23	34	8	19	23	1	2	3	2	5	7
Indonesia	142	458	546	29	115	78	----	----	----	89	247	330	----	----	----	3	7	10	21	89	128
Ireland	15	100	134	----	----	----	----	----	----	12	76	101	----	----	----	2	21	30	1	3	3
Israel	90	716	928	4	53	15	----	----	----	62	292	395	10	61	62	12	296	435	2	14	21
Italy	589	5,653	7,542	70	785	290	1	16	8	245	1,178	1,739	20	86	77	105	1,469	2,157	148	2,119	3,271
Japan	1,461	14,357	21,866	24	101	75	----	----	----	874	4,852	6,914	44	179	204	251	3,399	5,337	268	5,826	9,336
Korea (South)	51	257	404	1	1	2	----	----	----	43	172	264	----	----	----	3	18	26	4	66	112
Kuwait	11	132	200	----	----	----	----	----	----	6	27	37	2	3	2	----	----	----	3	102	161
Lebanon	121	585	889	----	----	----	----	----	----	111	548	834	----	----	----	10	37	55	----	----	----
Liberia	1,423	22,028	36,402	16	167	126	----	----	----	466	3,245	4,817	9	39	38	361	5,797	10,057	571	12,780	21,364
Mexico	45	293	441	----	----	----	----	----	----	18	62	94	2	5	5	2	7	10	23	219	332
Morocco	12	47	68	----	----	----	----	----	----	11	44	65	1	3	3	----	----	----	----	----	----
Netherlands	457	4,445	6,109	35	401	315	----	----	----	288	1,870	2,476	14	30	34	32	457	670	88	1,687	2,614
Norway	1,371	17,698	27,323	28	143	58	2	9	2	572	3,126	4,443	26	109	105	280	4,506	6,816	463	9,805	15,899
Panama	582	4,647	7,194	21	169	96	----	----	----	373	1,665	2,494	8	21	19	44	307	488	136	2,485	4,097
Peru	31	177	263	2	15	20	----	----	----	22	103	150	----	----	----	----	----	----	7	59	93
Philippines	120	663	926	11	23	23	----	----	----	94	539	747	----	----	----	6	70	111	9	31	45
Poland*	179	1,043	1,479	1	14	5	----	----	----	138	813	1,175	9	25	26	25	119	165	6	72	108
Portugal	92	604	717	25	237	152	----	----	----	52	173	268	----	----	----	----	----	----	15	194	297
Rumania*	31	221	321	1	7	2	----	----	----	22	90	128	----	----	----	6	99	153	2	25	38
Saudi Arabia	12	37	46	3	15	14	----	----	----	7	18	28	----	----	----	2	4	4	----	----	----
South Africa	51	326	444	----	----	----	----	----	----	41	220	291	5	37	50	4	56	85	1	13	18
Spain	338	1,804	2,433	40	238	157	----	----	----	191	656	940	10	24	28	20	110	161	77	776	1,147
Sweden	419	4,158	5,988	7	62	14	----	----	----	221	1,156	1,545	34	227	226	86	1,248	1,835	71	1,465	2,368
Switzerland	27	207	293	----	----	----	----	----	----	21	145	206	2	3	3	4	59	84	----	----	----
Thailand	11	25	34	----	----	----	----	----	----	6	16	21	----	----	----	----	----	----	5	9	13
Turkey	103	531	687	22	105	54	----	----	----	70	323	476	----	----	----	1	2	3	10	101	154
United Arab Republic	43	192	239	11	56	50	----	----	----	22	66	85	----	----	----	----	----	----	10	70	104
Uruguay	18	123	186	1	8	10	----	----	----	13	73	112	----	----	----	----	----	----	4	42	64
*U.S.S.R.[3]	1,362	8,086	10,369	66	407	209	----	----	----	808	3,878	5,123	103	501	442	118	493	647	267	2,807	3,948
Venezuela	34	295	421	----	----	----	----	----	----	17	56	82	----	----	----	2	4	6	15	235	333
Yugoslavia	178	1,092	1,554	15	83	85	----	----	----	132	699	1,001	1	4	4	14	208	319	16	98	145
All others	94	490	684	3	12	13	----	----	----	72	319	436	3	9	10	9	67	97	7	83	128

[1] Excludes 113 non-merchant type ships which are currently in the National Defense Reserve Fleet.
[2] Comprised of vessels under general agency agreement, bareboat charter, and in the custody of the Departments of Defense, State, and Interior.
[3] Includes the following U.S. Government-owned ships transferred to U.S.S.R. under lend-lease agreements and still remaining under that registry.

U.S.S.R. (lend-lease)	77	489	735	1	5	5	----	----	----	75	477	719	----	----	----	----	----	----	1	7	11

*Source material limited.

Appendix II

SHIP DELIVERIES FOR FISCAL YEAR 1967

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

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

Registry for which built	Total		Country in which built: Japan		Sweden		Germany (West)		United Kingdom		Norway		Italy		Denmark		France		Spain		U.S.S.R.*		All other [1]	
	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.	No.	Dwt.
SUMMARY—ALL TYPES																										
Total	708	19,612	271	9,780	41	1,937	66	1,509	46	1,284	33	799	18	754	16	605	16	598	22	424	32	346	147	1,576
United States	10	149	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	10	149
United Kingdom	56	1,912	13	622	5	148	---	---	33	818	---	---	2	162	1	78	---	---	---	---	---	---	2	84
Denmark	16	304	1	23	---	---	4	30	---	---	3	19	---	---	8	232	---	---	---	---	---	---	---	---
France	16	610	2	31	---	---	---	---	---	---	---	---	1	5	---	---	13	574	---	---	---	---	---	---
Germany (West)	43	745	---	---	---	---	38	725	---	---	---	---	---	---	---	---	1	4	---	---	---	---	4	16
Italy	10	513	---	---	---	---	---	---	---	---	---	---	10	513	---	---	---	---	---	---	---	---	---	---
Japan	132	3,737	132	3,737	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Liberia	54	2,749	50	2,507	2	173	1	38	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1	31
Norway	105	4,447	28	1,552	23	1,174	12	511	6	324	25	563	1	1	3	283	1	10	---	---	---	---	6	29
Sweden	20	513	---	---	11	442	2	19	---	---	2	23	---	---	---	---	1	10	---	---	---	---	4	19
U.S.S.R.*	106	870	---	---	---	---	---	---	---	---	---	---	---	---	2	5	---	---	---	---	31	333	73	532
All others	140	3,063	45	1,308	---	---	9	186	7	142	3	194	4	73	2	7	---	---	22	424	1	13	47	716
FREIGHTERS																										
Total	527	10,464	215	5,711	23	608	55	916	38	864	22	239	7	274	11	142	8	317	14	134	19	134	115	1,125
United States	9	113	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	9	113
United Kingdom	43	1,186	12	518	2	16	---	---	26	490	---	---	---	---	1	78	---	---	---	---	---	---	2	84
Denmark	14	124	1	23	---	---	4	30	---	---	3	19	---	---	6	52	---	---	---	---	---	---	---	---
France	10	348	2	31	---	---	---	---	---	---	---	---	---	---	---	---	8	317	---	---	---	---	---	---
Germany (West)	37	393	---	---	---	---	33	377	---	---	---	---	---	---	---	---	---	---	---	---	---	---	4	16
Italy	4	203	---	---	---	---	---	---	---	---	---	---	4	203	---	---	---	---	---	---	---	---	---	---

Japan	108	2,173	108	2,173																				
Liberia	41	1,608	39	1,539			1	38															1	31
Norway	67	1,771	19	678	13	367	7	268	5	232	17	197											6	29
Sweden	15	284			8	225	1	17			2	23											4	19
U.S.S.R.	76	485													2	5					18	121	56	359
All Others	103	1,776	34	749			9	186	7	142			3	71	2	7			14	134	1	13	33	474
TANKERS																								
Total	177	9,115	56	4,069	18	1,329	9	587	8	420	11	560	10	472	5	463	7	262	8	290	13	212	32	451
United States	1	36																					1	36
United Kingdom	13	726	1	104	3	132			7	328			2	162										
Denmark	2	180													2	180								
France	5	243											1	5			4	238						
Germany (West)	6	352					5	348									1	4						
Italy	5	302											5	302										
Japan	24	1,564	24	1,564																				
Liberia	13	1,141	11	968	2	173																		
Norway	36	2,670	9	874	10	807	3	237	1	92	8	366	1	1	3	283	1	10						
Sweden	5	229			3	217	1	2									1	10						
U.S.S.R.*	30	385																			13	212	17	173
All Others	37	1,287	11	559							3	194	1	2					8	290			14	242
COMBINATION PASSENGER AND CARGO SHIPS																								
Total	4	33					2	6					1	8			1	19						
United States																								
United Kingdom																								
Denmark																								
France	1	19															1	19						
Germany (West)																								
Italy	1	8											1	8										
Japan																								
Liberia																								
Norway	2	6					2	6																
Sweden																								
U.S.S.R.*																								
All others																								

[1] The United States, with 10 ships of 149,000 deadweight tons, ranked 15th as a shipbuilder on a deadweight tonnage basis. In addition to the countries listed above, she was preceded by the Netherlands with 10 ships of 333,000 deadweight tons; Yugoslavia with 19 ships of 273,000 deadweight tons; Poland with 25 ships of 244,000 deadweight tons; and Finland with 27 ships of 158,000 deadweight tons.

*Source material limited.

NOTE: No. = Number. Dwt. = Deadweight tons.

Appendix III

EMPLOYMENT OF U.S.-FLAG MERCHANT SHIPS AS OF JUNE 30, 1967, OCEANGOING SHIPS OF 1,000 GROSS TONS AND OVER

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

Status and area of employment	Total			Vessel type								
				Combination passenger and cargo			Freighters			Tankers		
	Number	Gross tons	Dead weight tons	Number	Gross tons	Dead weight tons	Number	Gross tons	Dead weight tons	Number	Gross tons	Dead weight tons
GRAND TOTAL [1]	2,185	19,322	26,352	220	2,095	1,441	1,650	12,733	17,656	315	4,494	7,255
ACTIVE VESSELS [2]	1,083	11,105	16,065	25	372	218	798	6,740	9,360	260	3,993	6,487
Foreign trade	455	4,357	5,892	24	353	214	396	3,538	4,926	35	466	752
Nearby foreign	19	174	218	4	48	37	12	84	113	3	42	68
Great Lakes-Seaway foreign	7	52	73	----	----	----	7	52	73	----	----	----
Overseas foreign	429	4,131	5,601	20	305	177	377	3,402	4,740	32	424	684
Foreign to foreign	5	92	145	----	----	----	4	26	37	1	66	108
Domestic trade	233	2,993	4,654	1	19	4	66	606	810	166	2,368	3,840
Coastwise	142	2,037	3,333	----	----	----	9	65	120	133	1,972	3,213
Intercoastal	33	414	619	----	----	----	18	203	283	15	211	336
Noncontiguous	58	541	704	1	19	4	39	336	408	18	186	292
Other U.S. agency operations	390	3,663	5,374	----	----	----	332	2,570	3,587	58	1,093	1,787
INACTIVE VESSELS	1,102	8,217	10,287	195	1,723	1,223	852	5,993	8,296	55	501	768
Temporarily inactive	46	435	633	2	17	19	37	318	457	7	100	157
Merchant types	46	435	633	2	17	19	37	318	457	7	100	157
Military types	----	----	----	----	----	----	----	----	----	----	----	----
Laid-up (privately owned)	17	133	204	----	----	----	8	58	87	9	75	117
National Defense Reserve Fleet [3]	1,039	7,649	9,449	193	1,706	1,204	807	5,617	7,752	39	326	493
Merchant types	709	5,008	7,291	6	51	53	684	4,764	6,936	19	193	302
Military types	330	2,641	2,158	187	1,655	1,151	123	854	816	20	132	191

[1] Excludes 77 ships transferred to Russian flag under lend-lease and still remaining under that registry.
[2] Excludes 24 Government-owned ships originally constructed as merchant ships but not available for commercial purposes since they are under the custody of the Defense, State, and Interior Departments, and 1 ship withdrawn from commercial service by the Panama Canal Company.
[3] Excludes 10 ships sold but remaining in custody of the National Defense Reserve Fleet pending delivery, and 113 nonmerchant type ships currently in the National Defense Reserve Fleet.

NOTE: (1) Tonnage figures are not additive since the detailed figures have been rounded to the nearest thousand. (2) Nearby foreign includes Canada, Central America, West Indies, North Coast of South America, and Mexico.

Appendix IV

OPERATING-DIFFERENTIAL SUBSIDIES

Expenditures for the Fiscal Year 1967 and Total Subsidies Payable and Expenditures for the Period January 1, 1947 to June 30, 1967

Calendar year	Accruals			Expenditures		Estimated balance to be paid
	Subsidies	Recapture	Net payable	In fiscal year 1967 for calendar years indicated	Cumulative to end of fiscal year 1967 for calendar years indicated	
1947	$13,438,553.00	$10,066,978.59	$3,371,574.41	$161,612.60	$3,371,574.41	0
1948	28,077,303.15	13,718,251.66	14,359,051.49	143,264.95	14,359,051.49	0
1949	44,213,377.37	14,559,786.69	29,653,590.68	(3,740.55)	29,653,590.68	0
1950	57,873,646.90	9,251,027.97	48,622,618.93	(3,740.55)	48,622,618.93	0
1951	71,968,635.75	25,686,097.00	46,282,538.75	242,065.91	46,282,538.75	0
1952	89,361,879.82	26,045,198.66	63,316,681.16	(231,630.62)	63,316,681.16	0
1953	106,296,045.96	13,262,316.11	93,033,729.85	21,466.54	93,033,729.85	0
1954	107,357,156.17	842,869.21	106,514,286.96	2,004,518.30	106,514,286.96	0
1955	115,145,468.54	11,041,919.17	104,103,549.37	912,938.19	104,103,549.37	0
1956	128,187,005.24	25,497,562.96	102,689,442.28	(2,954,183.07)	102,566,315.78	$123,126.50
1957	148,216,893.50	25,365,307.41	122,851,586.09	1,461,625.71	120,135,520.40	2,716,065.69
1958	146,990,242.99	6,415,146.30	140,575,096.69	(36,451.29)	139,364,113.09	1,210,983.60
1959	159,880,132.97	503,361.78	159,376,771.19	12,436.93	158,034,458.87	1,342,312.32
1960	168,043,451.07	4,909,810.58	163,133,640.49	24,014.36	160,593,185.72	2,540,454.77
1961	170,518,406.46	1,724,336.41	168,794,070.05	608,118.77	165,569,311.35	3,224,758.70
1962	181,705,481.00	4,631,474.00	177,074,007.00	(116,629.23)	169,162,980.30	7,911,026.70
1963	190,354,349.00	(1,657,033.00)	192,011,382.00	(1,315,251.70)	179,963,004.34	12,048,377.66
1964	204,324,960.00	838,471.00	203,486,489.00	(1,597,437.40)	191,126,321.18	12,360,167.82
1965	184,946,481.00	2,139,315.00	182,807,166.00	5,083,675.60	171,184,875.03	11,622,290.97
1966	203,697,000.00	4,808,043.00	198,888,957.00	116,627,624.90	179,019,411.09	19,869,545.91
1967	107,373,165.50	1,913,227.00	105,459,938.50	54,587,561.38	54,587,561.38	50,872,377.12
Total	2,627,969,635.39	201,563,467.50	2,426,406,167.89	175,631,859.73	2,300,564,680.13	125,841,487.76

STATEMENT OF OPERATING-DIFFERENTIAL SUBSIDY ACCRUALS, RECAPTURE PAYMENTS, AND SUBSIDY PAYABLE SUMMARY JANUARY 1, 1937 TO JUNE 30, 1967

Operator	Accruals			Net subsidies paid	Estimated balance to be paid
	Subsidies	Recapture	Net payable		
*American Banner Line	$2,626,512		$2,626,512	$2,626,512	
*American Diamond Lines	185,802	$28,492	157,310	157,310	
American Export Isbrandtsen Lines	391,316,638	11,359,088	379,957,550	348,675,223	$31,282,327
American Mail Line	77,718,263	5,682,241	72,036,022	68,013,069	4,022,953
American President Lines	316,556,109	17,676,494	298,879,615	278,095,230	20,784,385
*American South African Line	140,314		140,314	140,314	
*Atlantic Carib. S/N Co	63,209	45,496	17,713	17,713	
*Baltimore Mail S/S Co	416,269		416,269	416,269	
*Bloomfield	15,623,225	2,668,935	12,954,290	12,646,155	308,135
Delta S/S Lines	102,271,720	8,185,313	94,086,407	90,295,774	3,790,633
Farrell Lines	105,848,594	1,855,375	103,993,219	99,605,334	4,387,885
Grace Line	230,631,151	23,882,291	206,748,860	195,453,678	11,295,182
Gulf So. Amer. S/S Co	21,423,881	5,860,179	15,563,702	14,333,153	1,230,549
Lykes Bros. S/S Co	284,600,155	52,050,599	232,549,556	221,530,871	11,018,685
Moore-McCormack Lines	325,293,333	17,762,445	307,530,888	295,976,221	11,554,667
*N.Y. Cuba Mail S/S Co	8,090,107	1,207,331	6,882,776	6,882,776	
Oceanic S/S Co	73,716,815	1,675,234	72,041,581	67,308,264	4,733,317
*Pacific Argen. Brazil Line	7,963,939	270,701	7,693,238	7,693,238	
Pacific Far East Line	74,453,994	18,225,793	56,228,201	52,277,742	3,950,459
Prudential Lines	17,526,087	1,156,103	16,369,984	14,938,435	1,431,549
*Seas Shipping Co	25,819,800	2,429,102	23,390,698	23,390,698	
*South Atlantic S/S Co	96,374	84,692	11,682	11,682	
States S/S Co	77,826,871	8,046,234	69,780,637	66,150,860	3,629,777
United States Lines	516,485,955	54,106,872	462,379,083	449,958,100	12,420,983
Total	2,676,695,117	234,259,010	2,442,436,107	2,316,594,621	125,841,486

*No longer subsidized or combined with other subsidized lines.

Appendix V

OPERATING-DIFFERENTIAL SUBSIDY CONTRACTS AS OF JUNE 30, 1967

Name of operator	Expiration date of agreement	Trade routes	Minimum and maximum number voyages	Number of ships assigned as of June 30, 1967	
				Passenger and cargo combination	Cargo
American Export Isbrandtsen Lines, Inc.	Dec. 31, 1979	R-W-E[1], 10, 34, 18, 32, 5-7-8-9.	221-291	3	38
American Export Isbrandtsen Lines, Inc.	Dec. 31, 1971	5-7-8-9	36-42		[2] 2
American Mail Line, Ltd	Dec. 31, 1978	29			9
American President Lines, Ltd	Dec. 31, 1976	R-W-W [3], 29, 17.	103-120	3	22
Delta Steamship Lines, Inc	Dec. 31, 1977	14-2, 20	67-79	3	10
Farrell Lines Inc	Dec. 31, 1977	14-1, 15A, 16	76-99		21
Grace Line Inc	Dec. 31, 1977	2, 4, 23, 24, 25	236-285	11	17
Gulf & South American Steamship Co., Inc.	Dec. 31, 1978	31	30-36		5
Lykes Bros. Steamship Co., Inc	Dec. 31, 1977	13, 15-B, 19, 21, 22.	218-272		59
Moore-McCormack Lines, Inc	Dec. 31, 1977	1, 6, 15A	181-215	2	33
The Oceanic Steamship Co	Dec. 17, 1972	27	22-29	2	3
Pacific Far East Line, Inc	Dec. 31, 1978	29	53-63		10
Prudential Lines, Inc	Dec. 31, 1979	10	28-35		5
States Steamship Co	Dec. 31, 1977	29	58-74		13
United States Lines, Inc:					
Cargo service	Dec. 31, 1969	11, 12	335-391		41
SS UNITED STATES	Dec. 31, 1969	5-7-8-9		1	
Total			1, 664-2, 031	25	288
Total passenger/cargo—combination					25
Total cargo					288
Grand total					313

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

Appendix VI

SUBSIDIZED AND SELECTED UNSUBSIDIZED OPERATORS [1]

Combined Condensed Income and Surplus Accounts December 31, 1966. See Notes

[Dollars in thousands]

	Subsidized	Unsubsidized	
		Tanker	Cargo
ASSETS			
CURRENT ASSETS:			
Cash	$52,242	$28,109	$44,413
Marketable securities	51,586	1,914	11,059
Accounts receivable	172,935	6,813	66,498
Other	21,916	6,430	30,017
Total	298,679	43,266	151,987
SPECIAL FUNDS AND DEPOSITS	[2] 319,372	15,666	3,502
INVESTMENTS	14,929	2,750	67,601
DEFERRED ODS RECEIVABLE (see contra)	[3] 43,802	0	0
PROPERTY AND EQUIPMENT—LESS DEPRECIATION:			
Vessels	755,347	211,418	65,299
Other	116,098	121	84,802
OTHER ASSETS	43,793	3,379	40,919
Total assets	1,592,020	276,600	414,110
LIABILITIES AND NET WORTH			
LIABILITIES:			
Current liabilities:			
Accounts payable and accruals	120,872	8,777	92,505
Current long-term debt	0	12,565	14,671
Other	36,025	1,072	9,722
Total	156,897	22,414	116,898
Voyages in progress—net	46,998	5,224	17,909
Long-term debt	[2] 334,300	180,505	93,666
Recapturable ODS (see contra)	[3] 43,802	0	0
Operating reserves	24,164	1,073	12,997
Other liabilities	22,941	17,463	27,402
Total liabilities	629,102	226,679	268,872
NET WORTH:			
Capital stock	113,567	18,613	49,619
Surplus:			
Capital	147,803	33,770	26,112
Earned	701,548	(2,462)	69,507
Total surplus	[4] 849,351	31,308	95,619
Total net worth	962,918	49,921	145,238
Total liabilities and net worth	1,592,020	276,600	414,110

[1] The data were obtained from Forms MA-172 filed (1) by 14 subsidized operators for the calendar year 1966 (as compared with 15 subsidized operators for calendar year 1965), and (2) by 21 tanker and 19 cargo operating companies for fiscal years ending during the fiscal year July 1, 1966 through June 30, 1967, covering 322 subsidized vessels, 25 tankers, and 124 cargo vessels.

[2] Long-term debt includes $13,861,000 of mortgage indebtedness due within 1 year and payable from special funds and deposits of subsidized operators.

[3] Represents Government's share of recapturable subsidy deducted from subsidy payments pending settlement of 10-year subsidy recapture periods. Of the amount shown, $33,275,844 applies to completed but unsettled subsidy recapture periods, and $10,526,442 applies to current incomplete subsidy recapture periods. The corresponding amounts at December 31, 1965 were $30,696,000 and $5,572,000.

[4] Retained earnings of the 14 subsidized operators on which Federal income taxes have been deferred, amounted to $598,002,392 as of December 31, 1966, and $559,394,529 as of December 31, 1965, an increase of $38,607,863.

Appendix VI—Continued

SUBSIDIZED AND SELECTED UNSUBSIDIZED OPERATORS [1]—Continued

Combined Condensed Income and Surplus Accounts December 31, 1966. See Notes—Continued

[Dollars in thousands]

	Subsidized	Unsubsidized	
		Tanker	Cargo
SHIPPING OPERATIONS:			
Terminated voyage revenue	$852,192	$82,478	$531,659
Terminated voyage expense—net:			
Vessel expense—net:			
Wages, payroll taxes, and welfare contributions	270,910	14,596	71,158
Subsistence	26,034	1,035	5,723
Maintenance and repairs	51,707	4,120	17,173
Insurance (Hull and P. & I.)	48,144	4,139	11,996
Total	396,795	23,890	106,050
Less: Operating-differential subsidy (ODS)	200,211	0	0
Total	196,584	23,890	106,050
Other vessel expense	74,232	12,989	132,561
Total	270,816	36,879	238,611
Voyage expense	348,120	10,562	136,561
Total	618,936	47,441	375,172
Profit (loss) from vessel operations	233,256	35,037	156,487
Other shipping operations expense:			
Administrative and general, etc	103,260	1,636	67,024
Depreciation on shipping property	44,402	13,608	18,665
Other shipping expense (income)—net	(4,864)	134	35,252
Total	142,798	15,378	120,941
Profit (loss) from shipping operations	90,458	19,659	35,546
Interest and other income	20,888	1,320	8,410
Interest and other expense	(15,377)	(10,980)	(7,078)
NET PROFIT (LOSS) FROM SHIPPING OPERATIONS	95,969	9,999	36,878
NONSHIPPING OPERATIONS—NET PROFIT (LOSS)	(41)	(1)	17
NET PROFIT (LOSS) BEFORE PROVISION FOR FEDERAL INCOME TAXES	95,928	9,998	36,895
PROVISION FOR FEDERAL INCOME TAXES	24,968	3,048	14,245
NET PROFIT (LOSS) AFTER TAXES	70,960	6,950	22,650
ADD SURPLUS (CAPITAL AND EARNED) BEGINNING OF YEAR	801,083	26,116	75,959
Total surplus available	872,043	33,066	98,609
Surplus changes:			
Cash dividends	(21,830)	(1,902)	(3,400)
Stock dividends	[5] (59)	0	[5] (3,400)
Gains from sale of assets	6,793	0	0
Prior periods adjustments	734	144	3,907
Subsidy and recapture adjustments	(10,243)	0	0
Other—net	[6] 1,913	0	[6] (97)
Total	(22,692)	(1,758)	(2,990)
SURPLUS (CAPITAL AND EARNED)—END OF YEAR	849,351	31,308	95,619

[5] Stock dividends:

	Subsidized	*Unsubsidized-cargo*
Credit to:		
Capital stock	$59,000	$3,400,000
Capital surplus	2,094,000	0
Total	2,153,000	3,400,000

[6] Other changes include: Net credits of $1,913,000 to capital surplus for stock dividends declared in excess of cost; charges of $97,000 in connection with the purchase of a company's own stock.

Appendix VII

CONSTRUCTION RESERVE FUNDS

Authorized Under Sec. 511 of the Merchant Marine Act, 1936, as Amended, as at June 30, 1967

Operator	Cash	Securities	Total
Central Gulf Steamship Corporation	$20,515	$251,858	$272,373
Hughes Bulk, Inc.		75,636	75,636
Intercontinental Transportation Co., Inc.	182,550		182,550
Pacific Far East Line, Inc.	600	597,000	597,600
Penntrans Company		293,753	293,753
B. Turecamo Towing Corporation	2,856	74,000	76,856
Turecamo Transportation Corp.		191,285	191,285
Walnut Tankers, Inc.		630,568	630,568
Total June 30, 1967	206,521	2,114,100	2,320,621
Total June 30, 1966	13,222	5,777,284	5,790,506
Net increase (decrease)	193,299	(3,663,184)	(3,469,885)

Appendix VIII

CAPITAL AND SPECIAL RESERVE FUNDS

Cash, Approved Interest Bearing Securities and Common Stocks Under Approved Common Stock Trusts on Deposit in the Statutory Capital and Special Reserve Funds of Subsidized Operators as of June 30, 1967

Operator	Capital reserve fund			Special reserve fund			Combined total	Common stocks included in total[1]
	Cash	Securities	Total	Cash	Securities	Total		
American Export Isbrandtsen Lines, Inc.	$169,973	$5,015,298	$5,185,271	$73,027	$4,396,455	$4,469,482	$9,654,753	$501,125 (S)
American Mail Line Ltd.	582,902	827,000	1,409,902	3,632,956	2,555,995	6,188,951	7,598,853	648,340 (S)
American President Lines, Ltd.	194,481	69,868	264,349	344,715	2,301,654	2,646,369	2,910,718	675,155 (S)
Bloomfield Steamship Company	0	357,670	357,670	0	0	0	357,670	0
Delta Steamship Lines, Inc.	180,235	1,480,324	1,660,559	5,459	5,863,357	5,868,816	7,529,375	0
Farrell Lines Incorporated	135,866	4,376,061	4,511,927	781,235	2,411,082	3,192,317	7,704,244	0
Grace Line Inc.	73,328	9,578,039	9,651,367	15,279	19,874,240	19,889,519	29,540,886	104,947 (S)
Gulf & South American Steamship Co., Inc.	249,490	2,555,568	2,805,058	249,280	1,969,778	2,219,058	5,024,116	0
Lykes Bros. Steamship Co., Inc.	67,653	9,294,609	9,362,262	631,205	48,932,681	49,563,886	58,926,148	4,155,087 (S)
Moore-McCormack Lines, Incorporated	43,992	2,197,065	2,241,057	970	4,249,501	4,250,471	6,491,528	0
Oceanic Steamship Company, The	113,879	6,799,172	6,913,051	22,134	239,532	261,666	7,174,717	552,553 (C)
Pacific Far East Line, Inc.	22,942	2,750,000	2,772,942	502,804	10,465,000	10,967,804	13,740,746	500,000 (S)
Prudential Lines, Inc.	198,875	0	198,875	1,765	48,922	50,687	249,562	0
States Steamship Company	807,166	2,070,000	2,877,166	873,098	1,790,466	2,663,564	5,540,730	0
United States Lines, Inc.	64,157	713,765	777,922	126,081	22,273,208	22,399,289	23,177,211	0
June 30, 1967	2,904,939	48,084,439	50,989,378	7,260,008	127,371,871	134,631,879	185,621,257	7,137,207
June 30, 1966	3,335,980	60,960,847	64,296,827	7,554,243	121,040,940	128,595,183	192,892,010	4,636,795
Increase (decrease)	(431,041)	(12,876,408)	(13,307,449)	(294,235)	6,330,931	6,036,696	(7,270,753)	2,500,412
[1] Common stock trusts market value reported by trustees:								
June 30, 1967	----------	----------	711,813	----------	----------	8,835,442	----------	9,547,255
June 30, 1966	----------	----------	491,716	----------	----------	4,961,817	----------	5,453,533
Increase	----------	----------	220,097	----------	----------	3,873,625	----------	4,093,722

NOTE: Accrued mandatory deposits, not included in the above, amount to $78,695,307 comprised of $63,579,393 applicable to the Capital Reserve Fund (depreciation and other required deposits) and $15,115,914 applicable to the Special Reserve Fund (excess profits net of over deposits).

C=Capital reserve fund. S=Special reserve fund.

Appendix IX

SHIP CONSTRUCTION ON JUNE 30, 1967

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

Ships under construction	Number of ships	Type	Shipyard	Gross tonnage	Estimated completion date	Estimated construction cost	Maritime Administration including national defense allowances	Owner	Estimated cost to owner
Title V—Merchant Marine Act of 1936	1	C4–S–66a	Avondale SY, Inc.	11,100	Oct. 1, 1967	$10,900,000	$5,400,000	Lykes Bros.	$5,500,000
“	2	C4–S–65a	Sun SB&DD Co.	25,800	July 14, 1967	27,500,000	14,500,000	Grace Line, Inc.	13,000,000
“	1	C4–S–66a	Avondale SY, Inc.	11,100	Dec. 1, 1967	11,000,000	6,000,000	Lykes Bros.	5,000,000
“	1	C4–S–66a	“	11,100	July 15, 1967	10,800,000	5,700,000	“	5,100,000
“	5	C4–S–68e	Sun SB&DD Co.	88,500	Nov. 15, 1968	83,100,000	43,700,000	United States Lines Co.	39,400,000
“	5	C4–S–69a	Ingalls SB Corp.	70,000	Apr. 13, 1968	70,800,000	37,400,000	American President Lines.	33,400,000
“	5	C3–S–76a	“	52,000	Oct. 18, 1968	55,100,000	28,800,000	Delta Steamship Lines	26,300,000
“	3	C5–S–73b	Bath Iron Works	39,000	Mar. 31, 1969	41,500,000	21,700,000	American Export Isbrandtsen	19,800,000
“	5	C4–S–69b	Avondale SY, Inc.	70,000	Feb. 28, 1969	74,900,000	40,100,000	States Steamship Co.	34,800,000
“	5	C5–S–75a	Newport News S/B & Dry Dock Co.	46,500	Aug. 22, 1969	82,800,000	45,100,000	American Mail Line, Ltd.	37,700,000
“	4	C5–S–78a	Ingalls SB Corp.	57,600	July 18, 1969	65,500,000	35,600,000	Mormac Lines, Inc.	29,900,000
Economy Act of 1932	2	S1–MT–MA63a	Aerojet-General	2,800	Jan. 19, 1968	7,800,000		Coast and Geodetic Survey.	7,800,000
“	1	S1–MT–MA72a	“	1,450	Aug. 25, 1967	4,500,000		“	4,500,000
“	1	S2–MT–MA74a	American S/B Co.	2,600	Jan. 24, 1969	8,600,000		“	8,600,000
“	1	SV–BP	Harvey F. Gamage S/B Co.	300	Jan. 21, 1968	840,000		National Science Foundation.	840,000
Total	42			489,850		555,640,000	284,000,000		271,640,000

Appendix X

NATIONAL DEFENSE RESERVE FLEETS

Dates (fiscal years)	Total ships in fleets	Dates (fiscal years)	Total ships in fleets
1945	5	1957	1,889
1946	1,421	1958	2,074
1947	1,204	1959	2,060
1948	1,675	1960	2,000
1949	1,934	1961	1,923
1950	2,277	1962	1,862
1951	1,767	1963	1,819
1952	1,853	1964	1,739
1953	1,932	1965	1,594
1954	2,067	1966	1,327
1955	2,068	1967	1,152
1956	2,061		

Appendix XI

APPROVALS FOR TRANSFER FOREIGN

Approvals Granted, Pursuant to Sections 9 and/or 37 of the Shipping Act, 1916, as Amended, of the Transfer to Foreign Ownership and/or Registry of Vessels of 1000 Gross Tons and Over by Type, Number, Size and Age for Period July 1, 1966 Through June 30, 1967

	Pursuant to Sections 9 and 37 (U.S. owned and U.S. documented)			Pursuant to Section 37 (only) (U.S. owned, not U.S. documented)			Combined totals		
	Number of vessels	Gross tons	Average age	Number of vessels	Gross tons	Average age	Number of vessels	Gross tons	Average age
U.S. privately owned:									
(a) Tankers				4	41,197	22.7	4	41,197	22.7
(b) Cargo	9	60,267	30.4	3	18,832	24.6	12	79,099	29.0
(c) Cargo/passenger									
(d) Miscellaneous	7	15,831	28.8	7	15,203	16.0	14	31,034	27.2
Total	16	76,098	29.7	14	75,232	22.6	30	151,330	27.3
Departures from U.S. ports				6	8,400	22.0	6	8,400	22.0
U.S. Government-owned:									
Cargo	2	12,610	59.5				2	12,610	59.5
By Nationality									
U.S. privately owned:									
Nationality:									
British	1	3,832					1	3,832	
Canadian	1	6,379					1	6,379	
Mexican	1	1,338		4	6,737		5	8,075	
Panamanian	2	14,562					2	14,562	
Uruguayan	1	1,622					1	1,622	
Total	6	27,733		4	6,737		10	34,470	
Sale alien	10	48,365		10	68,495		20	116,860	
	16	76,098		14	75,232		30	151,330	
Departures from U.S. ports				6	8,400		6	8,400	
U.S. Government owned:									
Sale alien for scrapping	2	12,610					2	12,610	

Appendix XII

MARITIME LEGISLATION

Bill	Subject	MA Action	June 30, 1967, status
89TH CONG.			
S. 3250, S. 3251, H.R. 15094, H.R. 15095.	Safety of Life at Sea	Marad testified favorably on S. 3250 and S. 3251 before Senate committee and on H.R. 15094 and H.R. 15095 before House committee.	Became Public Law 89-777 on Nov. 6, 1966.
S. 2858, H.R. 12591, H.R. 12624.	To amend sec. 502 of the Merchant Marine Act, 1936, to extend 55 percent maximum subsidy allowable on construction to June 30, 1968.	Maritime Administration prepared a report favoring 1-year extension to House committee for Commerce Department. Deputy Maritime Administrator testified in favor of 1-year extension before House and Senate committees.	Became Public Law 89-589, Sept. 19, 1966.
H.R. 11696	To create a Federal Maritime Administration.	Unfavorable testimony before House subcommittee.	Reported by Merchant Marine and Fisheries Committee on August 8, 1966.
H.R. 15963	Department of Transportation bill.	Assisted in preparation of materials for Department of Commerce.	Public Law 89-670, Oct. 15, 1966.
S. 3297, H.R. 15283.	Authorizes the carriage of military cargoes by U.S.-flag vessels at reduced rates which are fair and reasonable thereby forcing Defense Department to use present methods of bidding rather than implementing new rules which would force competitive bidding.	Maritime Administration prepared unfavorable report to House Committee. Deputy Maritime Administrator testified before House and Senate committees.	Reported by House on Oct. 10, 1966, in House Rept. No. 2213.
H.R. 15862, H.R. 15865, H.R. 18176.	Requires authorization for Maritime Administration appropriations.	General Counsel testified recommending alternatives to bills.	Reported by House on Oct. 10, 1966, in House Rept. No. 2213.
S. 3391	To amend the Shipping Act, 1916 to authorize exemption from the provisions of the act.	Prepared favorable Commerce report to Senate Committee on Commerce.	Became Public Law 89-778, Nov. 6, 1966.
90TH CONG.			
H.R. 158, S. 340.	To amend sec. 209 of the Merchant Marine Act, 1936, so as to require future authorization of funds for certain programs of the Maritime Administration.	General Counsel testified favorably before House Subcommittee on Merchant Marine. General Counsel testified favorably before Senate Subcommittee on Merchant Marine and Fisheries. Prepared substitute text on H.R. 158 and Commerce report for House subcommittee.	Passed House May 4, 1967.
H.R. 162, H.R. 5749.	To grant the masters of certain U.S. vessels a lien on those vessels for their wages and for certain disbursements.	General Counsel testified before House Subcommittee on Merchant Marine; prepared favorable Commerce report suggesting amendments to House Committee on Merchant Marine and Fisheries.	Passed House June 19, 1967.
H.R. 161	To promote and foster development of a modern merchant marine by encouraging orderly replacement and modernization of merchant vessels, and for other purposes.	Prepared unfavorable Commerce report to House committee.	
S. 706	To amend sec. 27 of the Shipping Act, 1916.	Prepared favorable Commerce report to Senate Committee.	

MARITIME LEGISLATION—Continued

Bill	Subject	MA Action	June 30, 1967, status
H.R. 1009	To prohibit transportation in interstate commerce of articles to or from the United States aboard certain foreign vessels, and for other purposes.	Prepared unfavorable Commerce report to House Committee on Interstate and Foreign Commerce.	
No bill	SAVANNAH layup hearings	General Counsel testified before House Subcommittee on Merchant Marine. Acting MaritimeAdministrator testified before Senate Subcommittee on Merchant Marine and Fisheries.	
No bill	Merchant Marine policy	Secretary of Commerce Trowbridge testified before Senate Subcommittee on Merchant Marine and Fisheries.	
No bill	Maritime Administration programs for fiscal 1968.	Secretary of Commerce Trowbridge and Maritime Administration General Counsel testified before House Subcommittee.	

Financial Statements

DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

Exhibit 1

Balance Sheet—June 30, 1967, and June 30, 1966 (Note 1)

ASSETS	June 30 1967	June 30 1966
CASH AND FUND BALANCES (note 2)	$367,187,748	$362,466,780
ADVANCES:		
U.S. Government agencies	64,306	30,095
Others	3,131,016	1,900,399
	3,195,322	1,930,494
NOTES AND ACCOUNTS RECEIVABLE:		
U.S. Government agencies	22,438,954	15,382,580
Domestic firms and individuals	6,498,692	7,798,952
Foreign governments and nationals	45,938	213,229
	28,983,584	23,394,761
Less allowance for losses	2,233,733	470,995
	26,749,851	22,923,766
ACCRUED INTEREST RECEIVABLE (note 3)	731,405	787,188
MATERIAL AND SUPPLIES (at cost or estimated cost)	1,219,399	1,065,592
INVESTMENTS—U.S. TREASURY SECURITIES	5,065,860	4,337,264
LOANS RECEIVABLE:		
Ship mortgage loans:		
Domestic firms and individuals	97,102,396	108,070,808
Foreign governments and nationals	1,313,721	1,381,254
	98,416,117	109,452,062
Less allowance for losses	9,204,541	11,189,315
	89,211,576	98,262,747
JUDGMENT RECEIVABLE	2,500,022	
Less allowance for losses	2,500,022	
	0	
VESSELS UNDER CONSTRUCTION	52,473,317	58,920,206
FIXED ASSETS USED IN OPERATIONS (at cost, estimated cost or assigned amounts):		
Facilities and equipment	33,557,000	33,730,666
Less accumulated depreciation (note 8)	15,577,559	16,499,182
	17,979,441	17,231,484
Land and improvements	8,508,645	8,508,645
Construction in progress	168,079	366,887
	26,656,165	26,107,016
ASSETS HELD PRIMARILY FOR MOBILIZATION PURPOSES (at cost, estimated cost or assigned amounts):		
Vessels	2,462,420,453	3,051,726,053
Less accumulated depreciation	2,371,354,246	2,887,910,880
	91,066,207	163,815,173
Facilities and equipment	70,547,086	72,534,106
Less accumulated depreciation	46,761,035	46,535,698
	23,786,051	25,998,408
Land and improvements	10,221,344	10,381,344
	34,007,395	36,379,752
Stand-by inventories	10,842,508	12,554,383
	135,916,110	212,749,308
OTHER ASSETS:		
Vessels held primarily for scrapping	741,653,620	384,206,235
Less allowance for depreciation	716,828,582	374,114,235
	24,825,038	10,092,000
Deferred charges:		
Unamortized construction-differential subsidies	722,083,688	670,824,039
Other deferred charges and miscellaneous items	13,404,466	8,063,991
	735,488,154	678,888,030
Less allowance for losses	710,918	780,157
	734,777,236	678,107,873
	$1,468,009,027	$1,477,750,234

Financial Statements
DEPARTMENT OE COMMERCE - MARITIME ADMINISTRATION
Exhibit 1
Balance Sheet—June 30, 1967, and June 30, 1966 (Note 1)—Continued

LIABILITIES

	June 30	
	1967	1966
ACCOUNTS PAYABLE AND OTHER LIABILITIES (note 4):		
U.S. Government agencies:		
Liability for vessels under construction	$52,473,317	$58,674,657
Advances and contributions	13,771,695	30,905,174
Withholdings and contributions for Federal taxes	791,900	723,819
Accounts payable and accrued liabilities	977,080	3,353,693
	68,013,992	93,657,343
Other:		
Accrued operating-differential subsidies (note 5)	127,174,205	105,490,570
Less estimated recapturable subsidies	1,332,717	953,516
	125,841,488	104,537,054
Amounts due shipbuilders for construction of vessels	18,472,204	18,149,786
Accrued annual leave	2,593,730	2,572,762
Accounts payable and accrued liabilities	39,452,602	10,497,098
Deposits by contractors and others	350,848	964,795
Vessel trade-in allowance payable		2,462,224
Withholding for purchase of savings bonds and payments of State and local taxes	119,553	106,435
Deferred credits	567,026	5,324,985
	187,397,451	144,615,139
	255,411,443	238,272,482
FUNDS BORROWED FROM U.S. TREASURY BY THE FEDERAL SHIP MORTGAGE INSURANCE REVOLVING FUND	1,650,000	6,750,000
EQUITY OF THE UNITED STATES GOVERNMENT (exhibit 3):		
Maritime Regular	1,173,914,802	1,199,236,337
Vessel Operations Revolving Fund	18,033,929	18,044,680
Federal Ship Mortgage Insurance Revolving Fund (note 8)	15,201,028	11,770,828
War Risk Insurance Revolving Fund	3,797,825	3,675,907
	1,210,947,584	1,232,727,752
	$1,468,009,027	$1,477,750,234

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

Exhibit 2

Statement of Operations for Years Ended June 30, 1967 and 1966 (Note 1)

	Year ended June 30	
	1967	1966
OPERATIONS OF MARITIME ADMINISTRATION:		
Net costs of operating activities (note 6):		
Reserve fleet program:		
Depreciation of reserve fleet vessels	$100,952,907	$143,142,840
Maintenance and preservation	5,778,657	5,997,865
Estimated loss from scrapping of obsolete vessels	491,911	25,113,995
	107,223,475	174,254,700
Maritime training program	4,387,887	4,193,768
Maintenance of reserve shipyards	562,137	586,251
Operation of warehouses	99,219	207,517
	112,272,718	179,242,236
Direct subsidies and costs attributable to national defense:		
Estimated operating-differential subsidies (note 5)	196,936,294	174,145,691
Construction-differential subsidies	29,747,120	26,828,162
Cost of national defense features	1,437,050	1,364,429
	228,120,464	202,338,282
Administrative expense (note 6)	9,179,172	8,656,423
Research and development (note 6)	6,775,585	5,931,254
Uncapitalized expense incidental to ship construction	2,050,044	2,188,456
Financial assistance to State marine schools	1,592,688	1,825,706
	19,597,489	18,601,839
Other costs (—income):		
Loss (—gain) on vessels sold	1,337,581	−64,193
Depreciation on facilities and equipment not allocated to current programs	629,967	745,392
Increase (—decrease) in allowance for uncollectible accounts and notes receivable	244,004	−185,667
Adjustments applicable to prior years	168,155	−529,275
Loss on sale of surplus material and scrap	155,834	145,746
Loss (—gain) on sale of fixed assets other than vessels	−67,134	24,054
Inventory and property adjustments	150,155	−757,291
Interest earned	−2,760,622	−3,051,587
Miscellaneous (net)	−70,260	−153,411
	−212,320	−3,826,232
Net cost of Maritime Administration operations	359,778,351	396,356,125
OPERATIONS OF REVOLVING FUNDS (—net income or loss):		
Vessel Operations Revolving Fund	767,295	171,564
War Risk Insurance Revolving Fund	−121,918	−141,518
Federal Ship Mortgage Insurance Revolving Fund	−3,430,200	−2,927,602
NET COST OF COMBINED OPERATIONS (exhibits 3 and 4)	$356,993,528	$393,458,569

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

Exhibit 3

Statement of Equity of the United States Government for the Years Ended June 30, 1967 and 1966 (Note 1)

	Year ended June 30 1967	1966
BALANCE, BEGINNING OF FISCAL YEAR	$1,232,727,752	$1,359,367,349
ADDITIONS:		
Funds appropriated by the Congress	311,080,000	340,071,000
Vessels transferred from other Government agencies (net)	50,835,884	−49,704,452
Property other than vessels transferred from others (net)	3,815,212	1,116,551
Contributions received for Chapel at United States Merchant Marine Academy, Kings Point, N.Y	39,651	8,234
	1,598,498,499	1,650,858,682
REDUCTIONS:		
Net cost of combined operations (exhibit 2) (note 8)	356,993,528	393,458,569
Payments into General Fund of U.S. Treasury	30,255,589	23,510,294
Unobligated balance of appropriations transferred to U.S. Treasury	301,798	1,162,067
	387,550,915	418,130,930
BALANCE, CLOSE OF FISCAL YEAR (exhibit 1)	$1,210,947,584	$1,232,727,752

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

Exhibit 4

Statement of Sources and Application of Funds for the Year Ended June 30, 1967 (Note 1)

SOURCES:		
Funds appropriated by the Congress		$311,080,000
Collections on mortgage loans receivable		8,332,567
Proceeds from sale of vessels owned		5,757,743
Proceeds from sale of non-current assets other than vessels		476,111
Contributions received for construction of chapel		39,651
Totals funds provided		325,686,072
APPLICATION:		
Net cost of combined operations (exhibit 2)	$356,993,528	
Items considered in net cost of combined operations:		
Provision for depreciation	−103,698,493	
Amortization of construction-differential subsidies	−31,581,880	
Loss on disposal of non-current assets:		
Vessels	−1,829,491	
Other	−88,701	
Increase in allowance for losses on loans receivable	−515,248	
Property and other asset adjustments	−6,535,064	212,744,651
Unamortized construction-differential subsidies		82,841,530
Payments into the General Fund of U.S. Treasury		30,255,589
Repayment of borrowings from U.S. Treasury		5,100,000
Expenditures for construction or purchase of non-current assets other than vessels		1,319,568
Increase in investments—U.S. Treasury Securities		728,596
Expenditures for mortgages and other loans		415,022
Unobligated balances returned to U.S. Treasury		301,798
Total funds applied		333,706,754
Decrease in working capital		$8,020,682

Summary of Changes in Working Capital Year Ended June 30, 1967

	June 30 1967	1966	Increase (−Decrease)
Assets:			
Cash	$367,187,748	$362,466,780	$4,720,968
Advances	3,195,322	1,930,494	1,264,828
Notes and accounts receivable	26,749,851	22,923,766	3,826,085
Accrued interest	731,405	787,188	−55,783
Materials and supplies	1,219,399	1,065,592	153,807
Other deferred charges and miscellaneous items (net)	12,693,548	7,283,834	5,409,714
Total	411,777,273	396,457,654	15,319,619
Liabilities:			
Accounts payable and other liabilities (note 7)	202,938,126	179,597,825	23,340,301
Working capital	$208,839,147	$216,859,829	−$8,020,682

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

Notes to Financial Statements—June 30, 1967 and 1966

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

2. Cash and fund balances consist of:

	1967	*1966*
Fund balances with U.S. Treasury:		
Operating funds	$343,903,048	$320,915,977
Trust and deposit funds	1,262,301	8,427,991
Allocations from other agencies	14,083,987	25,922,943
Cash in banks, on hand, and in transit	7,938,412	7,199,869
	$367,187,748	$362,466,780

3. Accrued interest receivable:

	1967	*1966*
On ship mortgage loans:		
Domestic firms and individuals	$681,645	$727,934
Foreign governments and nationals	11,692	21,180
On other loans and investments	38,068	38,074
	$731,405	$787,188

4. The Maritime Administration was contingently liable under agreements insuring mortgages, construction loans, and accrued interest payable to lending institutions totaling $483,514,449 at June 30, 1967, and $455,184,069 at June 30, 1966. Commitments to insure additional loans and/or mortgages amounted to $78,581,725 at June 30, 1967, and $30,000,000 at June 30, 1966. U.S. Government securities and cash of $42,973,891 at June 30, 1967, and $51,422,978 at June 30, 1966, were held in escrow by the Government in connection with insurance of loans and mortgages which were financed by the sale of bonds to the general public. There were also conditional liabilities for prelaunching War Risk Builder's Risk Insurance of $7,629,737 at June 30, 1967, and $2,663,000 at June 30, 1966. The Maritime Administration was also contingently liable for undetermined amounts in connection with settlements to be made under 70 claims against the Administration aggregating $12,654,704 at June 30, 1967, and 99 claims aggregating $19,384,011 at June 30, 1966. Based on previous experience, it is anticipated that settlements of these claims will be made for amounts substantially less than the gross amounts of the claims.

At June 30, 1967, and 1966 the U.S. Treasury held in safekeeping for the Maritime Administration $545,000 and $1,135,000, respectively, of U.S. Government securities which had been accepted from vessel charterers, subsidized operators, and other contractors as collateral for their performance under contracts.

5. Operating-differential subsidies are paid subject to final adjustments at the end of the operators' recapture periods which are established by contracts generally as 10-year terms. The Administration was contingently liable for subsidies in the amounts of $52,296,571 and $48,353,176 at June 30, 1967, and June 30, 1966, respectively, which had not been paid because of estimated recapturable excess profits in the same amounts pending final accountings for applicable recapture periods.

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

Costs shown for the following programs include:

	Year ended June 30			
	1967		*1966*	
	Depreciation	*Revenue and reimbursements*	*Depreciation*	*Revenue and reimbursements*
Maintenance and preservation of reserve fleet vessels	$477,352	$316,306	$486,084	$411,798
Maritime training program	312,308	206,794	293,760	181,661
Maintenance of reserve shipyards	988,308	723,679	1,048,644	705,152
Operation of warehouses	13,568	107,343	39,672	93,232
Administrative expense	99,180	5,939,702	89,340	5,659,415
Research and development	92,044	----------	91,648	----------

7. Accounts payable and other liabilities shown on exhibit 4 exclude $52,473,317 at June 30, 1967 and $58,674,657 at June 30, 1966 which were offset against related costs for vessels under construction.

8. Depreciation on the foreclosed vessel in the Federal Ship Mortgage Insurance Fund was recorded in fiscal year 1967 for the period from foreclosure in fiscal year 1958 through June 30, 1967, totaling $1,262,146. Depreciation applicable to fiscal years 1967 and 1966 was $132,858 a year, and that applicable to fiscal years prior to 1966 was $996,430. Equity balances were adjusted accordingly.

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