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OCEAN TRANSPORT
12 MARCH 1946

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DR. ASHTON:

Transportation by water was an important agency or link in the chain of production and distribution of articles of commerce long before the advent of the railroad. The great cities of antiquity, as well as those of more modern times were located almost without exception on the shores of navigable bodies of water. And water transportation continues today to be a major medium for effecting the exchange of the products of the various areas of the globe.

Ocean carriers during the ten years before the war carried each year from 50 to over 100 million long tons of cargo between the United States and foreign countries. They also carried from one to two million passengers annually.

Water transport, particularly ocean transport, is closely linked with transport by rail and other inland agencies. The terminal facilities of each run into each other, and are frequently operated under joint arrangements. The railroads own and operate piers and docks at many ports and the facilities for interchange between rail and water carriers are in many instances highly developed and the operation closely integrated. Docks and storage warehouses, grain elevators and piers are commonly provided with railroad tracks and switching connections so as to facilitate the through movement of traffic and special import and export rates are regularly granted by railroads to encourage this through traffic.

Types of Ocean Services & Carriers

1. Chartered or tramp service.
2. Regular liner service.
3. Private industrial carriers.

Tramp operators usually do business through brokers located at the chief ports. Vessels may be chartered either for a specific voyage, or for a period of time. They do not need to provide themselves with port facilities nor generally with an elaborate organization. The vessels are built for economic operation rather than speed.

Line service vessels may be either:

1. Mail & passenger express liners.
2. Combination - passenger & freight.
3. Cargo liners.

Private Operators include the big oil Companies tanker services and similar services.

Ocean Routes

1. North Atlantic - 3,000 miles. Carries the heaviest traffic of all routes (Freight & Passenger).
Eastward traffic is farm products, raw materials and manufactures.
Westward traffic - smaller in volume, mostly manufactures.
U.S. Tonnage - (1939 - 529,000 gross tons - 83 ships).
2. Suez Canal Route - 12,000 miles. From America & Europe to the (India & Far East). Has a great many feeders along the Mediterranean & Persian Gulf. U.S. Tonnage - 172,000 gross; 29 vessels - prewar.
3. Panama Canal Route - 2,000 miles.
Is the United States Inter-coastal Route and also an extension of Caribbean Route, and part of Pacific routes from east coast.
4. South African Route - 6,800 miles to Capetown. Connects Europe & North America with South Africa, Australia & East Indies.
Tonnage - (1939) - 82,000; 13 ships but is expected to require 21 ships - 135,000 tons in the postwar trade. An increase in U.S. Tonnage of 65%.
5. South American Route - 12-15,000 miles. Connects North & South America - both coasts. Tonnage (1939) was 303,000 tons, 43 vessels. This is expected to increase to 453,000 tons or 55 ships. - +50%.
6. Caribbean Route - 2-3,000 miles. Vessels enter the Gulf to handle the grain, cotton and lumber exports from our Gulf ports or to "make the circuit." Tonnage - 353,000 gross tons (1939) 67 vessels. Expected to decrease slightly in the coming period.
7. North Pacific Route - 4,500 miles. Connects North America and Asia. It is the shortest trans-Pacific Route. Tonnage (see total).
8. South Pacific Route - 6,800 miles. From North America to Australasia via Honolulu or via Tahiti.
The fast mail route from Australia to Europe has been across the Pacific to San Francisco or Vancouver - across the continent by rail to New York or Halifax and on by express liner to England and Europe.
Tonnage - (total trans-Pacific was in 1939, 200,000 and is expected to increase in the postwar period to over 700,000 tons - 93 ships.- More than a two-fold increase.)

In 1939 there were a total of 271 United States dry cargo vessels operating on these routes with a total gross tonnage of 1,740,000. The Maritime Commission estimates postwar needs on these routes to be approximately 395 vessels of the total of 2,569,000 gross tons.

With respect to Tramp or Charter service - there are two types:
Time & Voyage Charter.

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Ordinary commercial time charters contain certain stipulations as to the seaworthiness of the vessel, condition of its engines, hull, crew, the responsibility of its master to both the owner and charterer, the trading limits, the nature of the cargoes to be carried, duration of the charter, division of expenses, etc.

Voyage Charters -

Contain clauses in which the owner gives the usual warranties regarding the condition of the vessel, the ports to be reached, the nature of the cargo, etc., including demurrage payments for excess "lay-days".

Three Types of Voyage Charters:

1. Gross Form Voyage Charter.
2. Net Form Voyage Charter.
3. Modified gross or net Charter.

1. Covers the entire transportation service including loading, unloading and port charges.
2. Covers only the actual transportation from port to port. Loading and discharge may be performed by the ship, but at the charterers expense.
3. Covers services as specified and may be close to either the gross or net form with specified exceptions.

In World War I the United States Shipping Board Emergency Fleet Corporation chartered ships through its own special types of time charters. Their provisions were changed many times to meet particular circumstances as they developed.

These agreements were apt to be of the "bare boat" type in which the owner supplied the vessel and the government supplied the officers and crew, fuel and other supplies needed to operate it.

Under a later form the ship agent agreed to pay all expenses incident to operation but such payments were for the account of the government. The agent agreed to accept orders from the Government relative to charters, rates and other charges and to issue bills of lading etc. as prescribed by the Shipping Board, to accept freight and other payments and deposit them in banks as specified by the Emergency Fleet Corp., to draw against such deposits only as directed. The Government agreed to pay the agent definite commissions based on gross freight, dead freight, demurrage, express, mail and passenger revenue earned - (Commissions ranged $3\frac{1}{2}$ to $7\frac{1}{2}$ %).

Under these agreements the agent was prohibited from trading with a concern in which he had an interest without written approval by the government. Any special profits accruing from services rendered or supplies furnished were to be accounted for and paid to the government.

Ocean Freight Rates

- Not scientifically worked out.
- No distance scales apply as with the railroads.
- Few fixed rate structures.
- No classification as with railways.

There are numerous commodity rates and general or blanket rates for other merchandise based on either a ton by weight or by measurement often at "ship's option," which generally means whichever is higher.

Rates on the various routes are established by Conferences or Rate Agreements which may also include or cover such matters as wharfage charges, allotting of ports, number and character of sailings, pooling of traffic or of earnings, including profits and losses.

They help to stabilize the rates and so benefit the shipper; but they are apt also to keep rates at a level high enough to support the least efficient member of the pool.

Ocean lines endeavor to fix their rates at "what the traffic will bear" i.e. the "value of service" principle. Even within the conferences, however, there is some competition but chiefly of service. Berth cargoes may be carried at other than conference rates. Moreover, conference rates are influenced by the competition of non-members, and tramps.

International market situations also have an important influence on shipping rates, which are to a considerable degree based on the Equalization theory of rate-making (explain). This means that rates are offered which will permit traders to enter markets to a certain extent regardless of their relative distances from the particular market. The rates in such cases are not on a strict distance basis - they may be blanketed over a considerable area.

Ocean shipping has adhered to the traditional "free enterprise" system of doing business more steadfastly perhaps than almost any other agency of production.

REGULATION OF OCEAN TRANSPORT

Government regulation of ocean transport has not advanced as rapidly as with inland transport largely because of the international aspects and the consequent inability to exercise effective control over more than a small segment of the operations. (Prior to World War I our government attitude = Laissez-faire. World War I brought home the necessity for a change of policy.)

The Shipping Act of 1916 which created the Shipping Board was entitled: "An Act to establish a United States Shipping Board for the purpose of encouraging, developing and creating a naval auxiliary and naval reserve, and a merchant marine to meet the requirements of the

commerce of the United States with its territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes.

The Board started with five members, was increased to seven in 1920 and then reduced to three by the Economy Act of 1932 when the Board became a bureau in the Department of Commerce. The Federal Coordinator recommended transfer of its functions to the Interstate Commerce Commission. It never had more than limited regulatory authority and promotional activities took up most of its time.

The Board had power to approve or disapprove conference agreements and its approval made such agreements legal.

The original Act as amended in 1920 prohibited deferred rebates, but not necessarily other rebates. It prohibited "fighting ships," and retaliation against shippers.

Federal Regulation

The Shipping Act of 1916, in addition to its regulatory provisions also authorized the Shipping Board to take over the construction and operation of vessels in an emergency. And at the end of World War I in conformity with these provisions, and with the Act of 1920 the government did continue to operate a fleet of vessels through the Emergency Fleet Corp. as you know. These two acts required common carriers to file maximum rates and authorized the Board to investigate charges, but it could not fix rates nor effectively control competition because it didn't reach minimum rates. The Act of 1933 which affected chiefly inter-coastal carriers did not advance the Board's control.

The Merchant Marine Act of 1936 created the Maritime Commission and transferred the Shipping Board's powers to it; but the main purpose of the Act of 1936 was to build up our merchant marine. As amended in 1938, however, it did give the commission power to prescribe rates in cases where former charges were found unjust or unreasonable and brought all common carriers by water under the Act. And rates which discriminate against United States exporters were prohibited except that no authority has been given over the charter rates in tramp service.

Regulation of carriers by water has developed very slowly because of adverse sentiment on the part of the public. But there are definite advantages to be gained: some of which may be enumerated.

Benefits from Regulation of Water Transport

1. Regulation provides protection of public from unfair and discriminating practices of the carriers.
2. It provides control of competition to eliminate demoralizing methods.

3. It provides stability and permanence of rate structures enabling shippers to market their products in a more orderly manner and at the same time conserving revenues of the carriers.

4. It provides advance notice to the public of contemplated changes in rates.

5. It provides equitable development of ports thru elimination of discriminations by carriers as between various ports.

6. It makes for elimination of financial abuses in corporate structure of the carriers.

7. And the prevention of the elimination of financially weaker carriers by financially stronger ones.

8. It provides assurance of adequate and dependable transportation services and facilities.

9. It gives the public the advantage of registering complaints against, and being heard on, practices of the carriers which adversely affect it.

Some of the Disadvantages pointed out by operators are:

1. Lack of flexibility in rates.

2. Restriction of managerial functions of carriers.

3. Fixing of rates at levels which will not attract the traffic.

4. Requirement of certificates for common carriers and permits for contract carriers to engage in transportation restricts the carriers right to enter business.

5. Increased costs due to increased burdens and restrictions placed on the carriers by Regulation cause increased rates.

6. Fosters private carriage - Shippers provide their own transportation facilities to avoid red tape of regulated carriers.

7. Tendency of regulatory procedures to be modeled after those of carriers with operating characteristics entirely different from water carriers.

Some ship operators also claim that service to commerce and defense contradict each other - one calls for economy and reliability, the other tends to dictate uneconomic speeds, extra bulkheads, and other changes that tend to reduce earning capacity. But the government has a definite responsibility to maintain adequate services to safeguard both commerce and defense.

IMPACT OF WAR

Prior to our entry into the war, U.S. merchant shipping was under the jurisdiction of the Maritime Commission, as the statutory regulating agency, established under the Act of 1936. Cooperation of American ship operators in the transport of military, lend-lease and other emergency cargoes had been largely on a voluntary basis. When this country became an active belligerent, however, the magnitude and nature of the problems faced made it seem necessary to have a special war agency with powers to deal with the operational and other problems peculiar to war.

The policy followed was essentially similar to that in the case of domestic transport. The nature and composition of existing agencies was not considered adapted to the prompt handling of war problems. The magnitude of the problem is indicated by the increase in port activity shown in the following figures and chart:

	<u>Number of Cars Unloaded</u>		<u>% of 1940</u>
	<u>1940</u>	<u>1944</u>	
Total N. Atlantic (grain & general)	373,973	1,071,891	286.6
Total South Atlantic (grain & general)	19,464	72,550	372.7
Total Gulf Region (grain & general)	162,627	158,669	97.6
Total West Coast (grain & general)	<u>599,568</u>	<u>1,905,169</u>	317.8
<u>Grand Total</u>	1,155,632	3,208,279	
New York, N.Y.	229,579	592,765	258.2
New Orleans, La.	49,963	85,592	171.3
San Francisco, Cal.	20,259	291,260	1437.7
Seattle, Wash.	4,876	74,157	1520.9

Source: From the Office of Defense Transportation
Railway Transport Division - Export - Import Sec.

The War Shipping Administration was therefore created 7 February 1942, which took over practically all the functions of the Maritime Commission except ship construction. Its responsibility extended to all phases of shipping, including the purchase, conversion and manning of vessels, control of port facilities, training of crews, insurance, etc.

The first problem faced was a shortage of American flag tonnage. Our merchant fleet was composed of roughly 900 dry cargo vessels and 440 tankers with a combined capacity of approximately 11,850,000 deadweight tons at the beginning of the war. The major responsibilities of the War Shipping Administration were: 1) Shipping requirements of the Army and Navy, 2) Transport of Lend-Lease commodities, chiefly to Great Britain and Russia, 3) Importation of quotas set by the War Production Board of essential raw materials, 4) Goals established by the State Department and Foreign Economic Administration for shipments to Latin America and other allied countries.

The necessity of utilizing the shipping available with the utmost efficiency required that there be no duplication or overlapping of services. Accordingly, the Combined Shipping Adjustment Board was created as the coordinating agency, principally between ourselves and Great Britain. This Board was responsible for the allocation of vessels to the various services required regardless of ownership. Working through the War Shipping Administration, it also allocated vessels to the various United States ports in accordance with the individual port capacities, previously determined in conjunction with the Office of Defense Transportation. Allocation of freight to the ports from inland origins was arranged each week on the basis of available shipping at each port through permits issued by the Office of Defense Transportation as explained by Mr. McCarthy in his lecture.

As in the case of land transport, the excessive demands made upon the merchant fleet during the war are reflected in the distribution of bottoms among the several claimant agencies. Thus, the ship allocations in a typical month in World War II were as follows: Army 41 percent; Navy 13 percent; aid to Allies (Lend-Lease) 30 percent; all other 16 percent. Assignments to the Army and Navy were in addition to merchant vessels owned directly by these agencies. However, Army and Navy ships assisted at times in carrying non-military cargoes. Of the 46,971,000 long tons of dry cargo exported from the United States in 1943 American ships carried 36,596,000 tons, of which 96 percent was carried in War Shipping Administration vessels, and 4 percent in Army or Navy ships. Vessels of United Kingdom and Russia combined accounted for approximately 9 million tons, or 20 percent.

Although the number of ships available increased steadily due to our shipbuilding program and increasing success in combatting the submarine menace, the rapid expansion of the area of combat required constant careful allocation of ships to the various services. The invasion of Africa required diversion of an enormous number of vessels from other uses for a considerable period of time. On the other hand, the quick defeat of the Axis armies in Africa--considerably ahead of schedule--made large numbers of ships again available for other services. Flexibility in the handling of these vessels by the War Shipping Administration prevented serious loss of ship time.

The volume of cargo carried during the war was increased both by the increase in number of vessels resulting from the ship construction program and by improved utilization. Better loading methods were devised to utilize full capacity. Tankers were equipped with special skeleton decks, and deck cargoes were regularly loaded on dry-cargo vessels. All ships carried oil in excess of voyage requirements which was discharged at foreign ports for use overseas. Some 5,600,000 barrels of petroleum products were carried to various points of the United Kingdom in this manner during 1943. War Shipping Administration representatives stationed at strategic points all over the globe also expedited vessel movements and provided cargoes for return voyages. These representatives had general supervision over cargo handling, bunkering, repairs, and other operating matters. They also supplied valuable information not otherwise available, and assisted in the constant rerouting of vessels in

response to the fortunes of war. But wartime operation was not highly efficient in every respect. In peacetime ships operate on routes and to points where profitable cargo is available; but in wartime vessels may be sent on long, time-consuming voyages under conditions which militate against effective utilization of the time factor. Time is lost by the movement of vessels in convoys because of the impossibility of having all the vessels loaded at the same time, and also because actual movement in the convoy can be only as fast as the speed of the slowest vessel. The convoy system also increases certain dangers such as that of collision. In World War II the turn-around time for fast freight service between the U.S. and Britain was increased from 25 days to 70 days.

Average turn-around time of troop and cargo vessels in Army Service. The ships included ended their return voyage in the months of January, February, March, April and May 1943

From	To	Cargo Ships		Troop Ships	
		No. of Round Voyages	Turn-Around Time (days)	No. of Round Voyages	Turn-Around Voyages
New York	Casablanca	67	79.2	26	50.8
New York	Oran	64	79.3	32	53.1
New York	United Kingdom	25	60.7	-	-
New York	Suez	4	204.0	-	-
New York	Gold Coast	-	-	1	78.0
San Francisco	South Pacific	17	141.8	22	79.4
San Francisco	Southwest Pacific	10	115.3	13	70.5
San Francisco	Hawaii	67	41.9	9	32.6
New Orleans	Canal Zone	15	40.5	8	43.2
New Orleans	Trinidad & Surinam	4	65.0	1	56.0
New Orleans	Puerto Rico	4	43.2	-	-
Seattle	Alaska	116	42.5	16	54.6
Boston	Greenland	9	102.3	2	68.0
Boston	Newfoundland	8	40.3	1	24.0
Hampton Roads	Suez	2	216.0	-	-
Hampton Roads	Bone or Philippeville	3	95.0	-	-
Hampton Roads	Bermuda	5	17.8	-	-
Hampton Roads	Casablanca	12	70.6	-	-
Hampton Roads	Persian Gulf via S. Afr.	1	167.0	-	-
Charleston	India	6	185.1	-	-
Charleston	Gold Coast	5	140.3	-	-
Charleston	Rio de Janeiro	1	179.0	-	-
New York - H. Rds.	Philippeville - Bone	12	100.2	-	-
New York	Iceland	-	-	1	53.0
New York	Persian Gulf	1	236.0	-	-
Los Angeles	Canal Zone	3	57.0	-	-

Source: A.S.F. Transportation Corps - Progress Reports

Part of this increase was due to port delays awaiting cargoes or cargo handlers, inavailability of berths, loading facilities, etc. This has been true particularly in the relatively undeveloped ports in some theaters, where vessels spent weeks, and even months awaiting a chance to unload their cargoes. The facilities of many ports not normally important in peacetime had to be expanded to take care of war needs, as was done at Bombay, the Persian Gulf and in the Red Sea.

Another wartime factor militating against efficient use of ships is the matter of repairs. In addition to the extra repairs required as a result of war damage, repair yards were often required to equip vessels with protection against war perils, and to convert vessels assigned to special operations: cargo vessels have been converted to troop transports or auxiliary aircraft carriers. These several factors affecting vessel turn-around time made it necessary to use ten vessels to do the work done by seven vessels in peacetime.

The optimum in ship operation is to sail a vessel both "full and down"; i.e., loaded both to her cubic and weight capacities. This ideal situation is rarely attained even in peacetime. During the war the character of the cargoes was determined by strategical considerations, which took no stock of ideal loading combinations. Because of the inevitable shortage which developed, however, every effort was made to load vessels to maximum capacity even to the extent of permitting deeper loading than is normally lawful in peacetime, as was done on the inland waterways, also.

Ship Construction

The enormous increase in the demand for shipping during a global conflict make the problem of new construction one of paramount importance. Therefore means were provided at the outset for increasing the ship tonnage as rapidly as possible. The effectiveness of overseas operations depends upon the availability of ships. Ship construction programs have therefore formed an integral part of the general war effort in both World Wars I and II. Ship construction in the recent instance was spread among more than 50 shipyards located along the Great Lakes as well as all the coastal areas. Approximately 47,000,000 tons of shipping were delivered during the three years 1942, 1943 and 1944. A total of 1881 vessels, aggregating 19,025,000 tons were constructed in 1944 alone. From the inception of the ship construction program in 1937 to the end of the fiscal year in 1944 there were 4910 vessels built at an estimated cost of \$3,382,674,000. This represents the greatest ship construction achievement in the history of the world, including as it did, vessels of various types and sizes.

The deep sea tonnage of the United States as of March, 1945 had reached the following figures:

Dry Cargo, including troop ships	36,169,000 dw. tons
Tanker Services	<u>13,447,000</u> " "
Total U.S. Controlled	49,616,000 " "

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This compares with approximately 12,000,000 deadweight tons of U. S. registry in 1939, with a total world fleet at that time of 75,000,000 deadweight tons. The total tonnage of all nations today is reported to be 84,804,000 dw. tons. This means that this country's merchant fleet has increased from 16 percent of the world's total in 1939 to just under 60 percent of the present world tonnage.

The expansion of the merchant fleet produced the problem of obtaining the manpower to operate the vessels. The Maritime Commission had established a training division for both officers and unlicensed personnel which was transferred to the Coast Guard early in 1942 and then returned to the War Shipping Administration in July of the same year. The prewar merchant fleet had employed 50,000 to 70,000 men. It was estimated that 150,000 more men would be required, and this estimate was subsequently raised to 200,000. Accordingly, in addition to the training program a division was set up in the War Shipping Administration to recruit experienced men who had taken jobs on shore. While there was some delay to vessels for lack of crews, these delays declined steadily after the end of 1942. Certain of our Allies maintained manpower pools here also.

In the requisitioning of ships, because of sharp price raises experienced in the early stages due to the heavy losses, the profit incentive was eventually reduced by paying the ship operators fixed fees as operating agents for the Government in addition to the prescribed charter rates for their ships. Under this arrangement the War Shipping Administration assumed all operating responsibility as well as insurance liability for war-risk losses. The charter rates and values were the result of long negotiations with the ship owners and were based on a price formula computed on ship values not enhanced by the war demand. In this way an inflationary trend in prices was halted.

A complete appraisal of the management of our merchant fleet during the war must await the historical analyses in progress now. War operations were unavoidably inefficient in some respects. Outbound vessels had to sail to the theatres of war wherever they were; and the War Shipping Administration policy was to bring ships home in ballast if no "essential" cargo was available in ports on the home route in order to increase the number of outward voyages with materials of war.

In the early part of 1943 the C.I.O. offered a plan to reorganize all shipping operations. It proposed tri-partite control of all shipping activities, each tri-partite body to consist of representatives of Labor, Management and Government - to be extended through the various levels of organization. Adm. Land in his reply pointed out that:

1. Army & Navy had well established systems.
2. Plan would result in diffusion & dispersion of executive control, which would produce confusion and delay.
3. Would endanger secrecy of operations.

He admitted at the same time the benefit that would derive from suggestions made by Labor representatives which were welcomed.

ARMY ORGANIZATION

In the matter of vessel construction, in the Act of June, 1940, it was stipulated that deliveries of material under all Army and Navy contracts be given first priority over all deliveries for private account or for export. A priorities committee was appointed by the Army, Navy Munitions Board to harmonize plans of both services.

During the period between Pearl Harbor and creation of the War Shipping Administration, the Strategic Shipping Board appointed by the President, supervised the allocation of vessels. Liaison between the War Department and the Maritime Commission was maintained through Transportation G-4 informally by conference or phone. The War Shipping Administration inherited this conference method of doing business. Meetings were held each week at which a kind of barter for ships took place between the Army, Navy and other trades.

Army and Navy requirements for vessels were computed monthly by the Planning Division, Office of the Chief of Transportation for the Army, then the joint staff planners determined the combat loaders required, Army-Navy Petroleum Board the number of tankers; War Shipping Administration vessels needed for Lend-Lease and commercial purposes. These estimates were adjusted against the prospective ship availability by a joint transportation sub-committee. The joint chiefs of staff then made recommendations to the Maritime Commission. There were two War Department representatives on the Shipbuilding Stabilization Committee of the War Production Board also.

In order to more closely define Army - War Shipping Administration relationships a memorandum of agreement was signed in June, 1942 by the Commanding General, A.S.F. and the Deputy Director, War Shipping Administration outlining in some detail the respective responsibilities of the two agencies. There is not sufficient time to give the details of the separate clauses of this agreement here, but they are available in the Army Industrial College study indicated on the list of references which you have.

Cargo ship requirements were worked out 4-6 weeks in advance indicating where and in what amount cargo would be placed. Final arrangements for deployment of ships were made in semi-weekly meetings of the Water Division with War Shipping Administration. The Movement Office, in the Office of the Chief of Transportation, determined the requirements for each port involved in troop movements and indicated when & where each ship was wanted.

The Army also had a representative on the War Production Board Committee dealing with the importation of strategic materials since Army vessels were sometimes used for that purpose.

It may fairly be said, I think, that while the War Shipping Administration was ostensibly the agency in control of ocean shipping the memorandum of agreement of June, 1942 put control of ships used by the Army largely in the hands of the Army itself.

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THE NAVY'S ORGANIZATION

At the time of Pearl Harbor the naval transportation service was not fully activated, so that it was the practice of the various material bureaus to deliver their shipments to commercial carriers at tidewater, or to the fleet service forces directly which controlled most of the Navy's auxiliary vessels. There had been worked out with the Maritime Commission a procedure by which merchant vessels could be requisitioned by the Commission and turned over to the Navy, but there was no procedure or agency which would determine how many vessels were required or the relative urgency. There had existed an agreement between the Army and the Navy under which the Navy would man and operate Army transport service, as was done - to some extent at least - in World War I. But the Army retained control of its fleet and even increased it by charter agreements with the Maritime Commission.

The establishment of an effective shipping organization at the outbreak of war was more difficult than in the case of inland transport because the question of operating control, which remained in private hands for domestic transport, was an unsettled policy in the case of shipping. It was eventually resolved, as already indicated by the government taking over control thru the War Shipping Administration and having the ship owners operate their vessels as agents of the government. One reason the Army took over control of its transport service was that the Navy didn't have the personnel available to do it when war came.

The situation created a sort of administrative vacuum into which three policies were penetrating - the Army, Navy and Maritime Commission. A chaotic situation was averted by the creation of the War Shipping Administration. But it was almost a year before working procedures were developed. The issue centered in the definition of the relation between civilian and military operations. The Army and Navy had agreed to the allocation of vessels generally by the War Shipping Administration, but with the understanding that such allocations would be for at least six-month periods; but the War Shipping Administration insisted on allocations for single voyages. This stand was based on the necessity for vessels carrying a military load outbound to bring back civilian cargoes of critical materials. Another important demand for shipping came from Lend-Lease requirements. Long-term allocations for exclusive military use, it was argued, would jeopardize these other demands and the overall shipping program might suffer. The War Shipping Administration insisted that the total ship program required the general pooling of available vessels. This view won out to the extent that ships were pooled for the most part, and the War Shipping Administration determined the allocations to the various agencies, but there was a good deal of give and - take in actual practice.

Moreover, the transportation committee of the Joint Chiefs of Staff, representing both Army and Navy - with an associate member from the War Shipping Administration - was charged with responsibility for reviewing the shipping requirements for all proposed strategic undertakings. A similar combined committee worked under the Combined Chiefs of Staff - with a combined Shipping Adjustment Board sitting in both London and

Washington representing the civilian side, through which an over-all supervision was maintained of the pooling and interchange of vessels according to the requirements of over-all strategy.

The Navy gradually built up during the war a sizable fleet of merchant vessels as support shipping which were naval rather than maritime and were therefore manned by Navy personnel.

Reliable spokesmen for Navy Policy have taken the position that although it is essential for top responsibility to be civilian in order to provide the necessary coordination and control, there is a limit to which civilian control should extend into matters of a purely naval or military character - for the Navy they say this means merely that a Navy-manned and operated auxiliary fleet is necessary, the size and character of which is a matter for determination by the Navy, subject only to review by the President and Congress.

Navy control over both Naval and War Shipping Administration vessels was generally delegated to the various regional or fleet commands. When a vessel returned to the Pacific coast it was subject to the Commander, Western Sea Frontier - the Navy's west coast logistic command. When it moved into a theatre it came under the control of the area Commander. (This was much the same as with the Army.)

The Naval Transportation Service kept a general watch over all ship operations through daily position reports and periodic port activity reports. Thus, immediate control was at the operational level, but was carried out in conformance with general policy determined at the top.

POLICY - POST WAR

The policy of the government as expressed in the Merchant Marine Act of 1936 showed a definite departure from the attitude of laissez faire of earlier days. Title I of that Act states, among other things, that: "It is hereby declared to be the policy of the United States to foster the development and encourage the maintenance of a...merchant marine." Moreover, it was recognized that to attain the general objective government assistance was necessary. It costs more to build ships in American yards than in Europe consequently financial aid by the government equal to the difference was provided for. This difference may amount to a third of the cost in this country or 50 percent of the cost in Europe or England. In an actual case a vessel constructed for the United States Lines at a total cost of \$15,750,000, the builders received \$10,500,000 from the steamship company and the government paid the balance. The Act provides that the government may in special cases pay half the cost.

It also costs more to operate vessels under the American flag than under many foreign flags, a recent estimate gives 15 percent. So our rich Uncle pays our steamship operators an operating differential subsidy also. American lines holding mail contracts which were terminated the first of July, 1937 were provided in lieu thereof - operating subsidies which amounted to more than 5 million dollars over a six-month period. Total 12 million in 1939.

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The question has been raised as to the correctness of a policy which requires the taxpayer to carry this burden above the cost of having the carrying job done by some one else, particularly when certain of these maritime nations have to depend to the extent they do on their carrying trade. Norway 11 percent. It would appear that we are not only paying an unnecessary price for the service, but are at the same time depriving our former Allies of purchasing power with which to buy our products.

Four arguments have been advanced to support the use of American ships in our foreign trade:

1. Ships under our own control are necessary to assure continued delivery of our goods, exports & imports.
2. American vessels protect our traders against exorbitant rates.
3. American vessels tend to improve the service given.
4. Domestic flag competition prevents discrimination against our goods by foreign vessels.

Studies which have been made by the Maritime Commission indicate that in 1938 our total liner traffic - all routes was approximately 28 million tons; of this total 11.4 million tons or 41 percent was carried in United States bottoms. Estimated total postwar liner traffic (about 1950) is put at 36 million tons, with 22.7 million tons to be carried in United States vessels or 63 percent.

For line and Tramp services combined the actual 1938 traffic amounted to 44.1 million tons, of which 26 percent was carried in United States ships. The estimated postwar traffic is 56 million tons with 40 percent to be carried in our own bottoms.

Some representatives of the State Department have pointed out that in the past our Trade Policy has been to promote international trade broadly by permitting general, multilateral, participation. On the other hand our Shipping Policy has tended to obstruct this. Our Trade Policy and our Shipping Policy, however, should be considered together. We cannot afford to pauperize our foreign allies if we want to live in a peaceful world. It is necessary, therefore, for us to determine our needs not in vacuo but within the framework of our international relationships.

It should be recalled at the same time, that during the period before World War I when a very large proportion of our total foreign trade was carried in foreign bottoms, there was evidence of discrimination against us on the part of these carrying nations. When liner service to South America was in foreign hands the service was poor and irregular from the United States, and rates from Europe were lower. The case has also been cited of shipments of certain products to points in South Africa from European sources although the length of haul was considerably greater than it would have been from the United States.

In the light of all the circumstances our problem is to determine as accurately as we can what our shipping requirements are on our essential trade routes and what proportion of this trade should equitably

be carried in our own ships. It is generally believed that we should not expect to carry in our own bottoms more than 40 percent of our liner trade. On a competitive basis the taxpayer in this country makes up the difference in the form of subsidies to our shipping. We must have a merchant fleet sufficient for national defense. So far as I know, there is no disagreement on that basic thesis, but beyond that there does seem to be room for argument as to the proper size our merchant fleet should assume. A figure of 15 million of tons total has been suggested as adequate. This would be composed of 4 to 6,000,000 dw. tons for Great Lakes and coastal services and Foreign trade 7,500,000 dw. tons. With respect to Military Requirements the statement has also been made that "the next war won't last long enough for a ship to get across the ocean." The suggestion has also been made that an International Control Agency for shipping be established similar to that which has been proposed for Air Transport.

(25 July 1946 - 200) N.