

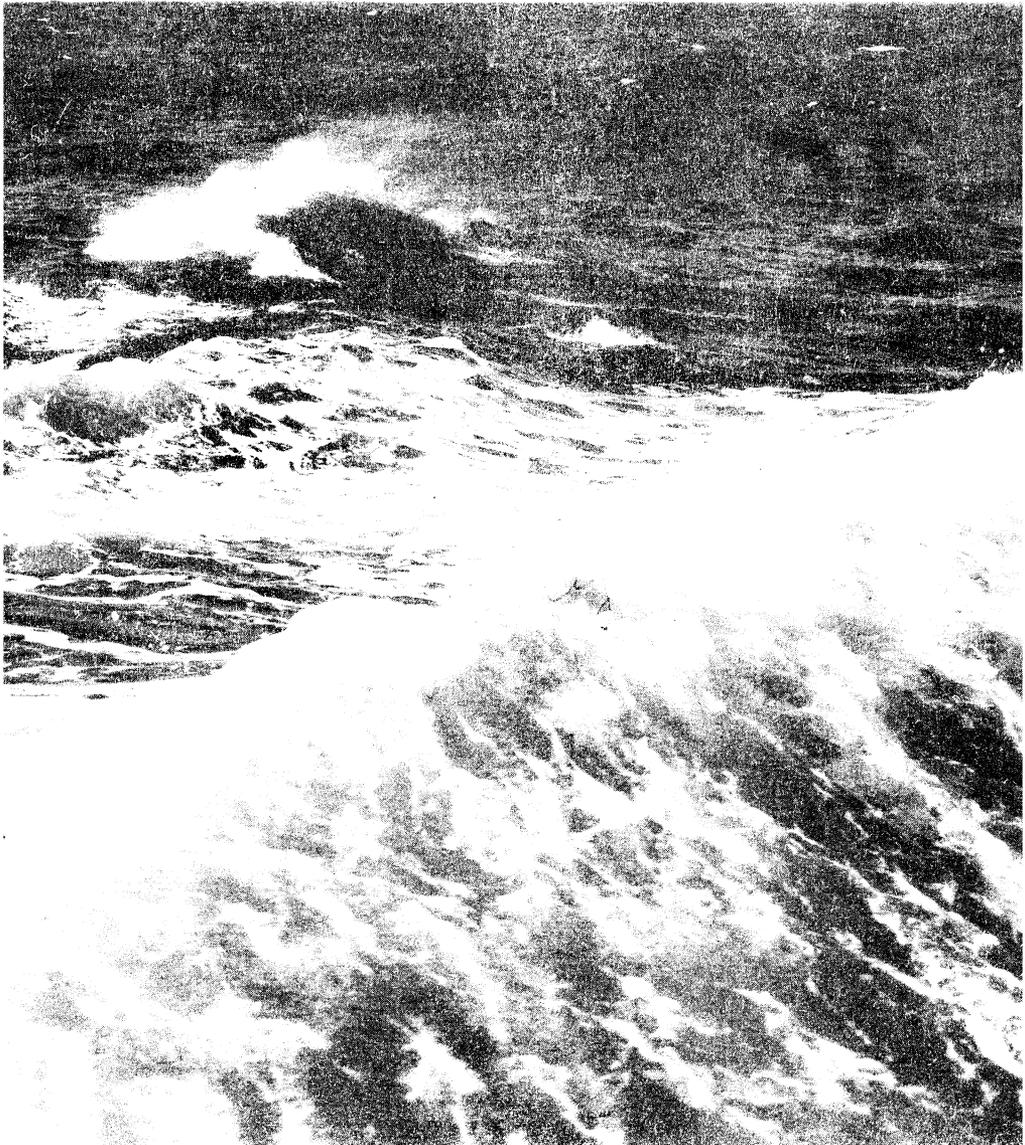
ANNUAL REPORT OF THE

MARITIME

ADMINISTRATION

U.S. DEPARTMENT OF COMMERCE

1964



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U.S. DEPARTMENT OF COMMERCE

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UNITED STATES DEPARTMENT OF COMMERCE

LUTHER H. HODGES, *Secretary*

Washington, D.C.

MARITIME ADMINISTRATION

NICHOLAS JOHNSON, *Maritime Administrator*

J. W. GULICK, *Deputy Maritime Administrator*

LETTERS OF TRANSMITTAL

UNITED STATES DEPARTMENT OF COMMERCE,
MARITIME ADMINISTRATION,
Washington, D.C., October 22, 1964.

To: *The Secretary of Commerce.*

FROM: *Maritime Administrator.*

SUBJECT: *Annual Report for Fiscal Year 1964.*

I am submitting herewith the report of the Maritime Administration covering activities for the fiscal year ended June 30, 1964.

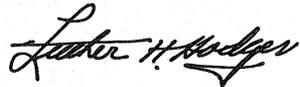


NICHOLAS JOHNSON.

SECRETARY OF COMMERCE,
Washington, D.C.

To the Congress:

I have the honor to present the annual report of the Maritime Administration of the Department of Commerce for fiscal year 1964.



Secretary of Commerce.

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*U.S. merchant ships
carry trade, and back
the armed forces.*

INTRODUCTION AND SUMMARY

The American Merchant Marine has played an important role in every phase of this Nation's history. In time of war and international crisis, during periods of prosperity and economic weakness, it has proved an important element in our military capability and international trade.

As a consequence of the importance of the Merchant Marine in our national life, the Congress has from earliest times given it financial support and encouragement of one kind or another. The Maritime Administration is the agency charged with responsibility for administering what is now the basic charter for government support of the American-flag fleet: the Merchant Marine Act of 1936. The preamble of that act sets forth clearly the mandate which this agency seeks to fulfill.

It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a merchant marine (a) sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and import foreign commerce of the United States and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign water-borne commerce at all times, (b) capable of serving as a naval and military auxiliary in time of war or national emergency, (c) owned and operated under the United States flag by citizens of the United States insofar as may be practicable, and (d) composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel. It is hereby declared to be the policy of the United States to foster the development and encourage the maintenance of such a merchant marine.

This Annual Report is a statement of our progress in meeting those objectives.

Of approximately 900 privately owned ships in the U.S. merchant fleet today, about 300 are owned by the 15 lines which have subsidy contracts with the Government.* This one-third of our fleet carries

*For comparative financial standing of the subsidized and nonsubsidized fleets, see appendix I.

about 40 percent of the total foreign trade carried in U.S. ships, including tramp and tanker cargoes. In the past 6 years nearly half of this fleet—123 ships—has been replaced or will be replaced by ships now under construction. During fiscal 1964 contracts were awarded by 4 lines for 15 ships at a total cost of \$163,750,000, to be built with construction-differential subsidy, and bids were issued for an additional 10 to 12 ships on which contracts had not been awarded at the year's end. This brought to 52 the number of commercial ships under construction in U.S. shipyards. Thirty-nine of these ships, valued at \$423.7 million, are destined for subsidized operators. At the close of the fiscal year, applications for construction aid on 17 additional ships were pending before the Maritime Subsidy Board.

This vigorous building program has produced for the United States the fastest and most modern general cargo fleet in the world. The U.S.-flag fleet contains nearly twice as many 20-knots and over freighters as are possessed by all the other nations in the world combined.

The Maritime Administration has been diligently seeking ways to give the American people the best possible fleet at the lowest possible cost. We have urged that subsidized lines order ships in groups of five or six to take advantage of lower unit costs. We have urged the greater use of standard designs to avoid wasteful changes and unnecessary deviations. The shipping companies have responded to the possibility of cost savings, and in one instance two companies have built 26 substantially identical ships.

The agency has instituted a value engineering program to reduce the cost of ship construction, and \$1.5 million of savings were realized in the last year alone. Government-sponsored research has developed mechanized units for shipboard use—centralized control of the engine-room, bridge control of the main engine, automated boiler controls, navigating consoles, improved cargo-handling gear, and similar devices to increase efficiency and cut costs.

The increasing technical complexity of American ships has placed increased importance upon our programs for maritime training. The U.S. Merchant Marine Academy, which is operated under the supervision of the Maritime Administration, and the five State maritime schools together trained some 2,300 cadets to become merchant marine officers. In addition, the Government conducts courses for seamen in radar and protection against atomic-biological-chemical warfare. A new short-range program has been launched by the maritime industry in cooperation with the U.S. Department of Labor to provide training for the new jobs that will be required on automated ships.

There are other areas to which the Maritime Administration has been giving an increasing amount of attention. In 1936, when the Merchant Marine Act was enacted, U.S. trade consisted primarily of general cargo. Today the pattern of our trade is completely reversed. Eighty-five percent of our trade is dry and liquid bulk cargo, and only 15 percent is general cargo. Our imports of strategic ores and petro-

leum products are steadily increasing, as are exports of agricultural surpluses in bulk shipload lots.

The structure of the U.S. merchant fleet was set by our trading pattern in the prewar period, and therefore three-fourths of our ships in foreign trade are general cargo carriers, and only one-fourth are bulk carriers. Consequently, we are relying more and more upon foreign ships to carry a larger and larger portion of our trade. Chart I shows graphically the trend of U.S. trade and of U.S.-flag ship participation in that trade.

In calendar year 1963, U.S.-flag ships carried 29.2 percent of all liner cargoes (including aid but excluding Department of Defense shipments) in the foreign trade of the United States. Of the U.S. share, subsidized ships carried 80 percent. This compared with only 5.2 percent carried by U.S.-flag dry cargo ships in nonliner trades.

U.S.-flag ships in liner service carried approximately 600,000 tons more of commercial and aid cargoes in 1963 than in 1962, an increase of 4.5 percent, although liner cargo carried by all flags increased only 201,000 tons, or less than $\frac{1}{2}$ of 1 percent. The gain was noted on all routes except those to Africa, in which U.S.-flag ships provided for 56 percent of the liner traffic in 1963 against 60 percent in 1962.

In 1963 U.S. passenger and passenger-cargo ships, all of which were subsidized, carried 19 percent of the passengers, exclusive of cruise passengers, traveling to and from U.S. ports.

Several Government programs have been helpful in maintaining U.S. tramp ships in service. The most important is the Cargo Preference Act, under which at least 50 percent of Government-sponsored cargoes must be carried in U.S.-flag ships. Although such Government cargoes constitute only a small percent of our total trade (about 7 percent), the dependence of our ships on it (almost 50 percent) is far out of proportion to its importance, as shown in Chart I.

There is available to tramp shipping another form of Government assistance which has helped in upgrading the fleet. This is the Ship Exchange Program, under which unsubsidized war-built ships are exchanged for Government-owned war-built ships of better types. As the subsidized companies have traded in their war-built C2 and C3 type ships on new construction, the trade-ins have been snapped up by unsubsidized companies in exchange for their less economic Libertys. In addition, 18 of the C4 troopships in the Government's reserve fleets were released from priority status by the Navy Department to be made available for conversion to general or bulk cargo service. All 18 have been assigned to operators and 8 are now being converted. When in service, these 18 ships should increase by 25 percent the capacity formerly available in these services. A total of 36 ships had been exchanged from the beginning of the Ship Exchange Program in 1961, to October 15, 1964, of which 16 were exchanged in fiscal 1964, with the Government receiving in exchange a total of 40 ships and \$2.5 million in cash.

Although they are not eligible for operating subsidy, tramp ships in foreign trade are not barred from seeking construction subsidy.

Long Tons
(Millions)

350

300

250

200

150

100

50

0

FEDERAL AID CARGO

Contribution of Federal aid programs to the tonnage volume of U.S. oceanborne foreign trade carried by U.S. flag and foreign flag ships.

1959
1961
1963

TOTAL U.S.
CARGO

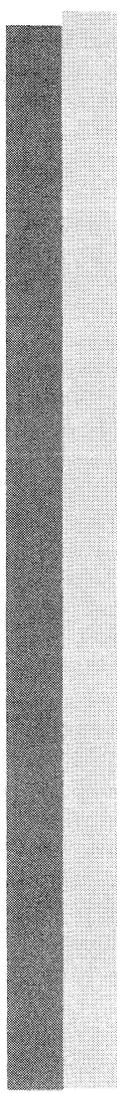
U.S. AID
CARGO

TOTAL
CARGO

AID
CARGO

ALL FLAG

U.S. FLAG



Applications from three carriers for financial aid to build seven bulk dry cargo carriers were received by the Maritime Subsidy Board during the 1964 fiscal year, and an additional application covering two more ships was received after the close of the year.

The Maritime Administration has undertaken a complete review of the economic status of the tramp sector of the American fleet, and has under consideration a program for aid to bulk carriers.

The importance of the tramp carrier was well illustrated during the controversy over carriage of grain cargoes to the Soviet Union and her satellites in the winter and spring of 1963-1964. Although sale of U.S. grain to the Soviet bloc was conditioned on its carriage in U.S.-flag ships, the unavailability of sufficient U.S. tramp shipping capacity in several instances necessitated the granting of waivers to permit more than half of specific shipments to be carried in foreign-flag ships. This in turn led to a controversy resulting in tie-up of grain shipments by the longshoremen until an agreement was reached that no further waivers would be granted.

One beneficial result of these difficulties was the establishment of two groups to which labor and management could bring their problems and complaints, and in cooperation with responsible Government agencies help to solve them.

The Grievance Committee on Cargo Preference Administration was designed as a forum for the consideration of objections to the administration of the cargo preference laws. The Maritime Administrator is Chairman. The Maritime Advisory Committee is a tripartite group composed of representatives of maritime management, labor, and the public at large. The Government representatives are the Secretary of Commerce, who is Chairman, and the Secretary of Labor.

The other segment of the U.S. Merchant Marine in serious difficulty is the domestic coastwise and intercoastal fleet. While the Maritime Administration does not have regulatory authority over this segment, it does have the responsibility to promote a fleet "sufficient to carry . . . domestic water-borne commerce . . . of the United States." Before World War II the coastwise and intercoastal portion of the U.S. fleet constituted about 60 percent of the total tonnage of the active fleet; today it is about 36 percent. Because they were the ones most readily available, domestic ships were among the first to be requisitioned for war service. Their routes were completely disrupted by the war and have never been entirely reinstated. Much of the business lost to railroads and trucks did not return. High costs of labor and reduced productivity, ship types unsuited to domestic trade, and the highly competitive rates of land carriers, have made it difficult for the domestic operators to regain their former trade.

The Ship Exchange Program has made some ships available to domestic operators, with two companies planning to convert 12 ships for domestic service. Container ships appear to offer good prospect of faster and cheaper service. Some successful container ship service has already been instituted, and an application for 50 percent Federal

Ship Mortgage Insurance on three new container ships for intercoastal service has been tentatively approved by the Maritime Administration.

Federal Ship Mortgage Insurance under Title XI of the Merchant Marine Act of 1936 has also been instrumental in helping to build or convert ships for the bulk service for domestic as well as foreign service. Mortgage insurance has also made it possible for the subsidized lines to borrow private funds at reasonable rates to finance their portion of their replacement programs. Since 1956 this program has resulted in construction or reconstruction contracts with U.S. shipyards totaling about \$986 million for 96 projects, about one-third of which were for nonsubsidized operators. Only six defaults have occurred on which the Government has had to pay the insurance, and of the six ships, only one was not in operation as of June 30, 1964.

The Maritime Administration has undertaken a substantial program of research and development designed to bring the American fleet to a higher state of efficiency. Through a general agency contract, the Government has been operating the N.S. *Savannah*, the world's first nuclear-powered merchant ship. We are also conducting a series of studies to determine the economic feasibility of nuclear power for marine use. Nuclear power may well be the cheapest way to obtain substantially higher sustained ship speeds.

In addition, research with hydrofoil and surface-effect ships has laid the groundwork for the future development of ships of far higher speeds. Finally, the program involves basic research into hull configurations, power sources, improved cargo-handling gear, better and safer navigating devices, and many other promising projects.

We have encouraged the use of standardized containers and are studying the establishment of container pools to enable full advantage to be taken of savings inherent in two-way use of containers.

We are studying the use of data processing techniques for handling ship operating information on board ship, in shoreside operations, and in cargo handling at ports. We have developed, in cooperation with industry, a standard Ocean Bill of Lading, which has already shown possibilities for reducing time and effort in the battle with paperwork. The feasibility of a uniform code of commodity descriptions is being studied. It too has possibilities for mechanical preparation of ship papers that could materially speed processing of overseas shipments.

A vigorous effort has been made to increase the cargo carried by U.S.-flag ships through obtaining the cooperation of U.S. shippers in using U.S. ships whenever feasible. Banks and insurance companies have agreed to cooperate in suggesting use of U.S.-flag ships where possible. As a corollary to this effort, U.S. shipping companies have been urged to improve their services to shippers. A serious backlog of 19 million board feet of lumber at Pacific Northwest ports was cleared up within 2 months by cooperation of several lines which scheduled extra sailings to handle the lumber.

Chart II and Appendix II show the standing of the U.S. Merchant Marine among the world's fleets. Ten years ago the U.S. Merchant Marine ranked first in deadweight tonnage. While it still ranks first

Deadweight Tons
(Millions)

200

160

120

80

40

0

U.S. & WORLD MERCHANT FLEETS

1954

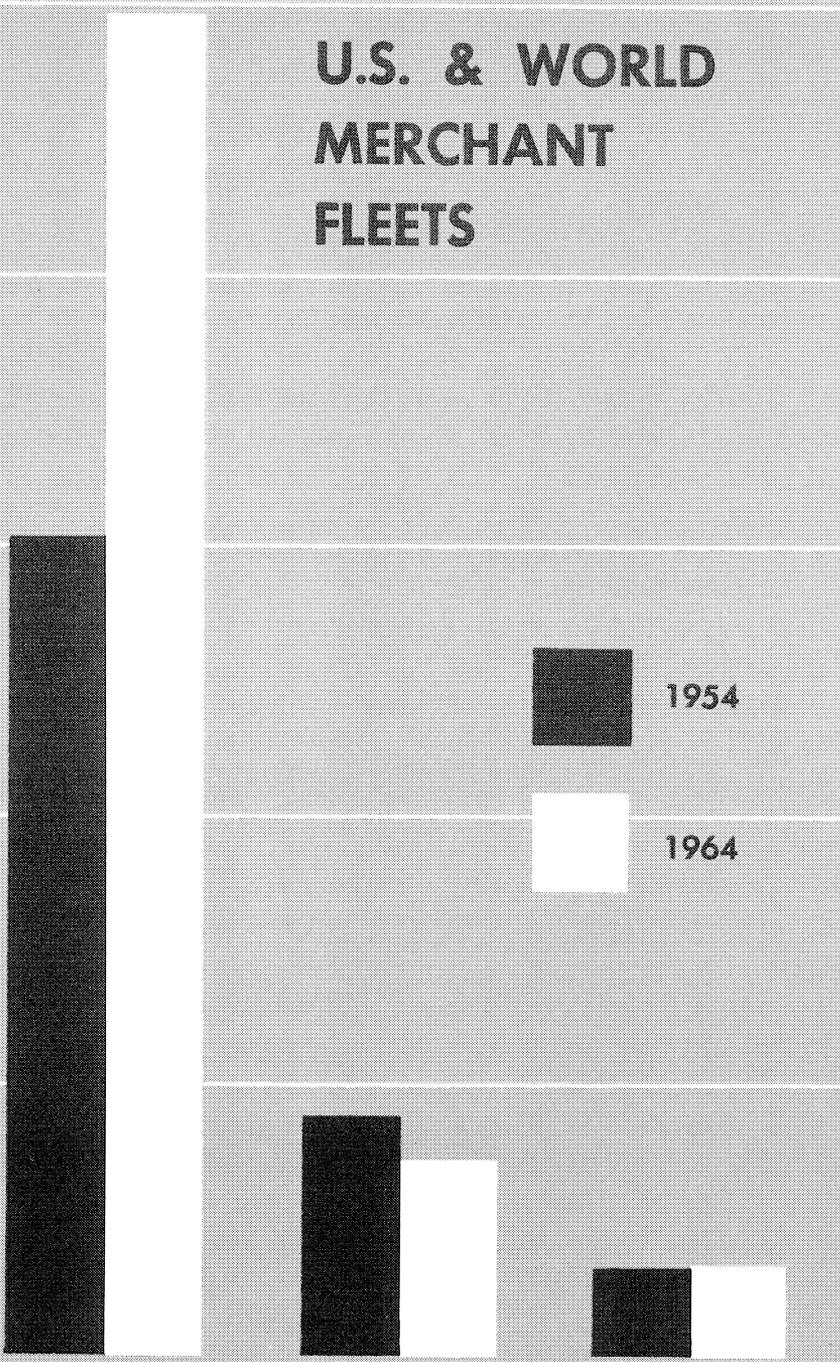
1964

WORLD FLEET

U.S. FLEET*

ACTIVE U.S. FLEET

*Figures for total U.S. Fleet include ships held in reserve.



in total tonnage, one-half of this tonnage is owned by the Government. Most of the Government's ships are in the Reserve Fleet.

The privately owned U.S. fleet has decreased from 1,138 to 968 since 1954, and from second to fourth in deadweight tonnage among the world's fleets.

In shipbuilding also the United States is far behind the leaders, ranking third in deadweight tonnage delivered in 1954 and tenth in 1964 (Appendix III). U.S. shipyards built 20 merchant ships in fiscal 1964, compared with 116 in Japan, 67 in the United Kingdom, 26 in the U.S.S.R. The U.S. private merchant fleet added 20 new merchant ships in fiscal year 1964, while Russia gained 98, Norway 71, the United Kingdom 69, and Japan 61.

As part of its search for economy and efficiency in merchant fleet operations, the Maritime Administration has sought economy and efficiency in its own operations. Our goal is a progressive and dynamic agency, devoted to finding the better way of doing things. We have instituted training programs that will bring in young college students as management interns, to assure a steady supply of managerial candidates for the future. Middle Management and Executive Training Programs for present employees are designed to find and train those best qualified to direct the Agency's activities.

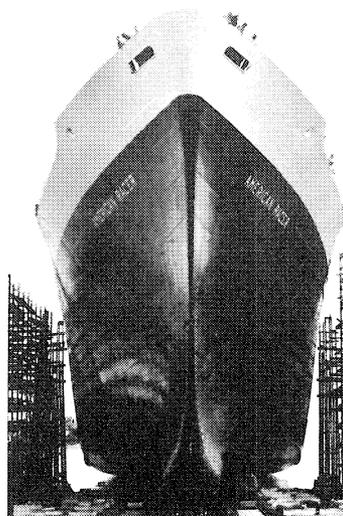
An intensive study of paperwork simplification has been undertaken, and a program of management surveys was continued with the objective of increasing the efficiency, economy, and effectiveness of the Agency's operations.

The reserve fleet preservation cycle has been altered, with savings of \$500,000 expected in fiscal 1965 and approximately \$1 million over the next 5 years. Priority ships in the Wilmington, N.C., fleet are being moved to the James River fleet to combine preservation operations at the latter location. This will result in cost savings and improved efficiency. Ship scrap sales during the year returned \$5.4 million.

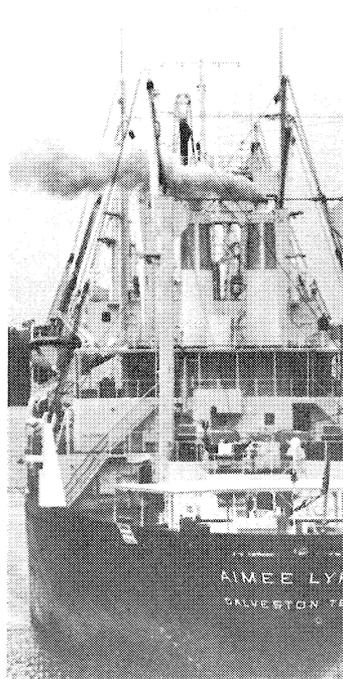
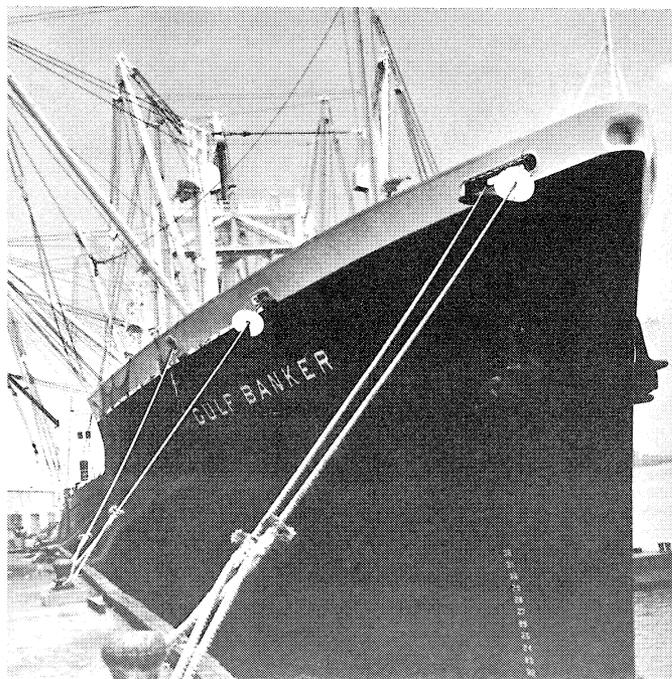
Careful reviews of subsidized operations have resulted in suggestions and corrections resulting in substantial savings. Audits alone resulted in reductions in billings of \$821,000 in the past year, while a revision in procedure of calculating subsidy rates on certain wage items was expected to result in lowered billings of approximately \$1.5 million in 1962 and \$1 million in 1963.

Leases of real property and machine tools, or loan of marine equipment to private companies, and sale of excess personal property during the year returned nearly \$1 million.

Improved communications are being worked out through the use of reports, charts, and visual presentations which will keep the whole staff better informed on the activities of the agency. Cost-finding techniques are being developed which should provide better control of the programs of the agency and assist in budget and planning activities. The goal is an agency operating at the lowest cost consistent with its responsibilities.



*Some of the big,
fast U.S. cargo ships
delivered last year.*



GOVERNMENT ASSISTANCE

Government aid programs for the U.S. Merchant Marine are designed to assist and encourage U.S.-flag operators in the operation and maintenance of an efficient and modern American merchant marine. These programs are not considered in themselves a panacea for the problems of the merchant marine. The reduction of subsidy costs and the development of more effective means of improving the merchant marine are therefore major objectives of the Maritime Administration.

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

The Government pays the cost of national defense features on ships certified by the Navy as necessary for national defense. In addition, Maritime insures mortgages and/or loans made by private lending institutions to finance the construction, reconstruction, and reconditioning of ships. It also acquires old ships in exchange for more modern and efficient ones, or for allowances of credit on the construction of new ships.

The Maritime Administration investigates and determines ocean services, routes, and lines 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. The operators who are awarded operating-differential subsidy contracts are required to maintain regular services on these routes.

Operating-Differential Subsidy

During the fiscal year the Maritime Subsidy Board considered an application filed by Bloomfield Steamship Co. for a new 20-year operating-differential subsidy agreement to replace its original 10-year agreement, which was scheduled to expire on December 31, 1963. To give appropriate publication of notice and opportunity for interested persons to comment, the Board extended the original agreement for one year. A notice of the application was published in the Federal Register, but no comments were received. Final action on this application had not been taken at the year's end.

Also pending at the close of the year were applications for operating-differential subsidy contracts from Atlantic Express Lines of America, Inc.; Central Gulf Steamship Corp.; Isthmian Lines, Inc.; Waterman Steamship Corp.; and States Marine Lines, Inc.

Payments of subsidy due for fiscal year 1964 and prior years totaled \$203,036,847 during fiscal 1964.

Total operating subsidies accrued from January 1, 1937, to June 30, 1964, were \$2,082 million, with recapture of \$224 million, leaving net subsidy payable of \$1,858 million (Appendix IV).

A summary of the 15 operating-differential subsidy contracts in effect on June 30, 1964, is shown in Appendix V.

Provisions of newly negotiated union wage agreements and manning requirements on newly constructed ships were examined to determine their fairness and reasonableness. Subsidized vessel operations, operating costs, and shoreside expenses were carefully watched. As a result of suggestions and corrections, certain areas of ship operations showed significant improvements.

The continued payment of operating-differential subsidy on certain ships now overage (that is, at the end of their stipulated economic lives of 20 or 25 years), or which will become overage prior to the delivery of their scheduled replacements, has been approved, predicated on the ship replacement provisions of the operating-differential subsidy contracts with the companies concerned. Cumulative authorizations in this regard are shown in Appendix VI.

Trade Routes

Reports on the essentiality and U.S.-flag service requirements of U.S. foreign trade routes 4 (U.S. Atlantic/Caribbean) and 18 (U.S. Atlantic and Gulf/India, Persian Gulf, and Red Sea) were completed. At the close of the year reviews of two other routes were nearing completion. Limited reviews were also made of several routes in connection with applications by subsidized operators for changes in their subsidized services and for construction of replacement ships.

Construction Subsidy

On June 30, 1964, there were 4 applications pending from American-flag subsidized operators for construction-differential subsidy to aid

in building 17 general cargo ships. There were also 2 applications pending from two subsidized operators for construction-differential subsidy to aid in installation of mechanized equipment on 27 replacement ships now operating.

Applications from three nonsubsidized operators for construction-differential subsidy to aid in building seven dry bulk carriers were pending.

The long-range replacement program of the subsidized operators' war-built ships is nearing the halfway point. Of the 318 subsidized ships in operation at the end of the fiscal year, 112 were replacement ships contracted for since 1950. Of these, 84 are replacement ships built with construction-differential subsidy, and the remaining 28 are Mariner-type ships built by the Maritime Administration and sold to subsidized operators. In addition, 39 new ships were under construction, a total of 151 modern ships in operation or under contract at the end of the fiscal year.

Contracts

During the past fiscal year, the Maritime Subsidy Board approved construction-differential subsidy contracts for 4 firms to build 15 ships at a total estimated domestic cost of \$163,750,000, as follows:

Table I

NEW SHIP CONTRACTS AWARDED IN FISCAL YEAR 1964 ON WHICH CONSTRUCTION DIFFERENTIAL SUBSIDY IS TO BE PAID

Company	Grace Line, Inc.	Gulf & South American Steamship Co., Inc.	Lykes Bros. Steamship Co., Inc. (7th Group)	Lykes Bros. Steamship Co., Inc. (8th Group)	Prudential Lines, Inc.	Total
Type of ships.....	Cargo	Cargo	Cargo	Cargo	Cargo	-----
Number of ships.....	2	3	4	4	2	15
Being built by.....	(¹)	(²)	(³)	(³)	(³)	-----
Total estimated cost ⁴	\$26,450,000	\$27,300,000	\$44,200,000	\$43,300,000	\$22,500,000	\$163,750,000
Estimated construction-differential subsidy.....	\$13,900,000	\$14,800,000	\$24,300,000	\$23,400,000	\$12,100,000	\$88,500,000
Estimated cost of national defense features.....	\$10,000	\$159,000	\$3,360	\$3,360	\$132,000	\$307,700
Number of ships traded in.....	-----	-----	-----	-----	2	2
Total trade-in allowance.....	-----	-----	-----	-----	\$913,311.60	\$913,311.60

¹ Sun Ship Building & Drydock Co., Chester, Pa.

² Avondale Shipyard Inc., Avondale, La.

³ Bethlehem Steel Co., Sparrows Point, Md.

⁴ Includes estimated cost of national defense features, changes and extras.

Consideration was given to the allocation of these contracts without regard to competitive bidding, in accordance with provisions of section 502 of the Merchant Marine Act, 1936, as amended. No justification for such allocation was found, and no contract was allocated under these provisions.

The following bids for subsidized ship construction were issued during the year:

Table II

Owner	Number of ships	Design	Invitation date
Prudential Lines, Inc.....	2.....	C4-S-64b.....	Nov. 15, 1963
Lykes Bros. Steamship Co., Inc.....	4.....	C4-S-66a.....	Feb. 3, 1964
United States Lines Co.....	4 or 5.....	C4-S-68a.....	June 11, 1964
American President Lines, Ltd.....	4 or 5.....	C4-S-69a.....	June 30, 1964

Contracts were awarded during the year on the two ships for Prudential Lines, Inc., and the four for Lykes Bros. Steamship Co., Inc. (see table). Contract awards were expected to be made in fiscal year 1965 for the remaining ships.

One old ship was traded in by Lykes Bros. Steamship Co., Inc., for a gross allowance of \$415,250 against a new cargo ship which was constructed for the company under a construction-differential subsidy contract executed in September 1960. Two old ships were traded in by Prudential Lines, Inc., for a gross allowance of \$475,750 each against two new replacement ships built by the company under a construction-differential subsidy contract executed in April 1964.

Fueling-at-sea equipment was installed as national defense features on two tankers owned by Humble Oil and Refining Co., at a total cost to the Government of \$32,000.

Ship Mortgage and Loan Insurance

During the year Maritime executed contracts under Title XI of the Merchant Marine Act for insurance of construction loans and commitments or contracts for insurance of mortgages totaling \$53 million. The loans and mortgages financed through sale of bonds or notes to the general public, or by private placement, covered 14 ships, as follows:

Table III

Name of company	No. of mortgages or loans	Amount of mortgage or loan	Reason
American Mail Line, Ltd.....	2	\$4,500,000 (each).....	Aid in financing two cargo ships.
Triangle Shipping Corp.....	1	\$778,000.....	Construction of a cement barge.
Gulf & South American Steamship Co., Inc.....	2	\$3,000,000 (each).....	Insure mortgages of two cargo ships.
American President Lines, Ltd.....	3	\$4,850,000 (each).....	Insure mortgages of three cargo ships.
United States Lines Co.....	4	\$3,750,000 (each).....	Aid in financing of five cargo ships.
Prudential Lines, Inc.....	2	\$4,028,470 (each).....	Insure mortgages of two cargo ships.

Mortgage insurance totaling \$31,893,450 was placed on five additional ships, on which commitments had previously been made.

On June 30, 1964, eight applications for loan and/or mortgage insurance were pending. They covered the construction of 28 ships, at a total estimated cost to the applicants of \$152 million. Insurance on these applications has been requested covering estimated construction loans of \$81 million and estimated mortgage loans of \$97 million.

The continued depression in the shipping industry necessitated the following deferrals and/or advances of mortgage principal payments to avoid defaults under the Title XI insured mortgages, which would have required payment of the insurance in full by the Government:

1. Newport Tankers Corp., deferment of two quarterly principal payments aggregating \$185,223.60.
2. Manhattan Tankers Co., deferral of principal payments aggregating \$2,092,500 for 2 years.
3. Tankers & Tramps Corp., deferral of one semiannual principal payment of \$266,000 and an advance of one semiannual principal payment of \$266,000.

During the year, mortgage insurance was terminated when Triangle Shipping Corp. paid the mortgage note on the barge *Triangle I*. The original principal amount of the mortgage was \$778,000 and the balance, paid on June 4, 1964, was \$745,583.35.

The Maritime Administration paid the mortgage insurance following default on 2 ships during the fiscal year. In the case of the SS *New Yorker*, owned by Containerships, Inc., the insurance principal and interest of \$3,251,087 was paid off, but the mortgage was not foreclosed, as the ship was chartered for a 2-year period to American Seatraders, Inc., at a rate which provides for payment of the mortgage debt service. The SS *Gold Stream*, owned by Red Hills Corp., on which insured principal and interest of \$3,410,495 was paid by the Government, was later sold under competitive bids to Penntrans Co. for \$2,112,000 and was renamed SS *Penn. Sailor*.

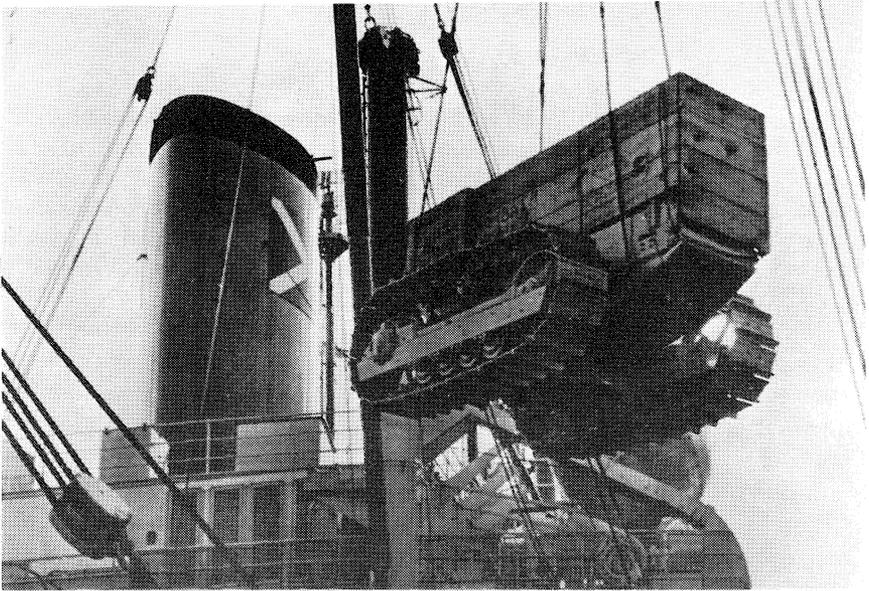
The Maritime Administration foreclosed the mortgage on the SS *Titan*, on which it had paid the insurance after default of the owner, Overseas Oil Transport Corp., in fiscal year 1963. The tanker was offered for sale four times but no responsive bids were received. It was placed in the reserve fleet pending later reoffering for sale.

The outstanding balance of principal and interest of insured mortgages and loans and commitments to insure on June 30, 1964, was \$454,467,442 on 81 ships and barges.

Reserve Funds

Balances in seven construction reserve funds totaled \$12,764,604 on June 30, 1964, compared with \$12,607,239 on June 30, 1963, in four such funds. Four funds were established during fiscal year 1964, and one fund was closed. Deposits in the construction reserve funds were \$420,312 and withdrawals totaled \$262,947. Securities were increased by \$1,003,705 from sales of \$18,192,832 and purchases of \$19,196,537.

In addition to mandatory deposits to special and capital reserve funds, \$7,870,026 of voluntary deposits were authorized for 8 lines.



U.S. trade benefits from service provided by U.S. ships.

PROMOTION

Cargo Promotion

In an effort to increase the quantity of cargo carried by the U.S. Merchant Marine in both foreign and domestic commerce, the Maritime Administration informed shippers of the multiple advantages of using U.S. ships and encouraged U.S. ship operators to improve services and their methods of soliciting shipments.

Cargo Preference

To insure compliance with cargo preference laws, Maritime worked closely with other agencies involved in shipping Government-owned or sponsored cargo and pressed vigorously for increased participation by U.S.-flag ships. Close liaison was maintained with the shipping industry to see that adequate U.S.-flag ships were available to carry foreign aid cargoes.

Grievance Committee on Cargo Preference Administration

Following the President's announcement of October 9, 1963, that sales of agricultural products to Soviet bloc nations would be permitted, the Office of Export Control, U.S. Department of Commerce, issued regulations which included provision for U.S.-flag ships to carry half of the wheat and flour sold, as long as U.S. ships were available. This was later changed to require 50 percent unequivocally. The shipping provision was administered by Maritime, which established charter rate guidelines as well as reasonable terms and conditions of shipping contracts.

Because heavy Public Law 480 grain movements employed U.S.-flag ships in substantial amounts, it was necessary to grant partial waivers of the U.S. shipping provision in the case of one wheat sale to a satellite nation and another to the U.S.S.R. The second waiver was granted only after a full public hearing, participated in by the grain house concerned, owners of U.S.-flag ships, steamship industry associations, and labor unions.

Maritime labor unions, however, alleged mishandling of the Soviet bloc grain programs and instituted a boycott of foreign-flag ships, whereupon the President proposed a forum for the review and settlement of issues arising out of cargo preference policies and administration. Accordingly, the Grievance Committee on Cargo Preference Administration was set up. The Maritime Administrator serves as Chairman and Assistant Secretaries of State, Labor, and Agriculture are members. Advisors include the presidents of three maritime labor unions and the presidents of three steamship associations. Meetings of the committee were held May 13 and June 17, 1964.

Objections to the granting of waivers under Public Resolution 17 on any other basis than unavailability of U.S.-flag ships, and the applicability of the cargo preference law to certain programs of the Department of Agriculture were topics discussed at these meetings. The committee asked that these matters be referred to the Attorney General for a ruling.

Waivers

Nine general waivers of Public Resolution 17, involving six nations, were approved, permitting foreign ships to carry up to 50 percent of cargoes financed by the Export-Import Bank. Each waiver was considered in the light of the treatment accorded U.S.-flag ships trading with the nations concerned. More than 50 percent of the total cargo moved during the year under general waivers was carried on U.S.-flag ships.

Domestic Shipping

Maritime has undertaken a number of programs to assist the hard-pressed domestic shipping industry. It has succeeded simultaneously in providing improved service for some domestic industries.

When lumber shipments were backlogged on the Pacific coast for want of sufficient U.S.-flag domestic water carriers, Maritime obtained the cooperation of several domestic shipping lines in providing enough tonnage to clear up the backlog and get the lumber to the east coast consignees.

Plans are now being made with Maritime's help to move Midwestern feed grains to New England by barge. The reduction of present transportation costs is vital to the dairy and poultry industries of this area.

A program to improve domestic water service by using reserve fleet ships was undertaken as an interim measure. A long-range program to encourage greater use of water carriers for domestic traffic and the obtaining of more modern ships for domestic service is contemplated.

Foreign Trade

Studies were made to correlate commodity statistics and cargo data for certain essential U.S. foreign trade routes in order to provide useful information to potential shippers over these routes.

Reports of activities and programs of the Export-Import Bank were made available to the shipping industry to provide additional sources of information for cargo solicitation.

Container Systems

The Maritime Administration is interested in development of cargo-handling systems that will make the fullest, most efficient use of ship capacity. To that end, it has been studying the use of containers for cargo handling.

Analyses have been made of:

1. Requirements for door-to-door delivery of containers.
2. Streamlining of international documentation.
3. Pooling of containers.
4. Port handling.
5. Impact on the cargo promotion program for U.S. ships.
6. Effect on basic ship design.
7. Changes necessary in existing ships and loading equipment.
8. Effect on maritime labor.

As a result of these studies, Maritime has moved ahead with programs to speed up the growth of the container concept.

National and international agreements have been reached on container standards. The American Standards Association has completed strength specifications, and the International Organization for Standards has agreed on dimensions and rating on containers for international exchange.

All replacement ship designs now provide for handling and stowage of large van container types and sizes.

Port Development

During the year Maritime again provided technical advice to the Area Redevelopment Administration on port development in depressed areas. A study was begun on the proposed all-purpose marine terminal at Ogdensburg, N.Y., a project that could aid the area's economy.

The Administration also cooperated with the President's Study Commission on River Basins in its study of land and water resources development and participated in the Department of Commerce Task Group on Water Resources' planning of river basin improvements.

Other studies included :

1. Forecasts of requirements for port facilities capable of handling ocean ships as industry and commerce develop along improved waterways.
2. The feasibility of moving animal feed grains by barge from Great Lakes ports to a New England port such as Burlington, Vt., by way of Lake Champlain, including type and location of required port facilities.
3. A comprehensive study of Alaska's resources and economy, her transportation system, and recommended port requirements on both a short and long-range basis.
4. A study entitled "Adequacy of United States Ports and Terminal Facilities for Handling the Waterborne Foreign and Domestic Commerce of Today and Tomorrow," to help guide the Administration's planning for its port and shipping programs.

Shipping Documents

Shipping industry interests and the Government have long agreed on the urgent need to cut down and simplify the paperwork involved in domestic and international trade. Maritime has taken an active lead in this drive since the establishment of the Inter-Departmental Shipping Documentation Subcommittee in 1959.

The Deputy Maritime Administrator is Chairman of the Subcommittee on Trade and Shipping of the National Facilitation Committee, an interdepartmental coordinating group headed by the Assistant Secretary of Commerce for Domestic and International Business. The subcommittee is developing simplified, standardized procedures for ships, persons, and goods moving in U.S. commerce, and is coordinating all U.S. agencies' efforts in that cause. Procedures being simplified deal with ship and crew documentation, entry and clearance of vessels, and export-import procedures. It is at work on a number of specific projects :

1. Standardization of the U.S. Ocean Bill of Lading format, with a view to international acceptance.
2. Development of an Inter-Governmental Maritime Consultative Organization Convention on Facilitation of International Maritime Traffic, and a similar convention of the Organization of American States applicable to regional traffic.
3. Use of shipping containers in international trade.
4. A pilot project to standardize descriptions of export-import commodities, to provide a basis for an international statistical reporting system.



Research helps to make U.S. ships more efficient.

RESEARCH

A research and development program directed toward achieving greater effectiveness of the American merchant marine was continued during the fiscal year. The program's objective is application of new or improved technology to provide, maintain, and operate a strong U.S. maritime industry capable of competing in the world market with a minimum of Government support.

Nuclear Ship Savannah

Labor-management disputes in fiscal year 1963 resulted in the cancellation of the NS *Savannah's* scheduled visits to foreign ports and in cancellation of the contract with States Marine Lines as general agent for the operation of the ship. On July 23, 1963, American Export Isbrandtsen Lines, Inc., was selected as the new general agent. Meanwhile, the Maritime Administration continued the contract with Babcock & Wilcox Co., designers of the ship's nuclear powerplant, to provide interim caretaker service, to train personnel from Government, Todd Shipyards Corp., and the new general agent to man the ship and operate the reactor, and to perform shoreside nuclear engineering services. While the new crews were being trained, the NS *Savannah* was maintained in a reserve status at her nuclear facility base at Todd Shipyards Corp., Galveston, Tex.

Two crews were trained to operate the ship, one supplied by the general agent and the other a backup crew which consisted of Government volunteers, about 97 percent of whom are Maritime employees. Training of the crews was accomplished in a minimal period.

Negotiations were concluded with the United Kingdom, Sweden, Ireland, and Spain, bringing to 10 the number of nations that will permit visits by the NS *Savannah*. Negotiations were under way with France, Italy, Portugal, and Turkey for similar agreements.

The NS *Savannah* sailed from Galveston on May 5, 1964, almost a year after it was immobilized, on an extensive schedule of visits to domestic and foreign ports. By the end of the year the ship had visited Houston, New Orleans, Baltimore, Boston, New York, Bremerhaven and Hamburg.

Hydrofoil Ship Denison

During July and August of 1963, the 95-ton, 60-knot experimental hydrofoil ship, HS *Denison*, completed 14 months of performance testing, including a run in the open sea during which she maintained speeds over 55 knots in waves more than 10 feet high.

A demonstration program, aimed at displaying the hydrofoil concept and showing the craft in action to the marine industry, was inaugurated in September 1963. The demonstrations also provided extended experimental operating experience and kept the craft in service during the winter. Beginning in Portland, Maine, the *Denison* traveled south to Miami, touching at most of the major ports along the Atlantic seaboard. During this time several thousand people from the marine industry, Government, and business were given demonstration rides. The response was generally favorable.

In March 1964 the demonstration program was discontinued and the ship ordered to the reserve fleet in Wilmington, N.C. While proceeding up Cape Fear River, N.C., the *Denison* ran aground on a sand bar, sustaining substantial damage to the hull and main foils. She was undergoing repairs at Grumman Aircraft Engineering Corp., Bethpage, N.Y., at the end of the fiscal year.

Surface-Effect Ship

A man-carrying model of a surface-effect ship was completed and was under test at Edwards Air Force Base, Calif., at the end of the year. Initial speeds of 55 knots were achieved over the Rogers dry lake bed.

An economic analysis made by Booz Allen Applied Research indicated considerable commercial possibilities for surface-effect craft.

Advanced Nuclear Ships

Nuclear-propelled ship studies were pursued further during the year. Promising routes and services were selected, and studies were being prepared by two naval architects working with shipowners on these routes. The purpose of the studies was to identify possible economically competitive applications of nuclear power to merchant ships.

Other Research Developments

A completely automatic boiler control system was developed with the cooperation of Cleveland-Cliffs Iron Co., and installed in the Great Lakes bulk carrier SS *William G. Mather*. This equipment automatically controls the ship's main boilers and oil burners under all operating conditions. It is the first such system to have received Coast Guard approval for operation without firemen, and shows promise of reducing operating costs of U.S.-flag vessels. Several similar systems are now being offered by industry at competitive prices.

A manually operated electronic navigational device was developed which will permit improved navigational accuracy of ships using a single, economically priced piece of equipment. This device uses signals radiated from shore-based stations to establish the ship's position. Both Loran A signals and the more accurate Loran C signals are used in a single electronic device to obtain a broader and more accurate range.

An integrated bridge control unit to simplify conning watch officers' operations under all conditions and to reduce time lost in storms was undergoing evaluation at sea. The control unit consists of six components: steering, open bridge, plotting, stability, navigational aids, and radar-communications elements. The components may be used separately or in combination. Some of the elements had been installed in operating ships by the end of the fiscal year.

Analytical studies followed by model tests produced design information for contrarotating propellers which will significantly improve their efficiency and promises economic installation of higher power propellers. As a result, higher speed ships of the future may not be affected by the same draft limitations, loss of efficiency, or by the added costs associated with twin screw installations.

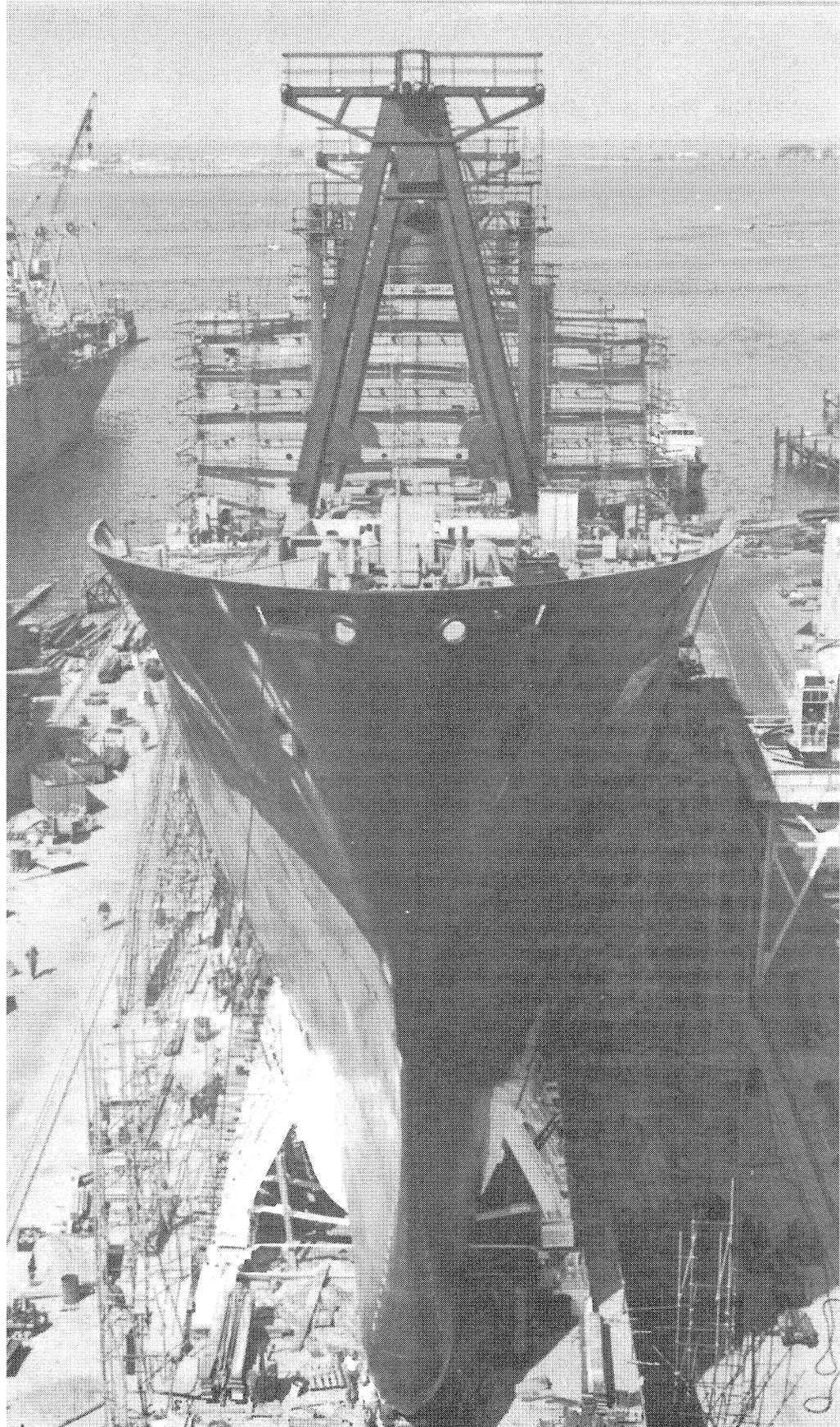
Ship Operations

A study of cargo-handling methods in the San Francisco Bay area was completed which:

1. Identified factors limiting turn-around time of general cargo ships.
2. Showed means of reducing turn-around time in port, including methods of improving cargo-handling efficiency.
3. Showed ways of reducing cargo-handling and of reducing the arduousness of the work.
4. Offered methods to assess improvements in cargo-handling systems and their effects on the port.

The study indicated ways to increase efficiency by perhaps as much as 25 percent through more efficient gang utilization.

During the year a mathematical simulation of merchant fleet operation was completed. It included an automatic data processing program which permits examination of cargo-carrying capability, costs, and subsidy requirements for real or hypothetical merchant fleets. Simulation of many years of operation can thus be accomplished in a matter of minutes.



*U.S. skills
produce some of the
world's finest ships.*

SHIP CONSTRUCTION

During fiscal year 1964, the total number of merchant ships of 1,000 gross tons and over which the Maritime Administration subsidized, private ships on which the Administration has information, and Government-owned merchant ships under construction, conversion, reconstruction, or on order in privately owned U.S. shipyards decreased from 54 on July 1, 1963, to 52 on June 30, 1964, as follows:

Table IV

	Number of ships		
	Total	New	Conversions
Under contract July 1, 1963.....	54	53	1
Contracts awarded during 1964.....	22	17	5
Subtotal.....	76	70	6
Completed during 1964.....	24	21	3
Under contract, June 30, 1964.....	52	49	3

The 52 ships remaining under contract at the end of the year had a contract value of approximately \$514.8 million. Of these, 39 ships, with a contract value of approximately \$423.7 million, were being built under the subsidized operators' replacement program.

A summary of new ship construction as of June 30, 1964, is contained in Appendix VII.

Maritime continued to provide technical guidance and naval architectural and engineering services for construction of small, special purpose ships for other Government departments.

At the end of the year four survey ships were being constructed under Administration contracts for Coast and Geodetic Survey for use in hydrographic and oceanographic programs. The ships and their components are also being used in pilot studies for improvements in this type of ship.

The Maritime Administration is charged with determining foreign cost and supervising construction of fishing vessels on which construction subsidy may be paid by the Department of the Interior. As of June 30, 1964, 11 applications had been processed. Six vessels were completed and delivered, four were under construction, and one application had been withdrawn.

Technical Developments in Ship Construction

Thirty-seven of the cargo ships under subsidized construction during the year included provisions for mechanization. A design for American President Lines, Ltd., will incorporate some features from Maritime's studies of integrated powerplants. The plant includes a single boiler, a gas-turbine-powered emergency take-home engine, and equipment simplification.

In addition to new construction, mechanization of conventional replacement ships already in service was under review. Meetings were held with industry representatives to plan for the orderly installation of partial mechanization features in existing ships. Lykes Bros. Steamship Co., Inc., and Farrell Lines Inc., have filed construction-differential subsidy applications for "retrofitting" 27 ships.

Changes in both the new construction and the "retrofits" include provision for varying degrees of centralized control of machinery, as a means of reducing crew requirements and providing more reliable records for purposes of equipment evaluation and maintenance. Semi-automation of boilers and remote control of valves, pumps, and main engine throttle control on the bridge, plus the automatic logging of performance data, alarms, and engine orders, permit the reduction of the engineroom crew. Reduction in other segments of the crew, such as the steward's department, can follow.

Designs were developed for small special purpose vessels. Modifications to a class II hydrographic survey vessel design were made to improve afterdeck arrangements, and a class III hydrographic survey vessel was completely redesigned to provide better accessibility to engineroom equipment, improved livability, and increased stability and seaworthiness. The oceanographic (class I) and medium-range hydrographic survey ships (class II) have a centralized engineroom control permitting a more favorable scientific-to-operating crew ratio.

The ships also carry electronic computer installations for engineroom and scientific data processing. All of the ships being built have the most modern facilities for their scientific functions. A new design was undertaken for a class IV wire dragger for the Coast and Geodetic Survey. It includes development of a novel, simplified system for launching and retrieving drag gear. This system may permit one-man operation as opposed to the three-man system now used. Faster operation and less wear and tear on equipment should result.

To reduce construction cost of subsidized ships, Maritime promoted multiple-ship construction confined to a limited number of basic designs. Subsidized operators were urged to take advantage of existing

advanced basic designs for their new construction. Two ships being built for Prudential Lines, Inc., at Bethlehem's Sparrows Point shipyard are a virtual duplication of the United States Lines Co. ships at the Sun Shipbuilding & Dry Dock Co. yard at Chester, Pa.

Studies were also initiated to develop a design concept using partially standardized end sections in order to minimize construction costs. Variation would be confined to the less expensive midportions for all sizes of ships from 20,000 to 60,000 deadweight tons.

Design studies of prototype cargo ships with improved cargo-handling facilities were continued, with emphasis on arrangements and structural features that would allow step-by-step conversion to a mechanized handling system for unitized cargoes.

In basic ship design, use of computer techniques for engineering calculations was extended during the year. Five programs were completed; three others started during fiscal 1964 are still in process. The three programs cover stress analysis of cargo gear, propeller calculations, and trim and stability.

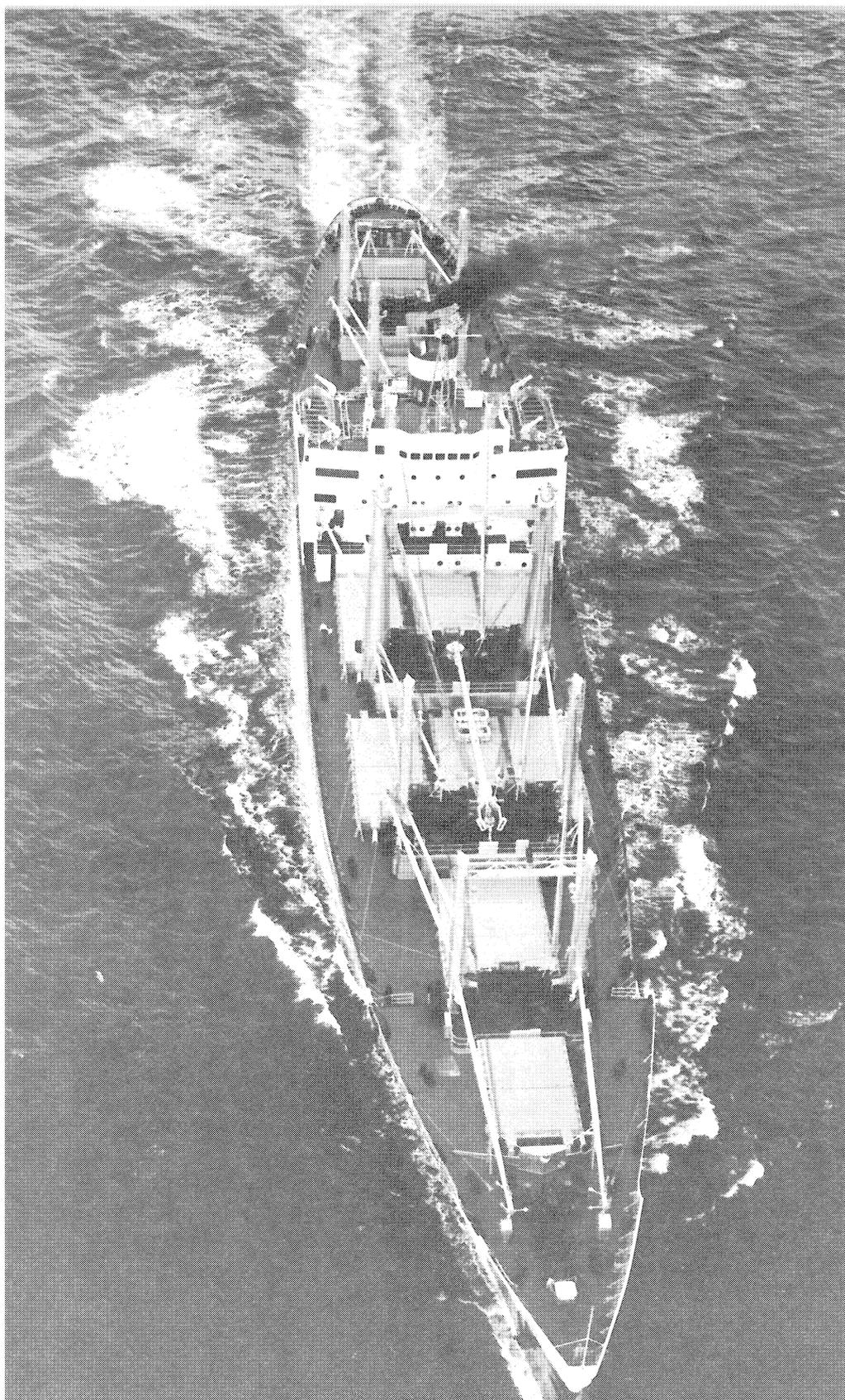
Vibration measurements on new ships were continued with the intent of establishing shipboard comfort limits for passengers and crew. During the past year noise measurements have been added and coordinated with vibration measurements. The empirical data gathered led Maritime to propose allowable noise levels to the industry.

Emphasis was continued on the application of value engineering techniques aimed at eliminating unnecessary manufacturing and fabricating costs in shipbuilding. This program is mandatory under all contracts for building ships with construction-differential subsidy and has resulted during the past year in savings of more than \$1.5 million.

In fiscal year 1964, ship deliveries were made as follows:

Table V

Owner	Status	Design	Type	No. Delivered F. Y. 1964
NEW CONSTRUCTION				
American Export Isbrandtsen Lines	Subsidized	C3-S-46b	Cargo	2
Grace Line	"	C4-S1-49a	"	2
Gulf & South American	"	C3-S-37d	"	2
Lykes Bros. Steamship Co.	"	C3-S-37b	"	1
	"	C3-S-37c	"	6
United States Lines	"	C4-S-57a	"	3
Texaco	Nonsubsidized		Tanker	2
Atlantic Refining	"		"	1
Victory Carriers	"		"	1
Coast and Geodetic Survey	Govt-owned	S1-MT-59a	Hydrographic Survey.	1
CONVERSIONS				
Moore-McCormack	Subsidized	P2-S2-9a	Passenger	1
Texaco	Nonsubsidized		Tanker	1
Marine Sulphur	"		"	1
Total				24



AMERICAN CHALLENGER:
one of the world's fastest
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OPERATIONS

Charters and General Agency Operations

At the end of the fiscal year, 19 Government-owned ships were under bareboat charter, the same number as at the close of the preceding fiscal year.

Three were war-built ships chartered under provisions of the Merchant Ship Sales Act of 1946, as amended, for use in the Alaskan service. Eight were ships traded in on construction of new ships, and were used by the former owners to maintain their services until the new ships were completed. Seven were vessels traded in on Government-owned ships under the exchange programs and were employed by the former owners until the exchange ships could be placed in service. One was a special type cable ship chartered for use in connection with the laying of undersea communication systems between California and Japan.

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

National Defense Reserve Fleets

At the end of fiscal year 1964 there were 1,739 ships in the National Defense Reserve Fleets (Appendix VIII). During the year 76 ships were received and 156 withdrawn, for a net decrease of 80.

All of the preservation work due on the 970 priority ships held for national defense was completed at the end of the year. In addition, scheduled yearly work on the 400 nonpriority Liberty ships retained as an emergency shipping reserve was 91 percent completed.

With the approval of the Secretary of the Navy, 18 C4 ships were made available for release for private use under the Ship Exchange Program. This reduced the number of priority ships from 988 to 970. There was no change in the total number of 400 Liberty ships selected for limited preservation as a shipping emergency reserve, apart from merchant ship requirements for national defense purposes.

At the beginning of the year there were 41 ships loaded with 9,329,015 bushels of storage grain at reserve fleet sites on the east and west coasts. During the year the Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture, concluded the Grain Storage Program by unloading and releasing all assigned ships.

The reserve ships were located at eight sites:

Table VI

Hudson River, N.Y.-----	186	Beaumont, Tex-----	197
James River, Va-----	349	Suisun Bay, Calif-----	320
Wilmington, N.C-----	150	Astoria, Oreg-----	140
Mobile, Ala-----	247	Olympia, Wash-----	150
		Total-----	1,739

Ship Sales and Exchanges

Scrapping of the least desirable ships in the National Defense Reserve Fleet, mostly World War II Libertys, continued. Fifty-six Liberty ships, with a collective sales price of \$2,583,866, were sold for scrap and/or for nontransportation use. The sale of these ships, with 536 sold during fiscal years 1958 through 1963, has resulted in total return to the Government of over \$38 million.

In addition, 37 surplus ships of non-Liberty type were sold for scrap for \$2,409,367. The TS *Mermaid* and SS *Barbara Frietchie*, acquired by the Government as exchange ships, were sold for scrapping abroad for \$366,499. The Liberty ship *John A. Donald* was sold for scrap for \$48,000 while on loan to the Army.

The *Gold Stream*, a jumboized tanker, was sold in January 1964 for unrestricted U.S.-flag operation. Maritime had previously sold the ship in 1948 but reacquired title on November 15, 1963, when the Red Hills Corp. defaulted on its payments of Title XI mortgage insurance which had been granted to assist in enlarging the ship.

During the year, the Maritime Administration exchanged 16 Government-owned ships for 18 privately owned war-built cargo ships. Of the ships traded out, eight were C2 cargo-type ships, seven were C4 troopships, and one was a Victory ship.

Facilities Management

The real property holdings of the Maritime Administration include reserve shipyards at Richmond, Calif., and Wilmington, N.C.; terminals at Hoboken, N.J., and Norfolk, Va.; warehouses at Kearny, N.J., Norfolk, Va., New Orleans, La., and Richmond, Calif.; reserve train-

ing stations at St. Petersburg, Fla., and the U.S. Merchant Marine Academy, Kings Point, N.Y.; and reserve fleet sites at Tompkins Cove, N.Y., Wilmington, N.C., Mobile, Ala., Lee Hall, Va., Beaumont, Tex., Suisun Bay, Calif., Astoria, Oreg., and Olympia, Wash.

The Administration continued re-evaluation of real property holdings from the standpoint of immediate future needs and maintenance cost with the following results:

1. The Baltimore warehouse, previously declared as excess for disposal by the General Services Administration, was disposed of by that agency in January 1964.
2. During September 1963, the World War II facilities contract with Bethlehem-Sparrows Point Shipyard was closed out by transferring to the shipyard title to the facilities it had maintained for 20 years.
3. The title to the warehouse property at Kearny, N.J., was acquired from Navy.
4. Leases of real property to private interests continued, resulting in rental returns for the year of \$333,981.

In addition, all maintenance of the property is performed by the tenants, which means substantial savings to the Government.

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 an annual revenue of \$379,400. Return of the equipment in satisfactory condition is the responsibility of the lessee and is assured by a performance bond. The Government reserves the option to terminate leases in 30 days in the event of an emergency.

Marine equipment on loan to steamship operators and other Government agencies outstanding at the beginning of the fiscal year was valued at \$303,867; new loans were made during the year valued at \$260,867, and equipment valued at \$260,707 was on loan at the end of the fiscal year. User charges collected from steamship operators for this equipment amounted to \$4,388.

Excess personal property having an acquisition value of \$2,719,403 was disposed of by the Administration. Included was property having an acquisition value of \$1,103,279, which was disposed of domestically by donation and transfer without exchange of funds; property having a value of \$21,731 was destroyed or abandoned; and property having an acquisition value of \$1,594,393 was sold for \$210,075.

Warehousing

With the objective of maintaining stocks of marine supplies and equipment primarily for mobilization purposes, warehouse inventories have been reduced by \$16,000,000 over the past several years, leaving equipment valued at approximately \$14,000,000, the level the Administration expects to maintain.

Ship Repair and Maintenance

During the fiscal year 24 condition surveys were made to establish outstanding defects and deficiencies on ships initially entering subsidized service and on those temporarily withdrawn and returned to subsidy operation.

In addition, 3,038 shipboard inspections were made to verify the necessity for and satisfactory completion of repairs, drydocking, and underwater work on subsidized ships. Repair summaries submitted by the subsidized operators were reviewed to determine eligibility for subsidy participation and to determine the fair and reasonable price for these repairs. These repair costs totaled \$35.4 million, of which \$1.1 million was determined ineligible for subsidy.

Approximately 1,618 other surveys, inspections, and repair cost estimates were made to assure compliance with contractual requirements on ships which were:

1. Sold for dismantling and scrapping.
2. Traded in to the Administration and returned to the former owners for operation under use agreement.
3. Redelivered from use agreement and prepared for layup.
4. Operated under preferred mortgage or Title XI mortgage insurance contracts.
5. Operated for Maritime Administration account under general agency agreement.
6. Exchanged pursuant to Public Law 86-575.
7. Operated as training ships.
8. Built with construction guarantee.
9. Damaged.
10. Mortgaged, for review of classification documents (50 reported delinquent).
11. Operated under bareboat charter.

Transfers

Applications were approved for the transfer to foreign ownership and/or registry of 519 vessels of all types owned by U.S. citizens (Appendix IX). Of the 519, 450 were for vessels of under 1,000 gross tons. The total number of approvals decreased by 587 from the total approved in fiscal 1963. This decrease was due primarily to a new regulation affecting small craft which became effective on November 15, 1963. The regulation removed the requirement for approval by the Maritime Administration for transfer of undocumented pleasure or commercial craft of 65 feet or less, of 600 horsepower or less, and of less than 45 displacement tons, with certain exceptions.

Despite the overall decrease in approvals, there was an increase from 54 to 69 in ships of 1,000 tons and over. Included in these 69 ships, which had an average age of 29.5 years, were 20 tankers, 36 dry cargo ships, one passenger ship, and 12 miscellaneous types (schooners, barges, etc.). Fifteen of the ships were Great Lakes ves-

sels transferred either for scrap or for continued operation under foreign flag on the Great Lakes. Fourteen were sold for scrapping in foreign areas.

The passenger ship SS *Lurline* was conditionally approved for transfer to Greek ownership and registry. One of the conditions of the approval was that the ship should not trade with U.S. ports for a period of 5 years, except for a 60-day period between June 1 and October 1 each year, when she may make cruise voyages from U.S. ports.

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

1. The transfer to other foreign ownership and flag of 27 ships, and the transfer to U.S. ownership of 7 ships, without change in registry and flag.
2. The sale of 26 ships from one alien to another without transfer of flag.
3. The sale of 12 ships by aliens for scrapping in foreign countries.
4. The transfer of stock ownership in 14 ships between aliens.



*Tens of thousands
work in the maritime
industry.*

MANPOWER

Labor Relations

Maritime assisted other Government agencies, industry groups, and labor organizations in establishing basic elements for achieving relatively stable labor relations throughout the shipping industry.

An analysis of the seagoing work force for the year ending March 31, 1963, was completed during the year from Coast Guard records. Data from records of certain maritime unions were correlated with the basic analyses. These data may provide forecasts of labor prospects and requirements.

Employment Data

Jobs aboard privately owned or operated oceangoing ships averaged 47,500 per month during fiscal 1964. This average is an increase of 600 jobs over the 1963 monthly average.

Employment in commercial shipyards with facilities to construct oceangoing ships averaged 45,900 production jobs per month during fiscal 1964. This average was 4,200 jobs below the 1963 average.

The longshore labor force in Atlantic, Gulf, and Pacific coast ports generally followed the estimated normal employment pattern of about 70,000 men, although more than 88,000 men are reported generally available for work. Approximately 18,000 are classified as casual labor.

U.S. Merchant Marine Academy

The U.S. Merchant Marine Academy at Kings Point, N.Y., had in training during fiscal year 1964 an average of 927 cadets. Of these, 191 graduated during the year. Ninety graduates received U.S. Merchant Marine officer licenses, issued by the U.S. Coast Guard, as third mates. Third-assistant engineer licenses were issued to 101 graduates.

All received bachelor of science degrees and, if qualified, U. S. Naval Reserve commissions as ensigns.

There were about 2,700 candidates competing for 313 vacancies in the class entering in 1964.

The Advisory Board to the Academy met on June 10, 1964. Its report of the meeting was to be issued after the close of the fiscal year. The Congressional Board of Visitors for the Academy did not meet during the fiscal year, but planned to meet before the end of calendar year 1964.

A comprehensive review and revision of the curriculum for cadet training was initiated which was expected to be completed early in fiscal 1965. The new curriculum will be effective at the beginning of the 1965 academic year. A new faculty pay plan, embodying modern concepts in collegiate salary administration, was adopted and put into effect.

State Maritime Academies

The State Maritime Academies at Vallejo, Calif.; Castine, Maine; Buzzards Bay, Mass.; Galveston, Tex.; and the New York State Maritime College at Fort Schuyler, N.Y., had a combined average enrollment of 1,400 cadets for fiscal 1964. Approximately 1,360 cadets received Government allowances of \$600 each for uniforms, textbooks, and subsistence. Each school received an annual Federal assistance payment of \$75,000 for its maintenance and support. The State academies graduated 358 students. Of these, 167 received Coast Guard licenses as third mates and 191 as third assistant engineers. All who qualified received commissions as ensigns in the U.S. Naval Reserve. In addition, the 131 graduates of the New York Maritime College received bachelor of science degrees.

In the fall of 1963 the Texas Maritime Academy transferred its cadet training from the campus of Texas A. & M. University at College Station to permanent academy facilities in Galveston, Tex. Plans call for a 4-year course and a maximum capacity of 200 students, with 50 students being added each year. It is expected that a training vessel will be assigned to the Texas Academy during fiscal 1965.

Other Training

The Maritime radar observer training program was continued in New York, New Orleans, and San Francisco. Since the program began in November 1957, 8,585 certificates of successful course completion have been issued to seagoing personnel. The courses cover radar fundamentals, operation, and use; and interpretation and analysis of radar information.

Training of licensed U.S. merchant marine officers in protection against atomic, biological, and chemical warfare, defense firefighting, and damage control was also continued. This training, supported jointly by the Maritime Administration and the Military Sea Transportation Service, is given at San Francisco.

Foreign Training

The Maritime Administration continued to work closely with the State Department in providing instruction programs for foreign nationals in this country as United Nations fellows, trainees, and participants in the State Department technical fellowship programs. During the year there were 31 foreign nationals from 8 countries under technical guidance in these programs.

Seamen Awards

During the fiscal year Merchant Marine Meritorious Service Medals were awarded for acts of heroism to the master and 11 crewmembers of the SS *Philippine Mail*. The ship was also given the Gallant Ship Award, and 60 members of the crew were awarded Gallant Ship Unit Citations.



*The Administrator
shows program
charts to trainees.*

ADMINISTRATION

Program Planning

Maritime this year continued to study the overall, long-range objectives for the U.S. Merchant Marine and to work on the development of plans and policies to bring about those goals. Attention has been focused on such questions as the future of subsidized passenger-ship operations; the proper balance between general cargo, dry bulk cargo, and tanker vessels; and the investigation of alternatives to the present operating-differential subsidy that might provide more incentive for an industry effort to reduce the cost disparity between United States and foreign operations. Studies were made of U.S. foreign trade projections and the capability of U.S. ships to participate under various program assumptions.

Internal Management

Actions to improve efficiency, economy, and effectiveness of operations were continued throughout the year. Modified ship inventory procedures were instituted, resulting in the elimination of 13 positions. Studies were made of paperwork improvement, including reporting requirements. Management surveys of the ship repair and maintenance functions and the facilities management function were undertaken, with significant improvements expected. Development of an improved system of management communications was undertaken to provide more effective tools for the planning, direction, and control of the Agency's programs. A preliminary cost-finding system for two major programs was also developed and tested. This system is designed to determine the cost of each Agency program, for management control and budgetary planning purposes.

Internal Audits

Internal audits were conducted and reports issued on the administration of the Federal Ship Mortgage Insurance Fund, selected operating-differential subsidy rate determinations, and on the accounting and fiscal operations of the Pacific coast and Gulf coast district offices.

General Accounting Office Audits

During the past year the General Accounting Office reported informally on four Maritime operations. Minor deficiencies were pointed out at the San Francisco and New Orleans District Offices; these were acknowledged and corrected. The New York District Office's administrative procedures and internal controls were found to be generally satisfactory. The fourth report recommended changes in the arrangements made for renting quarters to academy administrative staff at the U.S. Merchant Marine Academy. This matter was still being discussed with the Bureau of the Budget.

Personnel

After Maritime Administrator Donald W. Alexander resigned on October 31, 1963, the Secretary of Commerce designated Robert E. Giles, General Counsel for the Department of Commerce, as Acting Maritime Administrator effective November 1, 1963, pending a Presidential appointment to the post. The President's appointee, Nicholas Johnson, took the oath of office as Maritime Administrator in White House ceremonies on March 2, 1964.

Employment Reductions

During the fiscal year total employment of Maritime Administration personnel decreased by 148 positions, from 2,544 to 2,396.

Employee Development

Training and development programs for employees continued during the year. Employees participated in 551 lectures, seminars, symposiums, training sessions, and professional society meetings. These development programs involved 4,223 man-hours and approximately \$3,500 for tuition, registration fees, and miscellaneous costs. Three employees enrolled in the Naval Architect-Marine Engineer Training Program earned their master's degrees after a year in graduate schools at Maritime expense.

Employee Organizations

The American Federation of Government Employees, Lodge Number 2309, was recognized at the Olympia Reserve Fleet in September 1963, the third employee organization in the Maritime Administration to come under the new program for Employee Management Cooperation in the Federal Service.

The first labor-management agreement completed by Maritime under this program for federal employees was signed at the Suisun Bay Reserve Fleet on April 30, 1964.

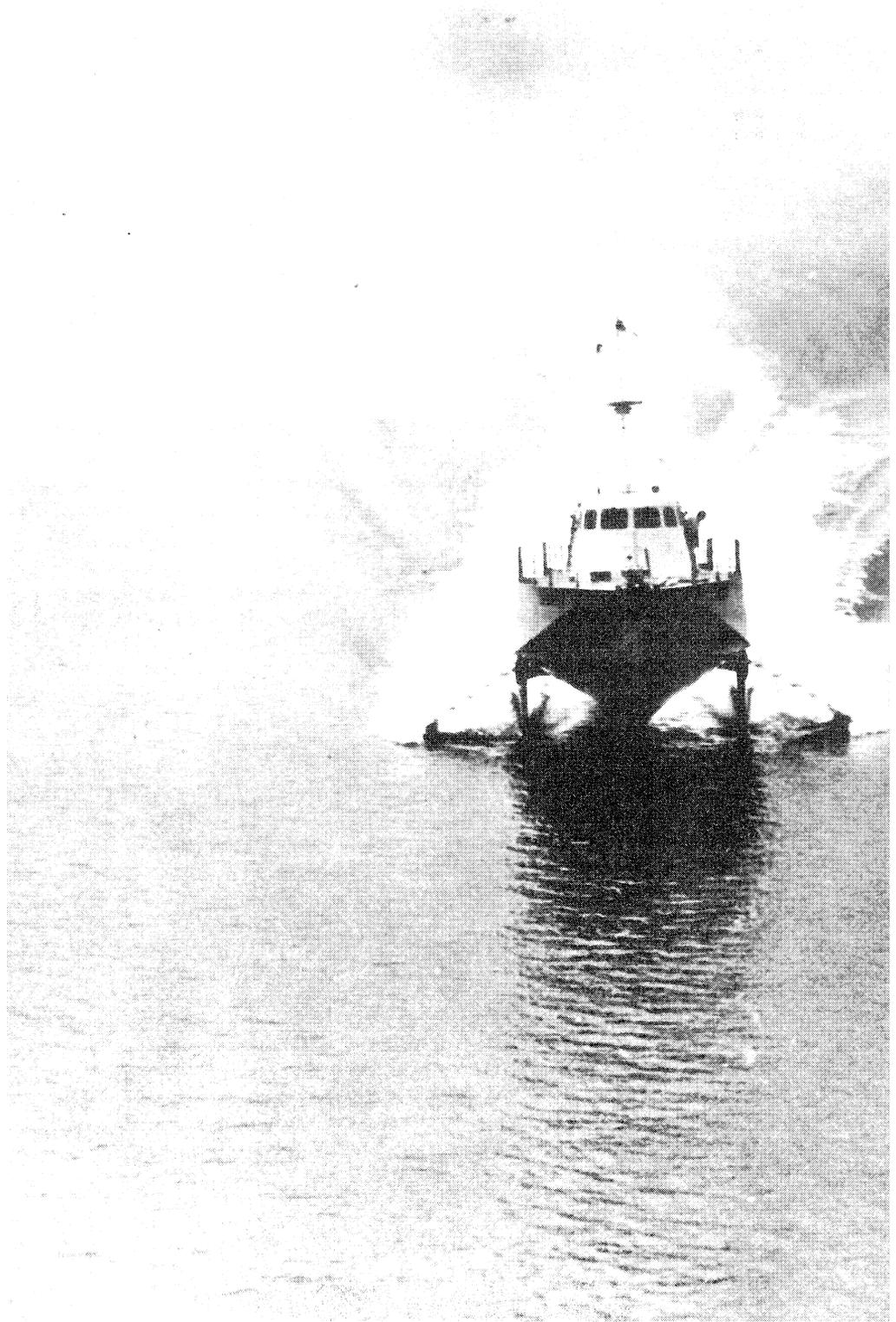
Emergency Readiness

Plans for the assumption of emergency responsibilities for operation and control of U.S. merchant shipping and utilization of American ports were improved during the year. Emergency communications systems, relocation facilities, and the administrative capability for directing and carrying out wartime functions were strengthened.

Recruitment for the National Defense Executive Reserve continued. Emphasis was placed on filling vacancies abroad and in U.S. seaports. A new handbook, "Manual for Federal Port Controllers," was distributed to members of the National Defense Executive Reserve port units, local port officials, and Federal agencies. In addition, reservists were furnished other material to keep them abreast of emergency policy and plans. About 300 designations have been made or committed.

Further progress was made in the port emergency program. With technical help from Maritime, the port industry is engaged in a voluntary program of developing individual emergency operating plans for ocean ports in the United States, Puerto Rico, and the Virgin Islands. The aim is to improve the readiness of this element of the national transportation system to operate in support of national defense.

The Maritime Administration also participated in the interagency Industrial Readiness Program, which is designed to assure, through agreements with private manufacturers, the immediate availability or ready manufacture of essential marine components in an emergency.



Commercial insurance covered the Government's experimental hydrofoil.

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. The financial position of the Maritime Administration on June 30, 1964, 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 51 general agents originally appointed to operate ships for the account of the National Shipping Authority, Maritime Administration, only one, Pacific Far East Line, Inc., was active on June 30, 1964, and the accounts of 42 had been closed. On June 30, 1964, American Export Isbrandtsen Lines, Inc., was serving as agent in connection with the operations of the NS *Savannah*.

Of the \$10,420,473 of notes and accounts receivable on June 30, 1964, \$10,171,973 consisted of amounts of additional charter hire collectible only upon submission and approval of final accountings, accrued ship construction costs awaiting settlement upon completion of construction, accounts referred to the Department of Justice for collection or litigation, amounts on the nine not-yet-closed-out accounts of National Shipping Authority agents, and amounts represented by notes and formal agreements accepted in place of open-account indebtedness. Of the \$7,820,712 billings made during the fiscal year to other than Government agencies, only \$118,266, or about 1.5 percent, was outstanding at the end of the year.

Audits

Audits under operating-differential subsidy contracts comprise reviews of annual subsidy accountings, certified by independent public

accountants, to permit payments to the operators of the final 5 percent of accrued operating-differential subsidy, and audits of expenses eligible for subsidy to permit payments up to 95 percent of the accrued operating-differential subsidy for such expenses.

During the fiscal year, audits to permit final payments were completed for eight operators covering the period from 1956 through 1961. Audits of expenses eligible for subsidy of the 15 subsidized operators were completed through calendar 1962, except that wage expenses of 9 of the subsidized operators were audited through the calendar year 1963 and protection and indemnity insurance expenses generally through calendar year 1960.

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

Audits completed during the fiscal year resulted in reduced billings of about \$821,000 to the Government.

As of June 30, 1964, capital reserve funds of subsidized operators totaled \$89,119,040 and special reserve funds \$130,503,124, as shown in Appendix X. This compared with the capital reserve funds amounting to \$96,825,244 and special reserve funds of \$120,378,933 at the end of the 1963 fiscal year.

Title XII Insurance

War risk, and certain marine and liability insurance programs authorized by Title XII, Merchant Marine Act, 1936, as amended, were continued during the fiscal year. The title expires September 7, 1965, unless extended.

Outstanding war-risk insurance binders, providing coverage to ship-owners during the interim between the time commercial war-risk insurance ceases to provide adequate coverage until 30 days after the outbreak of war involving the major powers, were extended twice for 6-month periods to midnight December 7, 1964. The extensions were made to allow the Maritime Administration time in which to complete its review of the war-risk insurance program.

Binders outstanding on June 30, 1964, were 1,377 for war-risk hull insurance; 1,233 for war-risk protection and indemnity insurance, and 1,051 for war-risk insurance of crew life and personal effects. From the inception of the binder program in 1952 to June 30, 1964, binder fees totaled \$745,588, and expenses totaled \$374,350, of which \$269,207 was paid to the underwriting agent appointed by the Maritime Administration to process the binders.

War risk builder's risk insurance for the prelaunching construction period has been written on 132 ships from the inception of the program in 1953 through June 30, 1964. Premiums total \$2,840,297. On October 24, 1962, war risk builder's risk insurance for the postlaunching construction period was authorized for the first time on the

Maritime Administrator's previous finding that this insurance was unobtainable from commercial underwriters because their policies contained a clause providing for automatic termination in the event of hostilities. From October 1962 through June 1964, 25 policies were issued, each with a service fee of \$75 and each subject to premium assessment as and when determined by the Marine Administrator.

A standby war-risk cargo insurance program was continued, to become effective when the Maritime Administrator finds that insurance adequate for the needs of U.S. waterborne commerce cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a state of the United States. Commercial underwriting agents will be employed to write the insurance. On June 30, 1964, 37 underwriting agents were under contract.

Second seamen's war-risk insurance, written at the request of the Navy, without premium but on a reimbursable basis, remained in effect during the fiscal year on 20 Navy contract-operated tankers. On June 30, 1964, after 10½ years of the arrangement, claim payments totaled \$100,440, and \$25,300 had been set aside as a reserve for pending claims. Net premium saving to the Navy is estimated at \$54,000. The Navy is expected to request second seamen's war-risk insurance on the same basis to cover the crews of ships used to support Department of Defense and National Aeronautics and Space Administration test programs.

Under Public Law 87-743, approved October 3, 1962, money in the war-risk insurance revolving fund may be invested in securities of the United States or in securities on which the United States guarantees principal and interest. The first investment was made on October 29, 1962. Interest earned to June 30, 1964, totaled \$187,980.

Other Insurance Activities

Maritime continued to self-insure Government-owned ships, with the following exceptions: Commercial marine hull and protection and indemnity insurance was purchased on the HS *Denison* because of the highly experimental nature of the craft and in order to continue to establish a market for such insurance. On ships operated by general agents of the Maritime Administration, including the NS *Savannah*, marine protection and indemnity insurance was purchased to take advantage of the worldwide claims settling services of commercial underwriters.

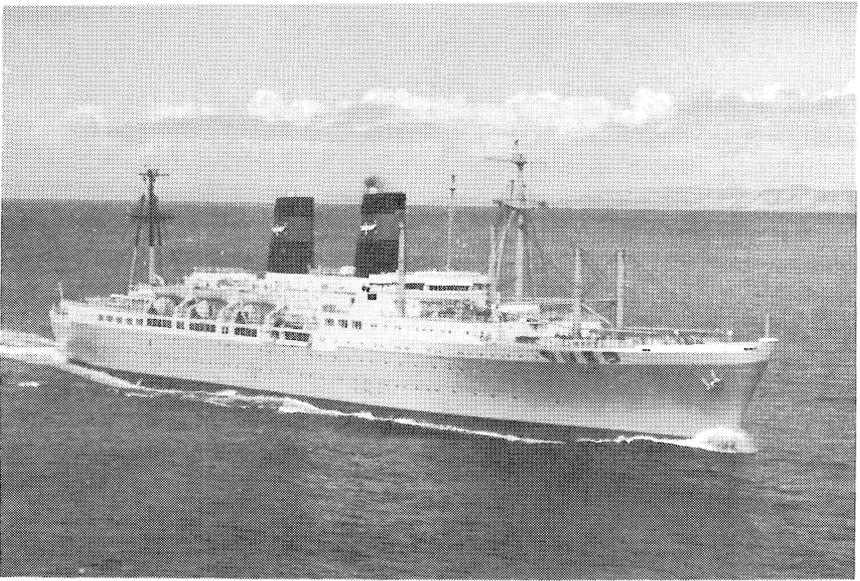
As a basis of final settlement with commercial underwriters under various wartime protection and indemnity insurance agreements, the Maritime Administration requested the underwriters to submit a complete accounting of all money received from the investment of funds which the Government made available to them under the agreements. The underwriters objected to making the accounting. The matter was then referred to the Comptroller General, who, although concluding that there was no legal basis for demanding the accounting, suggested that, because of the substantial amount involved, the views of the Attorney General be obtained.

Mortgagee insurance providing coverage when marine insurance policies are invalidated was renewed on April 1, 1964, on ships owned by unsubsidized operators who had mortgages insured under Title XI. As in the previous policy year, half of the insurance was placed in the American market. The mortgagor pays for this insurance.

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

Table VII

Kind of insurance	Total amount	Percentage American	Percentage foreign
Marine hull.....	\$1, 875, 658, 208	54	46
Marine protection and indemnity.....	1, 720, 768, 185	52	48
War-risk hull.....	2, 546, 669, 861	2	98
War-risk protection and indemnity.....	2, 287, 336, 204	2	98



Maritime helps settle disputes involving ships.

LITIGATION

Charters

During the year, suits under charter provisions of the Merchant Ship Sales Act of 1946, as amended, were the major litigation activity. The last of the libels against the Government which concerned re-activation expenses under bareboat charters of 1956-57 ended with a settlement in which the Government was paid \$99,289.57, plus interest of \$2,970.52.

A decision by the United States Supreme Court in the Eastern Gas and Fuel Association case (377 U.S. 235) upheld the right of the Government (1) to impose upon and collect from the charterer under section 5(b) of the Merchant Ship Sales Act of 1946 a sliding scale of additional charter hire (based on profits) ranging from 50 to 90 percent, as called for by the charter hire contract, and (2) to require the charterer, under the so-called Foreign Trade Addendum, to separately compute additional charter hire for voyages commencing before and after September 1, 1947, so that any charterer enjoying profits prior to the accounting cutoff date and suffering losses for its post-August voyages would pay the Government a greater amount of additional charter hire than would have been the case had all of 1947 been treated as a unit for accounting purposes. The Government was awarded \$64,000 for additional charter hire and \$8,234.67 in interest.

Based upon the above decision, the U.S. Court of Appeals, Second Circuit, awarded the Government \$17,777.68 plus \$1,244.44 interest in its libel against the Eastport Steamship Corp.

Other District Court cases still pending dealt with the issues of sliding scale and Foreign Trade Addendum cutoff, and the issue of cumulation, which involves the right of a charterer to combine its profits in one year with losses in later years.

Two new cross libels against the Government involving additional charter hire were filed, and at the end of the fiscal year there were pending in the field of charter litigation, under the Merchant Marine Act, 1936, and Merchant Ship Sales Act of 1946, 37 libels against the Government for a claimed total of \$14,369,304.96 and 41 libels by the Government for a claimed total of \$6,723,040.53. There was also pending a libel by the Government for \$155,258.88 against Compania Maritima, Inc., on a charter under the Philippine Rehabilitation Act of 1946.

Section 9 Cases

The final suit in the Court of Claims against the United States involving validity of Section 9 agreements covering adjustments under the 1946 Merchant Ship Sales Act for prior sales, was concluded by stipulated judgment. The Government paid Farrell Lines, Inc., \$65,000 in a negotiated settlement of the company's claims for \$270,359.35 and the Government's claims for \$111,495.18.

Despite previous findings for plaintiffs in some tax cases against the United States concerning Section 9 settlements, the U.S. Circuit Court of Appeals decided for the Government in suits filed by National Bulk Carriers, Inc., and Waterman Steamship Corp., on the same issue. National had claimed \$311,086.22 and Waterman had asked for \$2,811,773.29. However, in the same cases, the Court found against the Government on its counterclaim that the Section 9 settlements were invalid because, in calculating the original purchase price, interest was included which had been paid by the lines on progress payments advanced to shipyards by the Government.

In the suit brought against the Government by Moore-McCormack Lines, Inc., claiming \$34,406.12, on the same tax question under a Section 9 agreement, the United States filed a counterclaim for \$236,779.52 for overpayment of the Section 9 settlement. The Government claims error in excess tax credits under section 9(b)(8) of the 1946 Act retroactively as of March 8, 1946, the effective date of the 1946 Act, on ships with no mortgage outstanding at that time.

Delta Steamship Lines, Inc., filed a suit in the Court of Claims asking \$1,416,787.87 for refund of subsidy recapture, on the ground that computations should be based upon Section 9 adjustment figures, rather than upon the statutory sales price under the 1946 act. An earlier district court suit by Delta on the same dispute was pending at the end of the year.

Foreclosures

Court-ordered sales of the SS *Titan* and SS *Gold Stream* to the Maritime Administration, highest bidder, concluded the first phase of the Government's still pending libel actions to foreclose preferred mortgages held by Maritime on the vessels.

Foreclosure proceedings on the SS *Audrey II* were ended with partial recovery by the Government of \$389,241.72 on its claims totaling \$680,287.25. A mortgage default on the SS *Nicolaos C. Kulukundis* was cured by full payment of \$45,750.02. In connection with the deficiency judgment on the SS *John B. Kulukundis*, the Maritime Administration's claims against the insurance broker for insurance proceeds which had been collected were compromised and settled for \$47,302.34.

A suit was pending by the Government against Manuel E. Kulukundis and others for money judgment and injunctive relief on claims concerning transactions involving Title XI financing of the SS *Titan*, SS *Achilles*, and SS *Atlas*.

The Government is also concerned in the pending Kulukundis reorganization proceedings, under Chapter X of the Bankruptcy Act, in which Maritime has a claim for additional charter hire, and contingent claims of approximately \$4 million based upon guarantees by three of the eight debtor corporations to three Kulukundis corporations which are not involved in the reorganization, but which have Title XI contracts involving these three vessels.

Other Actions

During the fiscal year a number of actions in favor of and against the Government were disposed of by suit, settlement and compromise. At the end of the year there were pending among other cases:

1. A suit by the Government against the Commonwealth of Pennsylvania for \$500,084.21, charging failure to use donated property for the purpose intended.
2. A suit against the Government by Farrell Marine Devices, Inc., for \$200,000 for alleged patent infringement.
3. A suit by Eastport Steamship Corp. for \$293,950 against the Government claiming invalidity of conditions imposed on permission to transfer a ship to foreign registry.
4. A suit against the Government by Pacific Far East Line, Inc., claiming \$1,762,400 for refund of subsidy recapture, and involving the propriety of accounting methods used by the Maritime Administration in determining the effect on the company's net profits of the results of certain unsubsidized voyages.
5. A suit by Puget Sound Bridge & Drydock Co. against the American President Lines and the United States, asking \$4,717,090.89 on alleged ground of nonpayment of work done in compliance with change orders, and involving the reconstruction and reconditioning of the SS *President Roosevelt*.

Suits in Admiralty Act

Claims settled under the Suits in Admiralty Act: of four libels against the Government involving grain-storage ships, claiming a total of \$241,000, two were settled for a total of \$600, one was decided in favor of libelant for \$18,935.73, and one was dismissed. Of 12 seamen's protection and indemnity injury libels, commercially insured by the Government, 3 claiming \$160,000 were settled for \$4,250, 1 claiming \$100,000 was decided in favor of the Government, 4 claiming \$93,320 were dismissed, and of 4 involving the NS *Savannah*, claiming \$127,975, 3 were settled for \$3,400 and 1 dismissed. Of seven longshoremen's protection and indemnity injury libels, commercially insured by the Government, claiming \$645,000, one was dismissed, and six were settled for \$95,158.12, of which \$37,379.13 was paid by impleaded contractors and the balance by insurance coverage. Of two longshoremen's personal injury libels, one was compromised and one dismissed. Of three collision libels, one claiming \$1,500,000 against the Government, with a cross libel by the Government for \$1 million, was decided against the Government for \$47,806.13; one by the Government for \$14,848.10 was settled by payment of \$10,840 and dismissal of a cross libel; and one by the Government for \$10,000 was compromised by payment of \$6,337.80. Two cargo damage actions against the Government instituted abroad were dismissed.

Nonlitigated Claims

Nonlitigated claims settled in accordance with authority granted by the Suits in Admiralty Act were: Six personal injury-illness-death claims, two cargo claims, and one dock damage claim made against the Government in connection with the NS *Savannah* operations. Total amount claimed approximated \$4,100, and the amount paid, \$3,699.50. Thirty similar claims were made involving National Shipping Authority operations. Approximately \$96,000 was claimed, and settlements totaled \$35,122.97, of which \$23,068.21 was recovered from commercial underwriters or other third parties.



Hearings are often part of Subsidy Board proceedings.

MARITIME SUBSIDY BOARD

Organization and Functions

The Maritime Subsidy Board is composed of three members: the Maritime Administrator, the Deputy Maritime Administrator, and the General Counsel. The Comptroller serves as an alternate. The Board performs the functions and exercises the authorities vested in the Secretary of Commerce with respect to awarding, amending, and terminating operating and construction-differential subsidy contracts; conducting hearings and making determinations; investigating the relative cost of shipbuilding in the United States and abroad and operating ships under U.S. and competitive foreign flags; and related functions under the Merchant Marine Act, 1936, as amended, and 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.

During fiscal year 1964 the Maritime Subsidy Board held 101 meetings, at which 542 actions were taken.

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

- (1) On the application by States Steamship Co. to call at Hawaii 26 times a year in each direction. The Board, in an opinion served November 27, 1963, granted, over the objection of

Matson Navigation Co., the application under certain conditions. Upon petition of Matson Navigation Co. for review, the Secretary of Commerce took the case under review, and on April 23, 1964, reversed the Board decision (Docket S-121).

- (2) In an opinion served October 31, 1963, the Board found in favor of granting an application filed by American Export Isbrandtsen Lines, Inc., for operation of a northbound break-bulk general cargo and passenger service between Puerto Rico and the ports of Baltimore, Philadelphia, and New York using vessels operating in its round-the-world (eastbound) subsidized service. Alcoa Steamship Co., Inc., filed appeal for review and reversal of the Board's opinion. On May 1, 1964, the Secretary of Commerce reversed that portion of the Board's opinion relating to cargo service, while letting the passenger service stand (Docket S-141).
- (3) On April 23, 1964, the Board tentatively denied the application of Moore-McCormack Lines, Inc., for permission to reorganize its corporate structure and diversify its activities, on the basis that the proposal for reorganization and change in corporate structure involved a policy matter of the highest order which would require considerable time and study to resolve. On April 30, 1964, Moore-McCormack petitioned the Secretary of Commerce to find that the reasons for lack of action by the Board were unfounded, to give the Board the policy guide lines which were needed, and to approve the request of the application. This matter was taken under review by the Secretary of Commerce and was still pending at the end of the fiscal year.

Proceedings Before Hearing Examiners

At the beginning of fiscal year 1964, there were four proceedings pending before the Administration's hearing examiners for which hearings had been held but the initial decision had not yet been rendered. During the year, eight hearings were completed and eight initial decisions were rendered, leaving four decisions pending at the close of fiscal year 1964 for which hearings had been completed but initial decisions not issued and seven proceedings pending hearing.

Of these, three cases involved statutory proceedings under Section 605(c) of the Merchant Marine Act, 1936, as amended, which requires that before operating subsidy may be paid on a route already served by a U.S. operator, hearings must be held and a determination made that the existing service is inadequate and that the subsidy is necessary to provide adequate service.

- (1) Application of Pacific Far East Line, Inc., for amendment of its operating-differential subsidy agreement to increase the sailings and number of vessels in its transpacific freight service on Trade Route 29. The application was contested by Waterman Steamship Corp. and States Steamship Co. States later withdrew. The examiner ruled that certain financial information relating to U.S.-flag lines on Trade Route 29, including subsidy allowances, if any, was relevant and material and not entitled to confidential treatment. An estimate of the probable operating-differential subsidy involved in the application was in the initial decision recommending the application be granted. The Board affirmed the result but reserved judgment on the issue of confidentiality and propriety of estimated subsidy. (Docket S-144).
- (2) Application by Prudential Lines, Inc., for amendment of its operating-differential subsidy agreement to permit additional sailings on Trade Route 10 (U.S. North Atlantic/Mediterranean). The hearing examiner found U.S.-flag service on Trade Route 10 inadequate and that approval of the application would be generally beneficial. The Board affirmed the findings in an opinion served May 12, 1964 (Docket S-159).
- (3) An application by United States Lines Co. for amendment of its operating-differential subsidy contract to increase the number of sailings on its subsidized freight service on Trade Route 12 (U.S. Atlantic/Far East service). American President Lines, Ltd., American Export Isbrandtsen Lines, Inc., and Waterman Steamship Corp. intervened, and subsequently the latter two carriers filed competitive applications which were consolidated with the U.S.L. application. In the initial decision substantially recommending approval of all three applications, the hearing examiner adopted as his definition of adequacy of service "a United States Merchant Marine service of the highest percentage practically attainable." No particular arithmetical figure was to be the determinant, although the 50 percent figure was to be a general guideline. An appeal of the initial decision filed by United States Lines Company was pending at the close of the fiscal year (Docket S-147 et al.).

There were four proceedings involving section 805(a) of the Merchant Marine Act, 1936, which requires written permission of the Maritime Administration for subsidized carriers to engage in domestic coastwise and intercoastal service.

- (1) Applications filed by subsidized carriers Grace Line and American Export Isbrandtsen Lines, Inc., to enter the

domestic trade between North Atlantic ports and Puerto Rico were consolidated and heard together. Intervenor in opposition were Sea-Land Service, Inc., Seatrain Lines, Inc., Alcoa Steamship Co., Inc., and American Union Transport, Inc., all nonsubsidized domestic competitive carriers. Grace Line desired primarily to operate two C3 containerships on a maximum of 53 sailings yearly between New York and Puerto Rico as part of its New York-Venezuela service. In addition, it proposed 53 maximum sailings of C2-type combination passenger/cargo sailings, as well as certain other passenger service.

American Export Isbrandtsen Lines, Inc., desired to extend its eastbound round-the-world-service northbound only from ports in Puerto Rico to U.S. North Atlantic ports without restrictions as to passengers or commodities. In his initial decision, the Chief Hearing Examiner found that no unfair competition would be caused by virtue of the proposed Grace Line service, but that both applicants' cargo service would be prejudicial to the objectives and policy of the act. The applications were denied, with the exception of the proposed passenger services which are noncompetitive.

The decision also held that section 805(a) permission is required for subsidized voyages in foreign trade which stop at an island possession or Territory of the United States en route, even though such voyages are subject to the provisions of sections 506 and 605(a) of the act, which require payback of operating and construction subsidies by subsidized carriers for any part of their operation which is in domestic coastwise and intercoastal trade.

The Board affirmed each of these conclusions, with the exception of the American Export Isbrandtsen Lines, Inc., application, which it found would not be prejudicial to the objects and policy of the act. The Secretary of Commerce subsequently denied the American Export Isbrandtsen Lines, Inc., application (Docket S-140 et al.).

- (2) Moore-McCormack Lines, Inc., sought permission for its vessel, SS *Robin Kirk*, to load lumber and lumber products at certain U.S. North Pacific ports for one eastbound intercoastal voyage, discharging at certain U.S. Atlantic ports. The SS *Robin Kirk* was then under time charter to States Marine Lines, Inc. No party appeared in opposition, and the Hearing Examiner approved the application, which was affirmed by the Board (Docket S-162).
- (3) Moore-McCormack Lines, Inc., sought approval for its vessel the SS *Mormacguide*, under time charter to States Marine Lines, Inc., to load lumber and lumber products at certain

U.S. North Pacific ports. On a record similar to that established in the SS *Robin Kirk* case the application was granted and the Board affirmed (Docket S-163).

- (4) American President Lines, Ltd., requested written permission to carry passengers and their baggage between Port Everglades, Fla., and ports in California and Hawaii in the combination vessels SS *President Polk* and SS *President Monroe*. Sea-Land Service, Inc., a domestic intercoastal cargo carrier, sought to intervene as a party in interest, but it was concluded that Sea-Land's interest was too remote, and the application was granted. The Board affirmed (Docket S-149).

In a contract appeal by American President Lines, Ltd., against Bethlehem Steel Co., from a decision of the Chief, Office of Ship Construction, relating to claimed liquidated damages of \$530,000 for alleged delay in the construction of the SS *President Tyler* and the SS *President Lincoln*, the Hearing Examiner found that the owner had contributed substantially to the delay. The decision affirmed the conclusion of the Contracting Officer. An appeal was taken by American President Lines, Ltd., which was pending before the Board (Docket CA-2).

At the close of fiscal year 1964 there were four section 605(c) cases, one section 805(a) case, and five contract appeal cases pending. In addition, there was one proceeding involving a disagreement between American President Lines, Ltd., and the Division of Operating Costs, Office of Government Aid, over the proper amount of operating subsidy earned by its combination vessels during the year 1960 arising under section 606(1) of the act, which requires that such disputes be resolved by a Subsidy Board determination of facts and readjustment of subsidy payments after a hearing.



NS SAVANNAH
at start of first
trip to Europe.

INTERNATIONAL AFFAIRS

The Maritime Administrator was chairman of the 16th meeting of the NATO Planning Board for Ocean Shipping held in Washington during April. Continued coordination of planning with NATO naval commands and other NATO planning boards was discussed and developed.

The Maritime Administration participated in the 8th, 9th, and 10th sessions of the Council of the Inter-Governmental Maritime Consultative Organization (IMCO) held in London during 1963; at IMCO's third Assembly in London in October 1963; and at the 11th IMCO council session in May 1964. The council, composed of 16 member governments representing the assembly, approved reports of the Maritime Safety Committee and reviewed other work programs undertaken by IMCO. These included facilitation of travel and transport, tonnage measurement, prevention of pollution of the seas by oil, revision of the International Signal Code, and overall administration.

A Maritime Administration representative headed the U.S. delegation to the Economic Commission for Europe's Committee on the Development of Trade, Working Party on Simplification and Standardization of Export Documents, which met in Geneva in October 1963 to work toward international agreement.

Representing the United States, the Maritime Administration was given the chairmanship of the subcommittee dealing with ports and cargo handling of the Permanent Technical Committee on Ports of the Organization of American States. This subcommittee is charged

with implementing the resolutions adopted by the Inter-American Port and Harbor Conference. Information is being accumulated on improvement of ports, status of container operations, and on cargo loss prevention measures. The Administration was represented at the June 1964 annual meeting of the Permanent International Association of Navigation Congresses which met in Basel, Switzerland.

The Administration also was represented at meetings of Technical Committee 104 of the International Organization for Standards held in Paris in December 1963 and in Hamburg during June 1964, which resulted in agreement on standard dimensions for freight containers in international exchange. Problems of international exchange of containers were discussed at the December 1963 meeting in Geneva of the Working Party on Combined Transport of the Inland Transport Committee for the Economic Commission for Europe, which a Maritime Administration representative attended.

The Maritime Administration gave technical guidance to the reorganization of the Indonesian Merchant Marine Academy, at the request of the Agency for International Development, accomplishing several objectives during the year. The project is expected to be completed by late June 1965.

Maritime also provided U.S. representation at the June 1964 meeting of the International Electrotechnical Commission, in Elsinore, Denmark. Proposed amendments to the 1960 Safety of Life at Sea Convention covering electrical installations in ships received particular attention.

During fiscal year 1964 the Maritime Administration continued to cooperate with other Government agencies in developing programs designed to discourage trade with Cuba by free-world shipping. Detailed studies of particular aspects of such shipping to Cuba were prepared and made available for conferences of Government officials concerned with Cuban shipping problems.

Since February 5, 1963, American policy has been that no Government-financed cargoes shall be shipped from the United States on ships engaged in the Cuban trade. The Maritime Administration is charged with the responsibility of collecting and publishing information on ships engaged in this trade, for the use of the Government agencies and ship operators concerned.

In fiscal year 1964, about 390 voyages to Cuba were made by ships registered under various flags of the free world. During the same period, 34 ships previously engaged in the Cuban trade were removed from the list of those ineligible to carry Government cargoes from the United States, after satisfactory assurance had been received from their owners that they had been withdrawn from Cuban trade, and that a total of 316 other ships under the control of their owners would stay out of the Cuban trade or would withdraw from such trade at the earliest opportunity consistent with contractual obligations entered into before December 16, 1963.

Shipping Studies and Reports

Special shipping studies published during the year include:

1. "Subsidies To Shipping by Eleven Countries", Paper No. 6 in the Economic Policies and Practices Series of the Joint Economic Committee of Congress; 27 pages; 15c, GPO.
2. "Contribution of Federal Aid Programs to the Oceanborne Foreign Trade of the United States, 1959-62"; 16 pages; 10c, GPO.
3. "Seafaring Wage Rates—Atlantic, Gulf and Pacific Districts"; 83 pages; \$1, U.S. Department of Commerce.
4. "Seafaring Premium Pay on Privately Operated United States Flag Merchant Ships"; 80 pages; 45c, GPO.
5. "Relative Cost of Shipbuilding in the Various Coastal Districts of the United States," Report to the Congress; 28 pages; 50c, U.S. Department of Commerce.
6. "United States Seaports, Atlantic Coast", Port Series, Part I; 170 pages; \$1, GPO.

Recurring Statistical Reports:

1. "Domestic Oceanborne and Great Lakes Commerce of the United States," 123 pp. 70c, GPO. (Annual.)
2. "Dry Cargo Service and Area Report," 7 pp. (Quarterly.)
3. "Employment Report of U.S.-Flag Merchant Fleet Oceangoing Vessels 1,000 Gross Tons and Over," 9 pp. (Quarterly.)
4. "Merchant Fleets of the World," 18 pp., 15c, GPO. (Semi-annual.)
5. "Statistical Analysis of the World's Merchant Fleets," 140 pp., 70c, GPO. (Annual.)
6. "United States and Canadian Great Lakes Fleets, Steam and Motor Ships of 1,000 Gross Tons and Over," 15 pp. (Annual.)

Research Reports

The following research reports, which may be obtained from Federal Clearinghouse, U.S. Department of Commerce, were published during the year under contract with the Maritime Administration:

1. "Cargo Handling Study," prepared by George C. Sharp, Inc.
2. "Concepts for Cargo Handling at Primitive Ports (Project Culdesac)"; prepared by the Stanwick Corp., Washington 36, D.C.
3. "Plastic Bags in Ship's Double Bottoms," a report on the feasibility of utilizing elastomer bags or diaphragms in ships' double bottoms to separate the ballast water from the fuel oil, prepared by George W. Sturm and Associates, Washington 5, D.C.
4. (The) "Surface Effect Ship in the American Merchant Marine," prepared by Booz Allen Research, Inc.
5. "Feasibility of Thin-Film Electron Microscopy for Study of Fine Defect Structure in Steel After Low Cycle Fatigue," prepared by Department of Mechanical Engineering, College of Engineering, the University of Michigan, Ann Arbor.

APPENDIX I

SUBSIDIZED AND SELECTED UNSUBSIDIZED OPERATORS

Comparative Combined Condensed Balance Sheets December 31, 1963, See Note (stated in thousand dollars)

	Total	Subsidized	Unsubsidized	
			Tanker	Cargo
ASSETS				
CURRENT ASSETS:				
Cash.....	\$76,808	\$31,082	\$18,583	\$27,143
Other.....	354,482	220,833	27,685	105,964
	<u>431,290</u>	<u>251,915</u>	<u>46,268</u>	<u>133,107</u>
SPECIAL FUNDS AND DEPOSITS.....	343,522	328,291	13,612	1,619
INVESTMENTS.....	80,777	16,476	17,583	46,718
PROPERTY AND EQUIPMENT—NET:				
Vessels.....	1,006,456	671,351	261,309	73,796
Other.....	135,918	63,071	7,928	64,919
Total property and equipment—Net.....	<u>1,142,374</u>	<u>734,422</u>	<u>269,237</u>	<u>138,715</u>
OTHER ASSETS.....	169,714	135,378	4,659	29,677
Total assets.....	<u>2,167,677</u>	<u>1,466,482</u>	<u>351,359</u>	<u>349,836</u>
LIABILITIES AND NET WORTH				
CURRENT LIABILITIES.....				
VOYAGES IN PROGRESS—NET.....	243,662	126,349	22,707	94,606
LONG-TERM DEBT.....	67,204	38,139	7,264	21,801
OTHER LIABILITIES.....	602,516	316,611	237,184	48,721
Total liabilities.....	<u>1,107,217</u>	<u>621,140</u>	<u>286,172</u>	<u>199,905</u>
NET WORTH:				
Capital stock.....	205,125	123,142	31,195	50,788
Total surplus.....	855,335	722,200	33,992	99,143
Total net worth.....	<u>1,060,460</u>	<u>845,342</u>	<u>65,187</u>	<u>149,931</u>
Total liabilities and net worth.....	<u>\$2,167,677</u>	<u>\$1,466,482</u>	<u>\$351,359</u>	<u>\$349,836</u>

**Comparative Combined Condensed Income and Surplus Accounts
December 31, 1963. See Note (stated in thousand dollars)**

	Total	Subsided	Unsubsided	
			Tanker	Cargo
WATER-LINE OPERATING REVENUE:				
Terminated voyage results.....		\$709,815		
Terminal operations and cargo handling.....	1,285,257	7,892	79,217	483,014
Other.....		5,319		
Total revenue.....	1,285,257	723,026	79,217	483,014
WATER-LINE OPERATING EXPENSE:				
Wages.....	286,062	207,784	9,570	68,708
Depreciation.....	74,519	41,270	15,395	17,854
Overhead.....	144,262	89,948	2,762	51,552
Other.....	893,489	521,862	34,658	336,969
Operating-differential subsidy.....	(194,209)	(194,209)		
Net water-line operating expense.....	1,204,123	666,655	62,385	475,083
GROSS PROFIT FROM SHIPPING OPERATIONS.....	81,134	56,371	16,832	7,931
OTHER INCOME.....	19,976	12,968	1,484	5,524
Total.....	101,110	69,339	18,316	13,455
OTHER DEDUCTIONS FROM INCOME:				
Interest expense.....	26,840	11,226	11,928	3,686
Other.....	6,666	1,815	1,825	3,026
Total other deductions from income.....	33,506	13,041	13,753	6,712
NET INCOME FROM SHIPPING OPERATIONS.....	67,604	56,298	4,563	6,743
INCOME (LOSS) FROM NONSHIPPING OPERATIONS.....	1,225	6	(145)	1,364
Net.....	68,829	56,304	4,418	8,107
PROVISION FOR FEDERAL INCOME TAX.....	20,853	14,826	3,031	2,996
NET PROFIT AFTER TAXES.....	47,976	41,478	1,387	5,111
ADD SURPLUS—BEGINNING OF YEAR.....	808,705	675,567	33,992	99,146
Total surplus available.....	856,681	717,045	35,379	104,257
DEDUCT:				
Dividends.....	26,326	19,898	2,368	4,060
Other surplus adjustments—Net.....	(25,980)	(*25,053)	(981)	54
Net.....	346	(5,155)	1,387	4,114
Surplus—End of year.....	856,335	722,200	33,992	100,143

*Reduction in par value of capital stock \$16,000, stock dividends \$3,450, income tax adjustments \$4,600, etc.

NOTE: The data represent information from Forms MA-172 filed during the fiscal year July 1, 1963-June 30, 1964, representing the year-end reports for companies whose fiscal years have ended between those dates, by 25 tanker and 26 cargo operating companies and 15 subsidized operators (304 subsidized ships, 30 tankers, 191 cargo ships).

APPENDIX II

MERCHANT FLEETS OF THE WORLD

Oceangoing Steam and Motor Ships of 1,000 Gross Tons and Over as of June 30, 1964

(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			Type of vessel																	
				Combination passenger and cargo			Combination passenger and cargo refrigerated			Freighters			Freighters-refrigerated			Bulk carriers			Tankers (including whaling tankers)		
	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons	Number	Gross tons	Dead-weight tons
Total—All countries...	18,072	140,283	198,440	1,097	8,836	5,532	45	712	427	11,087	61,095	86,757	605	3,255	3,428	1,779	16,672	25,225	3,459	49,713	77,071
United States.....	12,598	22,149	30,084	1,267	2,588	1,750	4	58	37	1,846	13,731	19,224	47	258	266	66	698	1,122	368	4,816	7,685
Privately owned.....	968	10,082	14,544	29	421	254	4	58	37	561	4,671	6,396	18	110	104	65	691	1,111	291	4,131	6,642
Government-owned.....	2,1,630	12,067	15,540	238	2,167	1,496				1,285	9,060	12,828	29	148	162	1	7	11	77	685	1,043
British Commonwealth:																					
United Kingdom.....	2,168	20,132	26,565	105	1,490	859	27	547	328	1,092	6,913	9,324	159	1,436	1,595	276	1,842	2,566	509	7,904	11,893
Australia.....	98	443	586	7	25	18				49	145	190				41	263	363	1	10	15
British Colonies.....	203	1,143	1,610	25	93	79				146	809	1,181	4	22	31	16	120	174	12	99	145
Canada.....	61	241	247	22	70	23				21	69	89				4	12	16	14	90	119
Ghana.....	13	85	113							13	85	113									
India.....	203	1,377	1,997	12	66	72				177	1,056	1,538				8	155	232	6	100	155
New Zealand.....	60	211	245	3	21	4	3	13	9	47	159	211	1	2	2	5	13	16	1	3	3
Nigeria.....	8	50	79							8	50	79									
Pakistan.....	45	291	398	6	57	44				35	207	312				3	16	26	1	11	16
Others.....	7	27	29	2	2	2				1	2	3	2	12	9				2	11	15
Argentina.....	164	1,120	1,498	14	101	73	3	27	21	72	410	575	6	18	18	3	13	19	66	551	792
Belgium.....	82	711	963	4	44	37				56	374	496	3	10	7	93	134	12	190	286	
Brazil.....	238	1,142	1,610	20	101	88				152	558	819	2	7	7	16	62	87	48	414	609
Bulgaria*.....	33	176	257	1	6	2				23	106	162				2	9	12	7	55	81

Chile	51	273	382	6	25	27				28	116	157				10	55	81	7	77	117
China (Taiwan)	95	584	838	3	16	16				76	465	673	5	16	16	1	3	4	10	84	124
China (Communist)*	165	595	796	19	49	34	2	17	10	107	417	601	1	1	2	18	54	70	18	57	79
Colombia	22	98	138							22	98	138									
Cuba*	33	134	186							30	129	179				1	1	1	2	5	6
Czechoslovakia*	12	93	137							10	63	92				1	17	25	1	13	20
Denmark	346	2,819	3,324	24	72	47				236	1,115	1,537	15	49	56	13	144	212	58	939	1,472
Finland	246	894	1,338	6	14	6				193	553	841				18	47	67	29	280	424
France	584	4,710	6,189	46	481	248	2	25	10	281	1,364	1,807	37	166	144	61	500	692	157	2,174	3,283
Germany (West)	849	4,815	6,865	18	176	116	1	2	1	654	2,837	4,140	61	193	200	68	812	1,180	47	795	1,228
Germany (East)*	63	423	571	4	36	24				41	232	331	2	10	6	6	51	68	10	94	142
Greece	847	6,788	9,900	42	287	145	1	14	9	611	3,867	5,731	11	52	48	82	1,028	1,543	100	1,540	2,424
Honduras	18	72	97							12	46	73	6	26	24						
Hungary*	12	14	15							12	14	15									
Iceland	23	61	79	3	7	4				11	24	34	7	17	21	1	2	3	1	11	17
Indonesia	109	343	397	29	112	78				69	197	272							11	34	47
Ireland	21	137	187							15	88	117				3	22	31	3	27	39
Israel	73	513	647	6	73	27				55	278	383	3	14	13	7	122	185	2	26	39
Italy	607	5,210	7,059	73	693	309				286	1,474	2,182	15	62	56	90	1,036	1,534	143	1,945	2,978
Japan	1,266	8,963	13,343	28	113	89				828	4,289	6,144	38	159	180	162	1,388	2,152	210	3,014	4,778
Korea (South)	30	109	167	1	1	2				25	96	149				1	2	3	3	10	13
Lebanon	170	871	1,329							156	823	1,256				14	48	73			
Liberia	1,056	14,113	22,805	9	93	53				425	2,913	4,347	3	11	12	197	2,671	4,753	422	8,425	13,640
Mexico	39	239	343	1	15	11				11	31	46	2	5	5	3	10	14	22	178	267
Morocco	13	50	70							11	44	65	2	6	5						
Netherlands	520	4,582	6,163	44	510	383				335	2,051	2,756	14	36	38	28	328	471	99	1,657	2,515
Norway	1,382	13,714	20,541	24	99	42	2	9	2	645	3,472	4,994	29	102	96	208	2,706	4,029	474	7,326	11,378
Panama	546	4,145	6,361	16	122	81				346	1,557	2,351	7	19	17	33	217	347	144	2,230	3,565
Peru	28	128	191	1	6	8				22	97	143							5	25	40
Philippines	74	405	549	8	18	18				58	367	503				1	1	1	7	19	27
Poland*	164	871	1,251	1	14	5				129	710	1,045	5	13	12	22	57	75	7	77	114
Portugal	90	560	665	22	215	138				56	187	288							12	157	239
Rumania*	17	85	118	1	7	2				14	54	78							2	24	38
Saudi Arabia	10	30	43	1	1	1				6	16	25				2	4	4	1	9	13
South Africa	40	221	311							33	147	201	4	28	38				3	46	72
Spain	325	1,545	2,039	40	237	158				199	662	962	7	18	23	17	67	92	62	561	804
Sweden	497	4,072	5,777	10	68	17				283	1,349	1,874	35	213	209	79	1,023	1,474	90	1,419	2,203
Switzerland	26	179	255							21	144	209	2	3	3	3	32	43			
Turkey	121	619	811	24	114	62				85	393	578				1	2	3	11	110	168
United Arab Republic	46	204	255	11	57	49				26	75	97							9	72	109
Uruguay	16	97	147	1	8	10				11	48	73							4	41	64
U.S.S.R.* ³	1,149	5,602	7,306	75	380	213				654	2,519	3,478	67	282	256	162	800	1,050	191	1,641	2,309
Venezuela	35	283	401							14	47	70				6	30	41	15	206	290
Yugoslavia	166	884	1,289	10	49	55				138	698	1,035	7	73	105	11	64	105	11	64	94
All others	89	338	434	2	4	3				69	255	366	3	9	10	6	23	32	9	47	73

¹ Excludes the combination vessel *Argentina* of 21,000 gross tons and 16,000 deadweight tons awaiting removal for scrap.

² Includes vessels under general agency agreement, bareboat charter, and in the custody of the Departments of Defense, State, and Interior.

³ Includes 83 U.S. Government-owned ships transferred to U.S.S.R. under lend-lease agreements and still remaining under that registry.

*Source material limited and unreliable.

APPENDIX III

DELIVERIES OF NEW MERCHANT SHIPS DURING THE FISCAL YEAR ENDED JUNE 30, 1964

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

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

[Tonnage in thousands]

Registry for which built	Total		United States		United Kingdom		Japan		Sweden		Germany (West)		France		Italy		Netherlands		All others	
	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons	Number	Dead-weight tons
SUMMARY—ALL TYPES																				
Total.....	618	12,665	20	335	67	1,290	116	3,786	51	1,573	47	1,258	33	763	29	745	25	368	230	2,547
United States.....	20	335	20	335																
United Kingdom.....	69	1,591			52	902	3	257	8	253	2	137					3	40	13	2
Denmark.....	20	416					1	56	3	126							3	6	1	228
France.....	15	263			1	11							14	252						
Germany (West).....	21	392									20	388							1	4
Italy.....	26	615													26	615				
Japan.....	61	1,262					61	1,262												
Liberia.....	47	2,009			2	32	22	1,144	1	70	6	268	3	188					13	307
Netherlands.....	8	187															7	157	1	30
Norway.....	71	2,260			5	310	1	54	24	789	9	345	3	84			1	16	28	662
Sweden.....	31	639							14	332	2	46	2	113			3	77	10	71
All others.....	229	2,696			7	35	28	1,013	1	3	8	74	11	126	3	130	8	72	163	1,243

FREIGHTERS

Total	443	5,612	14	167	46	567	64	1,292	30	454	35	537	24	347	20	446	21	191	189	1,611
United States	14	167	14	167																
United Kingdom	48	527			38	415			6	70							3	40	1	2
Denmark	12	65							1	5							3	6	8	54
France	12	136			1	11							11	125						
Germany (West)	19	215									18	211							1	4
Italy	19	412													19	412				
Japan	40	499					40	499												
Liberia	28	823			2	32	11	456			2	56	1	23						12
Netherlands	7	101															6	71	1	30
Norway	37	647			2	82			11	182	5	150	2	23			1	16	16	194
Sweden	22	372							11	194	2	46	1	58			2	21	6	53
All others	185	1,648			3	27	13	337	1	3	8	74	9	118	1	34	6	37	144	1,018

TANKERS

Total	156	6,995	4	149	20	717	49	2,492	21	1,119	12	721	8	410	7	290	4	177	31	920
United States	4	149	4	149																
United Kingdom	20	1,058			13	481	3	257	2	183	2	137								
Denmark	7	348					1	56	2	121									4	171
France	3	127											3	127						
Germany (West)	2	177									2	177								
Italy	5	194													5	194				
Japan	18	761					18	761												
Liberia	19	1,188					11	688	1	70	4	212	2	165					1	51
Netherlands	1	86																	86	
Norway	31	1,611			3	228	1	54	13	607	4	195	1	61					9	466
Sweden	9	267							3	138			1	55					4	18
All others	37	1,031			4	8	15	676					1	2	2	96	2	35	13	214

COMBINATION PASSENGER AND CARGO SHIPS

Total	19	58	2	19	1	6	3	2					1	6	2	9			10	16
United States	2	19	2	19																
United Kingdom	1	6			1	6														
Denmark	1	3																	1	3
France																				
Germany (West)																				
Italy	2	9													2	9				
Japan	3	2					3	2												
Liberia																				
Netherlands																				
Norway	3	2																	3	2
Sweden																				
All others	7	17											1	6					6	11

APPENDIX IV

Operating-Differential Subsidies January 1, 1937 to June 30, 1964

Calendar year	Subsidies accrued	Recapture	Net subsidies	Payments	Payable June 30, 1964
1937-1946	\$48,725,473	\$32,124,267	\$16,601,211	\$16,601,211	-----
1947	13,438,553	10,228,501	3,209,962	3,209,962	-----
1948	28,077,303	14,505,998	13,571,305	13,571,305	-----
1949	44,213,377	14,522,906	29,690,471	29,690,471	-----
1950	57,873,647	9,240,640	48,633,007	48,633,007	-----
1951	71,968,636	25,798,768	46,169,868	46,169,868	-----
1952	89,361,880	25,742,802	63,619,078	63,619,078	-----
1953	106,296,046	12,949,350	93,346,696	93,346,696	-----
1954	107,357,156	2,841,487	104,515,669	104,515,669	-----
1955	115,145,469	11,949,848	103,195,621	103,195,621	-----
1956	128,193,544	22,442,677	105,750,867	105,523,542	\$227,325
1957	147,767,522	25,362,460	122,405,062	117,439,497	4,965,565
1958	147,115,591	6,419,464	140,696,127	140,579,622	116,505
1959	159,529,588	413,679	159,115,909	154,284,972	4,830,937
1960	168,068,203	5,151,028	162,917,175	155,774,051	7,143,124
1961	171,730,979	1,991,469	169,739,510	159,933,605	9,805,905
1962	184,702,621	4,150,634	180,551,987	166,793,884	13,758,103
1963	193,536,417	(1,259,739)	194,796,156	175,914,588	18,881,568
1964	99,677,682	(249,989)	99,927,671	42,203,344	57,724,327
Total	2,082,779,692	224,326,340	1,858,453,352	1,740,999,993	117,453,359

APPENDIX V

Operating-Differential Subsidy Contracts as of June 30, 1964

Name of operator	Expiration date of agreement	Trade routes	Minimum and maximum number voyages	Number of ships assigned as of June 30, 1964	
				Passenger and cargo combination	Cargo
American Export Lines, Inc.	Dec. 31, 1979	R-W-E 1 10, 34, 18, 32, 5-7-8-9	189-247	5	38
American Mail Line, Ltd.	Dec. 31, 1973	29	36-42	-----	9
American President Lines, Ltd.	Dec. 31, 1976	R-W-W 2 29, 17	23-27	5	19
Bloomfield Steamship Company	Dec. 31, 1964	21	23-27	-----	4
Delta Steamship Lines, Inc.	Dec. 31, 1977	20, 14-2	62-79	3	10
Farrell Lines Incorporated	Dec. 31, 1977	15-A, 14-1	60-78	-----	15
Grace Line Inc.	Dec. 31, 1977	2, 25, 4	218-259	11	13
Gulf & South American Steamship Co., Inc.	Dec. 31, 1978	31	30-36	-----	6
Lykes Bros. Steamship Co., Inc.	Dec. 31, 1977	19, 21, 13, 22, 15-B	262-326	-----	52
Moore-McCormack Lines, Inc.	Dec. 31, 1977	1, 6, 24, 15-A	185-223	2	41
The Oceanic Steamship Company	Dec. 17, 1972	27	22-29	2	3
Pacific Far East Line, Inc.	Dec. 31, 1978	29	47-57	-----	10
Prudential Lines, Inc.	Dec. 31, 1979	10	28-35	-----	5
States Steamship Company	Dec. 31, 1977	29	58-74	-----	13
United States Lines Company: Cargo Service	Dec. 31, 1969	11, 12, 16	312-368	-----	50
SS AMERICA	Dec. 31, 1964	5-7-8-9	14-17	1	-----
SS UNITED STATES	June 20, 1967	5-7-8-9	21, 25	1	-----
Total	-----	-----	1,664-2,036	30	288

Total passenger/cargo-combination 30
 Total cargo 288

Grand total 318

¹ R-W-E equals round-the-world eastbound.

² R-W-W equals round-the-world westbound.

APPENDIX VI

AID TO SHIPS OVERAGE

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

Company	Vessel	End of economic life	Scheduled replacement
Approved during fiscal year 1964			
Farrell Lines Inc.....	African Glade.....	1964.....	1968.
Gulf & South American Steamship Co., Inc.....	Gulf Farmer.....	1963.....	1964.
	Gulf Banker.....	1964.....	1964.
United States Lines Co.....	American Producer.....	1963.....	1965.
	America.....	1960.....	
Approved in prior years			
American Export Lines, Inc.....	Excellency.....	1960.....	1963.
	Exemplar.....	1960.....	1965.
	Excelsior.....	1963.....	1965.
	Exchequer.....	1963.....	1965.
	Exlona.....	1963.....	1967.
	Exminster.....	1964.....	1967.
	Expeditor.....	1963.....	1967.
	Express.....	1964.....	1967.
	Exchester.....	1965.....	1969.
	Executor.....	1965.....	1969.
	Exporter.....	1965.....	1969.
	Exford.....	1971 (May).....	1971 (July).
	Extavia.....	1961.....	1971.
	Exiria.....	1962.....	1971.
	Brooklyn Heights.....	1965.....	1967.
	Flying Trader.....	1965.....	1967.
	Flying Endeavor.....	1961.....	1970.
	Flying Fish.....	1961.....	1970.
	Flying Gull.....	1961.....	1970.
	Flying Hawk.....	1961.....	1970.
	Flying Enterprise II.....	1964.....	1970.
	Flying Eagle.....	1964.....	1972.
	Flying Clipper.....	1964.....	1972.
	Flying Cloud.....	1964.....	1972.
	Flying Spray.....	1964.....	1972.
	Flying Independent.....	1964.....	1972.
American Mail Line, Ltd.....	India Mail *.....	1963.....	1965.
	Canada Mail.....	1964.....	1965.
	Java Mail.....	1964.....	1965.
	Alaska Mail*.....	1965.....	1968.
	American Mail.....	1965.....	1968.
	Oregon Mail.....	1965.....	1968.
American President Lines, Ltd.....	President Monroe.....	1960.....	1965.
	President Polk.....	1961.....	1965.
	President Hoover.....	1959.....	1964.
	President Harrison.....	1963.....	1966.
	President Johnson.....	1963.....	1966.
	President Van Buren.....	1963.....	1966.
	President Taft.....	1965.....	1966.
Delta Steamship Lines, Inc.....	Del Campo.....	1962.....	1967.
	Del Aires.....	1962.....	1968.
	Del Alba.....	1964.....	1968.
	Del Santos.....	1964.....	1968.
	Del Mundo.....	1964.....	1968.
	Del Valle.....	1964.....	1969.
	Del Monte.....	1964.....	1969.
	Del Norte.....	1971.....	1972.
	Del Sud.....	1972 (Mar).....	1972 (Apr).
	Del Mar.....	1972 (May).....	1972 (July).
Farrell Lines, Inc.....	African Grove.....	1964.....	1968.
	African Glen.....	1965.....	1968.
Grace Line, Inc.....	Santa Ana.....	1960.....	1964.
	Santa Teresa.....	1960.....	1964.
	Santa Malta.....	1964.....	1967.
	Santa Clara.....	1964.....	1967.
	Santa Juana.....	1962.....	1967.
	Santa Adela.....	1962.....	1967.
	Santa Flavia.....	1963.....	1967.
	Santa Anita.....	1964.....	1968.
	Santa Fe.....	1964.....	1968.

See footnote at end of table.

AID TO SHIPS OVERAGE—Continued

Company	Vessel	End of economic life	Scheduled replacement	
Gulf & South American Steamship Co., Inc.	Gulf Trader	1963	1965	
	Gulf Shipper	1964	1965	
	Gulf Merchant	1964	1965	
Lykes Bros. Steamship Co., Inc.	Sue Lykes	1965	1966	
	Frederick Lykes	1960	1966	
	Almeria Lykes	1965	1966	
	Tillie Lykes	1965	1966	
	Doctor Lykes	1965	1966	
	Norman Lykes	1965	1967	
	Lipscomb Lykes	1965	1967	
	Howell Lykes	1960	1967	
	Mallory Lykes	1963	1967	
	Helen Lykes	1964	1967	
	Sylvia Lykes	1965	1968	
	Gibbes Lykes	1964	1968	
	Frank Lykes	1964	1968	
	Genevieve Lykes	1964	1968	
	Mason Lykes	1964	1968	
	Letitia Lykes	1964	1969	
	Kenneth McKay	1965	1969	
	Reuben Tipton	1965	1969	
	Harry Culbreath	1965	1970	
	Jesse Lykes	1965	1970	
	William Lykes	1965	1970	
	Moore-McCormack Lines, Inc.	Robin Locksley	1961	1964
Mormactide		1961	1964	
Robin Sherwood		1961	1964	
Mormacmar		1963	1965	
Mormacsun		1963	1965	
Robin Trent		1963	1965	
Robin Gray		1963	1965	
Robin Kirk		1963	1965	
Robin Mowbray		1963	1967	
Mormacteal		1964	1968	
Mormacdove		1964	1968	
Mormacowl		1964	1968	
Mormacwind		1964	1969	
Mormacwren		1964	1970	
Mormacoak		1964	1970	
Mormacwave		1964	1969	
Mormacrey		1964	1970	
Mormacsurf		1964	1970	
Robin Goodfellow		1965	1971	
Mormacguide		1965	1972	
Mormacpine		1965	1972	
Robin Hood		1965	1972	
Mormachawk		1965	1973	
Mormacelm		1965	1974	
Mormacrio		1965	1974	
Mormacfir		1965	1973	
Mormacguif		1971	1974	
Mormacisle		1971	1974	
Mormacdawn		1971	1974	
Mormacland		1971	1974	
Mormacmail		1971	1975	
Mormacpenn		1971	1975	
Mormacsaga		1972	1975	
The Oceanic Steamship Co.		Sierra	1965	1969
		Sonoma	1964	1969
Prudential Lines, Inc.		Ventura	1965	1969
		Moline Victory	1965	1966
		Attleboro Victory	1965	1968
		Newberry Victory	1965	1969
		Biddeford Victory	1965	1969
States Steamship Co.	San Angelo Victory	1965	1966	
	Idaho	1963	1966	
	Texas	1961	1966	
	Michigan	1961	1967	
	Ohio	1964	1967	
	New York	1965	1967	

AID TO SHIPS OVERAGE—Continued

Company	Vessel	End of economic life	Scheduled replacement
United States Lines Co.-----	American Producer.....	1963.....	1965.
	American Planter*.....	1963.....	1964.
	American Miller.....	1963.....	1965.
	American Scientist.....	1963.....	1965.
	American Packer.....	1963.....	1965.
	American Chief*.....	1964.....	1965.
	American Builder*.....	1965.....	1965.
	American Veteran.....	1965.....	1966.
	American Press.....	1965.....	1966.
	American Flyer*.....	1965.....	1965.
	American Manufacturer.....	1965.....	1966.
	American Forester.....	1965.....	1966.
	Pioneer Reef.....	1963.....	1968.
	Pioneer Surf.....	1964.....	1968.
	Pioneer Isle.....	1964.....	1968.
	American Pilot.....	1965.....	1968.
	Pioneer Glen.....	1965.....	1968.
	Pioneer Star.....	1965.....	1968.
	Pioneer Gem.....	1965.....	1969.
	American Merchant.....	1965.....	1969.
American Shipper.....	1965.....	1969.	

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

APPENDIX VII

U.S. Ships Under Construction

June 30, 1964

	No. of ships	Type	Shipyard	Gross tonnage	Estimated completion date	Estimated construction cost	Estimated cost to Maritime Administration including national defense features	Owner	Estimated cost to owner
Ships under construction:									
Title V—Merchant Marine Act of 1936.....	2	C4-S-1sa.....	National Steel.....	25,200	Dec. 1964.....	\$23,600,000	\$12,500,000	American Mail Line.....	\$11,100,000
".....	3	C3-S-37d.....	Avondale Shipyard.....	29,400	Dec. 1964.....	27,300,000	14,800,000	Gulf & South American.....	12,500,000
".....	6	C4-S-60a.....	Ingalls.....	67,800	June 1965.....	67,100,000	32,900,000	Moore-McCormack.....	34,200,000
".....	4	C4-S-66a.....	Avondale Shipyard.....	45,600	Dec. 1965.....	43,400,000	21,600,000	Lykes Bros. Steamship Co.....	21,800,000
".....	5	C4-S-64a.....	Sun Shipbuilding and Drydock Co.....	52,500	Oct. 1965.....	56,400,000	27,500,000	U.S. Lines Co.....	28,900,000
".....	3	C4-S-1qa.....	National Steel.....	29,400	Dec. 1965.....	41,000,000	22,400,000	American President Lines.....	18,600,000
".....	4	C4-S-66a.....	Avondale Shipyard.....	45,600	April 1966.....	44,200,000	24,300,000	Lykes Bros. Steamship Co.....	19,900,000
".....	6	C4-S-65a.....	Sun Shipbuilding and Drydock Co.....	77,400	Nov. 1966.....	82,500,000	44,200,000	Grace Line, Inc.....	38,300,000
".....	2	C4-S-64b.....	Bethlehem-Sparrows Point.....	22,000	Sept. 1966.....	22,500,000	12,100,000	Prudential Lines.....	10,400,000
".....	4	C4-S-66a.....	Avondale Shipyard.....	45,600	Mar. 1967.....	43,300,000	23,400,000	Lykes Bros. Steamship Co.....	19,900,000
Economy Act of 1932.....	2	S2-MET-MA62a.....	Gibbs Shipyard.....	3,000	Oct. 1965.....	15,000,000	-----	Coast and Geodetic.....	15,000,000
".....	2	S1-MT-MA63a.....	Marietta Manufacturing Co.....	1,200	-----	7,600,000	-----	Coast and Geodetic.....	7,600,000
".....	1	C4-ST-67a.....	Puget Shipbuilding and Drydock Co.....	16,000	Feb. 1966.....	16,600,000	-----	Department of Navy—MSTS.....	16,600,000
Total.....	44	-----	-----	460,700	-----	490,500,000	235,700,000	-----	254,800,000

APPENDIX VIII

National Defense Reserve Fleets

Dates (fiscal years)	Total ships in fleets	Dates (fiscal years)	Total ships in fleets
1945.....	5	1955.....	2068
1946.....	1421	1956.....	2061
1947.....	1204	1957.....	1889
1948.....	1675	1958.....	2074
1949.....	1934	1959.....	2060
1950.....	2277	1960.....	2000
1951.....	1767	1961.....	1923
1952.....	1853	1962.....	1862
1953.....	1932	1963.....	1819
1954.....	2067	1964.....	1739

APPENDIX IX

APPROVALS OF TRANSFERS FOREIGN

Approvals Granted, Pursuant to Sections 9 and/or 37 of the Shipping Act, 1916, as Amended, of the Transfer to Foreign Ownership and/or Registry of Vessels by Type, Number, Size and Age for Period July 1, 1963 Through June 30, 1964

	Pursuant to Section 9 (Only)			Pursuant to Section 37 (Only)			Totals Sections 9/37 (combined)		
	No. of Vessels	Gross Tons	Average Age	No. of Vessels	Gross Tons	Average Age	No. of Vessels	Gross Tons	Average Age
U.S. privately owned—1,000 gross tons and over:									
(a) Tankers.....	11	92,715	24.2	9	85,297	24	20	178,012	23.1
(b) Cargo.....	29	192,388	43.9	7	42,525	18.2	36	234,913	38.4
(c) Cargo/passenger.....	1	18,564	31.0				1	18,564	31.0
(d) Miscellaneous.....	3	6,774	17.6	9	37,378	10.1	12	44,152	12.0
Total.....	44	310,441	36.5	25	165,200	17.4	69	475,641	29.5
Under 1,000 gross tons.....							450	50,207	
Total.....							519	525,848	
U.S. Government-owned:									
(a) Tanker.....	1	10,542	19				1	10,542	19
(b) Cargo.....	1	7,234	21				1	7,234	21
Total.....	2	17,776	20				2	17,776	20

APPENDIX IX—Continued

Recapitulation (by nationality) July 1, 1963–June 30, 1964

[Vessels of 1,000 gross tons and over]

	Section 9 (only)		Section 37 (only)		Sections 9/37 (combined)	
	Number	Gross tons	Number	Gross tons	Number	Gross tons
U.S. privately owned—Transfer to:						
British	15	90,241	-----	-----	15	90,241
Canadian			1	4,406	1	4,406
Greek	2	19,713	-----	-----	2	19,713
Iranian	1	2,376	1	3,249	2	5,625
Liberian	9	71,122	4	25,204	13	96,326
Panamanian	3	16,471	1	3,172	4	19,643
Total	30	199,923	7	36,031	37	235,954
Sale alien	14	110,518	18	129,169	32	239,687
	44	310,441	25	165,200	69	475,641
U.S. Government owned:						
Sale alien for scrapping	2	17,776	-----	-----	2	17,776

APPENDIX X

CAPITAL AND SPECIAL RESERVE FUND

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, 1964

Operator	Capital reserve fund			Special reserve fund			Combined total
	Cash	Securities	Total	Cash	Securities	Total	
American Export Isbrandtsen Lines, Inc.-----	\$3,034,844	\$2,245,565	\$5,280,409	\$31,397	\$13,455,464	\$13,486,861	\$18,767,270
American Mail Line Ltd.*-----	1,793,854	0	1,793,854	1,242,710	1,056,667	2,299,377	4,093,231
American President Lines, Ltd.*-----	70,272	466,672	536,944	504,167	2,925,405	3,429,572	3,966,516
Bloomfield Steamship Co.-----	173,235	704,000	877,235	51,055	2,558,000	2,609,055	3,486,290
Delta Steamship Lines, Inc.-----	32,152	2,195,852	2,228,004	91,098	5,224,325	5,315,423	7,543,427
Farrell Lines Inc.-----	1,740,755	3,532,948	5,273,703	1,459,975	4,208,319	5,668,294	10,941,997
Grace Line Inc.*-----	83,913	10,638,363	10,722,276	1,004,697	17,838,727	18,843,424	29,565,700
Gulf & South American Steamship Co., Inc.-----	229,736	524,687	754,423	21,155	1,852,161	1,873,316	2,627,739
Lykes Bros. Steamship Co., Inc.*-----	69,346	36,839,976	36,909,322	36,615	48,421,638	48,458,253	85,367,575
Moore-McCormack Lines, Inc.-----	18,894	3,630,532	3,649,426	13,715	4,074,501	4,088,216	7,737,642
The Oceanic Steamship Co.*-----	385,852	4,590,027	4,975,879	13,785	193,701	207,486	5,183,365
Pacific Far East Line, Inc.-----	127,779	2,788,342	2,916,121	6,522	4,200,000	4,206,522	7,122,643
Prudential Lines, Inc.-----	1,033,859	0	1,033,859	240,000	0	240,000	1,273,859
States Steamship Co.-----	1,761,391	0	1,761,391	1,856,227	0	1,856,227	3,617,618
United States Lines Co.-----	35,094	10,371,100	10,406,194	130,593	17,790,505	17,921,098	28,327,292
Total -----	10,590,976	78,528,064	89,119,040	6,703,711	123,799,413	130,503,124	219,622,164

*Includes common stock trust funds (Capital Reserve Fund, Oceanic Steamship Company—only common stock trust) aggregating-----

262,587 ----- 6,932,896 7,195,483
338,082 ----- 8,461,060 8,799,142

Note: Accrued mandatory deposits applicable to the resumption period (generally Jan. 1, 1947, to Dec. 31, 1963), not included in the above, amount to \$48,470,133, comprising \$37,674,654 applicable to the capital reserve fund (depreciation), and \$10,795,479 applicable to the Special Reserve Fund (excess profits).

FINANCIAL STATEMENTS

DEPARTMENT OF COMMERCE—MARITIME ADMINISTRATION
Balance Sheet—June 30, 1964 and June 30, 1963 (note 1)

	ASSETS	
	June 30	
	1964	1963
CASH AND FUND BALANCES (note 2).....	\$307,963,593	\$261,334,954
ADVANCES:		
U.S. Government agencies.....	62,177	113,341
Others.....	78,269	24,450
	140,446	137,791
NOTES AND ACCOUNTS RECEIVABLE:		
U.S. Government agencies.....	822,498	2,691,586
Domestic firms and individuals.....	9,793,421	11,080,478
Foreign governments and nationals.....	485,747	271,991
	11,101,666	14,044,055
Less allowance for losses.....	1,482,090	2,092,322
	9,619,576	11,951,733
ACCRUED INTEREST RECEIVABLE (note 3).....	841,026	986,669
MATERIAL AND SUPPLIES (at cost or estimated cost) ..	4,078,500	4,069,539
INVESTMENTS—U.S. Treasury securities.....	4,102,856	6,635,201
LOANS RECEIVABLE:		
Ship mortgage loans:		
Domestic firms and individuals.....	108,158,315	119,912,955
Foreign governments and nationals.....	3,568,705	5,114,516
	111,727,020	125,027,471
Other loans.....	664,395	483,262
	112,391,415	125,510,733
Less allowance for losses.....	6,268,986	-----
	106,122,429	125,510,733
JUDGMENT RECEIVABLE.....	696,494	696,494
Less allowance for losses.....	438,791	438,791
	257,703	257,703
VESSELS UNDER CONSTRUCTION.....	30,786,260	39,526,011
FIXED ASSETS USED IN OPERATIONS (at cost, estimated cost or assigned amounts):		
Facilities and equipment.....	32,716,292	31,619,904
Less accumulated depreciation.....	13,810,568	14,084,186
	18,905,724	17,535,718
Land and improvements.....	8,507,869	8,443,471
Construction in progress.....	264,670	461,563
	27,678,263	26,440,752
ASSETS HELD PRIMARILY FOR MOBILIZATION PURPOSES (at cost, estimated cost or assigned amounts):		
Vessels.....	3,485,560,147	3,444,984,194
Less accumulated depreciation.....	2,916,113,906	2,488,534,010
	569,446,241	956,450,184
Facilities and equipment.....	83,652,407	88,470,106
Less accumulated depreciation.....	51,885,654	55,764,732
	31,766,753	32,705,374
Land and improvements.....	10,735,537	11,902,301
Construction in progress.....	201,828	-----
	42,704,118	44,607,675
Material and supplies.....	12,410,827	12,696,401
	624,561,186	1,013,754,260
OTHER ASSETS:		
Vessels held primarily for scrapping.....	685,638,252	828,355,388
Less allowance for losses.....	668,492,617	807,525,861
	17,145,635	20,829,527
Deferred charges and other miscellaneous items...	1,398,961	1,006,940
	18,544,596	21,836,467
	\$1,134,696,434	\$1,512,441,813

LIABILITIES

	<i>June 30</i>	
	<u>1964</u>	<u>1963</u>
ACCOUNTS PAYABLE AND OTHER LIABILITIES (note 4):		
U.S. Government agencies:		
Advances.....	\$58,483,775	\$43,276,329
Withholdings and contributions for Federal Taxes.....	509,911	720,111
Accounts payable and accrued liabilities.....	233,946	1,928,277
	<u>59,227,632</u>	<u>45,924,717</u>
Other:		
Accrued estimated operating-differential subsidies (note 5).....	120,778,951	141,600,131
Less estimated recapturable subsidies.....	3,325,592	7,720,892
	<u>117,453,359</u>	<u>133,879,239</u>
Amounts due shipbuilders for construction of vessels.....	18,766,723	20,848,067
Other accounts payable and accrued liabilities.....	3,600,223	3,110,355
Accrued annual leave.....	2,593,535	2,634,376
Vessel trade-in allowances payable.....	1,139,598	1,243,396
Deposits by contractors, and others.....	880,056	192,426
Unclaimed wages of seamen and others.....	98,230	7,437,250
Withholdings for purchase of savings bonds and payment of State and local taxes.....	93,912	62,959
Deferred credits.....	293,594	152,875
	<u>145,059,230</u>	<u>169,560,943</u>
	<u>204,286,862</u>	<u>215,485,660</u>
FUNDS BORROWED FROM U.S. TREASURY BY THE FEDERAL SHIP MORTGAGE INSURANCE REVOLVING FUND.....		
	<u>9,900,000</u>	<u>6,000,000</u>
EQUITY OF THE UNITED STATES GOVERNMENT (exhibit 3):		
Maritime Regular.....	892,032,905	1,259,846,519
Vessel Operations Revolving Fund.....	18,227,932	17,928,902
Federal Ship Mortgage Insurance Revolving Fund.....	6,847,345	9,933,440
War Risk Insurance Revolving Fund.....	3,401,390	3,247,292
	<u>920,509,572</u>	<u>1,290,956,153</u>

\$1,134,696,434 \$1,512,441,813

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

DEPARTMENT OF COMMERCE—MARITIME ADMINISTRATION

Statement of Operations for Years Ended June 30, 1964 and
1963 (note 1)

	YEAR ENDED JUNE 30	
	1964	1963
OPERATIONS OF MARITIME ADMINISTRATION:		
Net costs of operating activities (note 6):		
Maintenance of reserve fleet vessels	\$159, 015, 854	\$139, 147, 693
Maritime training program	3, 650, 026	3, 463, 352
Maintenance of reserve shipyards	2, 080, 098	633, 628
Operation of warehouses	456, 216	451, 741
	<u>165, 202, 194</u>	<u>143, 696, 414</u>
Direct subsidies and costs attributable to national defense:		
Estimated operating-differential subsidies (note 5)	186, 610, 967	208, 907, 998
Construction-differential subsidies (note 7)	78, 399, 798	94, 349, 789
Cost of national defense features	626, 135	1, 278, 407
	<u>265, 636, 900</u>	<u>304, 536, 194</u>
Financial assistance to State marine schools	1, 452, 761	1, 394, 154
Research and development	7, 925, 256	6, 891, 522
Administrative expense (note 6)	8, 655, 150	8, 342, 482
Uncapitalized expenses incidental to ship construction	2, 722, 779	3, 134, 189
	<u>286, 392, 846</u>	<u>324, 298, 541</u>
Other costs (—income):		
Loss on vessels sold	861, 107	6, 760, 745
Loss on sale of surplus material and scrap	156, 788	4, 171, 869
Depreciation on facilities and equipment not allocated to current programs	1, 379, 581	744, 995
Loss on sale of fixed assets other than vessels	262, 451	480, 165
Adjustments applicable to prior years (net)	-2, 683, 192	1, 415, 373
Interest earned	-4, 041, 432	-4, 217, 653
Inventory and other property adjustments	-573, 698	-2, 350, 558
Recoveries for use of national defense features on vessels sold	-109, 883	-133, 532
Miscellaneous (net)	-170, 306	97, 641
	<u>-4, 918, 584</u>	<u>6, 969, 045</u>
Net cost of current year operations	446, 676, 456	474, 964, 000
Adjustments to allowances for:		
Estimated loss on scrapping of obsolete vessels	18, 341, 831	258, 219, 672
Uncollectible accounts and notes receivable	-719, 638	67, 401
Net cost of Maritime Administration operations	464, 298, 649	733, 251, 073
OPERATIONS OF REVOLVING FUNDS (—net income or loss):		
Vessel Operations Revolving Fund	-550, 823	2, 970, 096
Federal Ship Mortgage Insurance Revolving Fund	3, 089, 095	-2, 957, 168
War Risk Insurance Revolving Fund	-154, 088	-301, 914
NET COST OF COMBINED OPERATIONS (exhibits 3 and 4)	\$466, 679, 823	\$732, 962, 087

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

DEPARTMENT OF COMMERCE—MARITIME ADMINISTRATION

Statement of Equity of the United States Government
for the Years Ended June 30, 1964 and 1963 (Note 1)

	YEAR ENDED JUNE 30	
	1964	1963
BALANCE, BEGINNING OF FISCAL YEAR.....	\$1,290,956,153	\$1,421,002,257
ADDITIONS:		
Funds appropriated by the Congress (note 9).....	356,400,000	308,093,250
Vessels transferred from other Government agencies.....	24,117,741	365,604,114
Other property and costs transferred from other Government agencies.....	1,599,388	261,734
Contributions received for construction of Chapel at United States Merchant Marine Academy, Kings Point, New York.....	1,085	2,286
Liability for unclaimed wages transferred to Treasury Department....	7,366,268	
	<u>1,680,440,635</u>	<u>2,094,963,641</u>
REDUCTIONS:		
Net cost of combined operations (exhibit 2).....	466,679,823	732,962,087
Revaluation of vessels previously transferred in.....	257,582,170	
Payments into general fund of U.S. Treasury.....	27,842,203	30,993,990
Vessels transferred to other Government agencies.....	6,375,913	26,352,833
Property donated to State agencies.....	125,444	1,297,949
Maritime gas cooled reactor propulsion program.....		5,064,641
Other property and costs transferred to other Government agencies.....	1,031,079	6,654,617
Unobligated balances transferred to U.S. Treasury.....	294,431	691,371
	<u>759,931,063</u>	<u>804,007,488</u>
BALANCE, CLOSE OF FISCAL YEAR (exhibit 1).....	<u>\$920,509,572</u>	<u>\$1,290,956,153</u>

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

DEPARTMENT OF COMMERCE—MARITIME ADMINISTRATION

Statement of Sources and Application of Funds for Year Ended June 30, 1964 (note 1)

SOURCES:	
Funds appropriated by the Congress (note 9).....	\$356,400,000
Borrowings from U.S. Treasury.....	5,100,000
Collections on mortgage loans receivable.....	13,068,385
Proceeds from sale of vessels owned.....	5,671,723
Proceeds from sale of noncurrent assets other than vessels.....	163,186
Contributions received for construction of chapel.....	1,085
Decrease in investments—U.S. Treasury Securities.....	2,532,345
Liability for unclaimed wages transferred to Treasury Department.....	7,366,268
Total funds provided.....	\$390,302,992
APPLICATION:	
Net cost of combined operations (exhibit 2).....	\$466,679,823
Items considered in net cost of combined operations:	
Provision for depreciation.....	—157,863,414
Loss on noncurrent assets sold, lost or abandoned:	
Vessels.....	—309,106
Other.....	—262,451
Increase of allowance for loss on mortgages.....	—6,268,986
Provision for loss on scrapping of vessels.....	—18,341,831
Property adjustments.....	3,174,392
	\$286,808,427
Payments into general fund of U.S. Treasury.....	27,842,203
Expenditures for mortgages and other loans.....	7,221,067
Expenditures for construction or purchase of vessels.....	414,279
Expenditures for facilities and equipment.....	69,295
Repayment of borrowings from U.S. Treasury.....	1,200,000
Unobligated balances transferred to U.S. Treasury.....	294,431
Increase in working capital.....	66,453,290
Total funds applied.....	\$390,302,992

Summary of Changes in Working Capital

	YEAR ENDED JUNE 30		CHANGES IN WORKING CAPITAL	
	1964	1963	Increase	Decrease
ASSETS:				
Cash.....	\$307,963,593	\$261,334,954	\$46,628,639	
Advances.....	140,446	137,791	2,655	
Notes and accounts receivable.....	9,619,576	11,951,733		\$2,332,157
Accrued interest.....	841,026	986,669		145,643
Materials and supplies.....	4,078,500	4,069,539	8,961	
Other assets.....	1,293,844	624,784	669,060	
Expenditures pertaining to libeled vessels.....	105,117	382,156		277,039
Total.....	324,042,102	279,487,626		
LIABILITIES:				
Accounts payable and other liabilities (note 8) ..	173,811,251	195,710,065	21,898,814	
WORKING CAPITAL.....	150,230,851	83,777,561		
INCREASE IN WORKING CAPITAL.....				66,453,290
			\$69,208,129	\$69,208,129

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

DEPARTMENT OF COMMERCE—MARITIME ADMINISTRATION

Notes to Financial Statements—June 30, 1964 and 1963

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:

	1964	1963
Fund balances with U.S. Treasury:		
Operating funds.....	\$284,822,853	\$229,112,124
Trust and deposit funds.....	6,124,852	5,717,168
Allocations from other agencies.....	15,980,642	25,432,679
Cash in banks, on hand, and in transit.....	1,035,246	1,072,983
	<u>\$307,963,593</u>	<u>\$261,334,954</u>

3. Accrued interest receivable:

	1964	1963
On ship mortgage loans:		
Domestic firms and individuals.....	\$784,969	\$849,942
Foreign governments and nationals.....	44,153	53,389
On other loans and investments.....	11,904	83,339
	<u>\$841,026</u>	<u>\$986,669</u>

4. The Maritime Administration was contingently liable under agreements insuring mortgages, construction loans and accrued interest payable to lending institutions totaling \$446,410,502 at June 30, 1964, and \$418,856,442 at June 30, 1963. Commitments to insure additional loans and/or mortgages amounted to \$8,056,940 at June 30, 1964, and \$12,313,450 at June 30, 1963. U.S. Government securities and cash of \$21,887,181 at June 30, 1964, and \$14,095,331 at June 30, 1963, 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 no conditional liabilities for prelaunching War Risk Builder's Risk Insurance at June 30, 1964; these contingent liabilities amounted to \$39,747,859 at June 30, 1963. The Maritime Administration was also contingently liable for undetermined amounts in connection with settlements to be made under 151 claims against the Administration aggregating \$26,763,697 at June 30, 1964, and 175 claims aggregating \$30,805,635 at June 30, 1963. These unrecorded liabilities were partially offset by unrecorded assets and claims receivable in connection with settlements to be made under 51 claims in favor of the Administration aggregating \$2,838,790 at June 30, 1964, and 65 claims aggregating \$3,419,079 at June 30, 1963. Many of the claims both against or in favor of the Administration represent adjustments of preliminary settlements and others require original determinations to be made. Based on previous experience, it is anticipated that settlements of these claims will be made for amounts substantially less than the gross amounts of the claims.

At June 30, 1964, and 1963, the U.S. Treasury held in safekeeping for the Maritime Administration \$3,320,000 and \$2,380,000, 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 in the amount of \$188,680,558 and \$186,285,413 at June 30, 1964, and June 30, 1963, respectively, which had not been paid because of estimated recapturable excess profits in the same amounts pending final accountings for applicable recapture periods.

The estimated operating-differential subsidies shown on exhibit 2 have been adjusted for estimated recapturable subsidies. The adjustments increased costs by \$1,671,750 for 1964 and increased costs by \$1,258,461 for 1963.

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:

	<i>Year ended June 30</i>			
	1964		1963	
	<i>Depreciation</i>	<i>Revenue and reim- bursements</i>	<i>Depreciation</i>	<i>Revenue and reim- bursements</i>
Maintenance of reserve fleet vessels.....	\$153,079,938	\$1,102,562	\$133,308,594	\$1,379,466
Maritime training program.....	356,880	341,726	248,112	94,414
Maintenance of reserve shipyards.....	2,451,049	742,863	1,092,926	825,226
Operation of warehouses.....	321,237	118,075	53,667	117,658
Administrative expense.....	147,769	4,366,348	60,058	4,404,626
Research and development.....	126,960			

7. The amounts shown in exhibit 2 for construction-differential subsidies include reconstruction-differential subsidies of \$1,665,087 for 1964 and \$4,181,315 for 1963.

8. Accounts payable and other liabilities shown on exhibit 4 exclude \$30,475,671 at June 30, 1964, and \$19,775,595 at June 30, 1963, which were offset against retained costs for vessels under construction.

9. Congress has authorized the Maritime Administration, prior to the appropriation of funds, to enter into contracts for training of cadets at State marine schools. At June 30, 1964, \$2,143,800 of \$2,214,858 of unliquidated obligations were unfunded, and at June 30, 1963, \$2,051,645 of \$2,101,871 of unliquidated obligations were unfunded.

The Maritime Administration acknowledges the courtesy of the following companies in permitting the use of their photographs: American Mail Line Ltd.; American Export Isbrandtsen Lines, Inc.; United States Lines Co.; Grace Line Inc.; Moore-McCormack Lines, Inc.; The Atlantic Refining Co.; Lykes Bros. Steamship Co., Inc.; Gulf and South American Steamship Co., Inc.; National Steel and Shipbuilding Co.; and American President Lines, Ltd.

