

RAILROAD-STEAMSHIP CONTRACTS

The Traffic World Washington Bureau

Hearing was held December 1 before Commissioners Thompson, Plummer and Lissner of the Shipping Board on the contracts and agreements between American railroads and steamship companies operating ships in foreign commerce under foreign flags. In opening the hearing, Commissioner Thompson said:

"Any exclusive or preferential contract or agreement between any American railroad and any foreign flag shipping company is a menace to the success of ships operating under the flag of the United States. The resulting effect is the diversion of American commerce to the ships of other nations operating in competition with our own. Section 28 of the merchant marine act, 1920, clearly defines the intent of Congress that American railroads be preferential feeders of tonnage for American ships. Yet it is of record before the United States Shipping Board that a number of railroads in the United States have such exclusive or preferential contracts with foreign flag shipping companies in direct conflict with the spirit of the American Congress.

"It is also of record that more than two and one-half million tons of cargo were interchanged last year between these railroads and ships operating under the flag of nations other than the United States. This is a condition admittedly requiring correction, recognizing the full force and effect of the enactment clause of the merchant marine act which clearly provides that 'a greater portion' of the commerce of the United States be carried in American vessels.

"This committee first approaches the question of these contracts in a spirit of desire for those corrective and co-operative measures as will insure that the influence and organizations of the rail carriers, at present agencies of promotion for the extension of American commerce in vessels of other nations, be utilized for the extension of American commerce in vessels operating under the registry of the United States. The United States Shipping Board is assured that the rail transportation interests represented here, parties to these adverse agreements, recognize that any losses arising through the initial up-building of an American merchant marine necessarily falls upon the American public. The board believes that any American enterprise, particularly those the beneficiaries of government support, should make every effort to co-operate in full and unmeasured degree with any division of the government, whose duty it is to build, foster and promote American enterprise.

"To bring about such corrective condition this meeting between representatives of the railroads possessed of these agreements and this Committee of the United States Shipping Board is held. The railroads and the contracts of record with foreign shipping interests are as follows:

Baltimore & Ohio Railroad (Donaldson Lines; Scandinavian Lines; North German Lloyd; Furness, Withy & Co. and International Mercantile Marine Company.)
Great Northern Railway (Nippon Yusen Kabushiki Kaisha.)
Pennsylvania Railroad (International Mercantile Marine Co.)
Northern Central Railroad (International Mercantile Marine Co. and Furness, Withy & Co.)
Southern Railway Company (Mobile Liners, Inc.).
Mobile & Ohio Railroad (Mobile Liners, Inc.).
Boston & Albany Railroad (Leland Steamship Lines and Cunard Steamship Co.).
Chicago, Milwaukee & St. Paul Ry. (Osaka Shosen Kabushiki Kaisha).
Atlanta, Birmingham & Atlantic Ry. (Strachen Shipping Company).
Grand Trunk Railway System (White Star-Dominion Line).

"Expression with respect to the question at issue is now invited and to facilitate the hearing we will request expression from those present in the above order of record."

The contracts between the B. & O. and foreign lines were taken up first, Archibald Fries, vice president in charge of traffic of the B. & O., explaining that the company now had only three contracts, one with the Donaldson line expiring in 1927; one with the Furness-Withy Co., expiring in 1926, and one with the Scandinavian lines, expiring in 1922.

"These contracts provide no service that is not given to 22 steamship lines that dock at Baltimore," said Mr. Fries.

He said that in serving the lines with which it had agreements, the B. & O. discriminated in no way in favor of those lines so far as the facilities of the B. & O. permitted.

Commissioner Thompson pointed out that the contract with the Donaldson line provided for free use of terminals and that the B. & O. would use its efforts to promote the best interests of the steamship company.

"That is the objectionable element," said he. "There is an absence of a pledge that the B. & O. will promote the best interests of American lines."

Fries said the contracts were entered into before there were American lines in existence and that since the development of American lines "we have been using our best efforts to secure American vessels for the port of Baltimore." He asserted the B. & O. extended its facilities alike to all lines. He said he had consulted the agents of the lines with which the B. & O. has agreements, with the exception of the Scandinavian lines,

and that they were in favor of abrogating the agreements. He said that also was the position of the B. & O. However, he said the legal department would have to take up the question of cancellation with the companies and that in the event they declined to agree to cancellation he believed the contracts should be allowed to stand until date of expiration.

Commissioner Plummer said he could not see how the B. & O. could carry out the terms of the contract with the Donaldson line and yet give American lines the same treatment.

"Because we endeavor to promote the business of every line doing business at our piers," replied Mr. Fries.

Mr. Plummer, however, said the word "best" surely meant something, but Mr. Fries contended that so far as the B. & O. was concerned it had never discriminated against other lines in favor of the lines with which it had contracts.

"If you could route business over the Scandinavian-American line or an American line, which line would you select?" asked Commissioner Plummer.

"We do not route at all," replied Mr. Fries. "We advertise the sailings from our port and the shipper selects the route."

"Then you don't use your best endeavor for the Donaldson line?" asked the commissioner.

"We don't consider that this contract gives preferential treatment to the Donaldson line," replied Mr. Fries. "We would be glad to suggest abrogation of these contracts."

In reply to Commissioner Thompson Mr. Fries said he had made no effort to make contracts with the Shipping Board, adding that the B. & O. believed the best policy was to take care of all ships at its pier to the best of its ability. The Commissioner took the position that if the contract were lived up to then it was detrimental to American shipping and that if it was not lived up to, then it was in effect nullified.

Asked whether the B. & O. would appreciate the help of the board in getting the contracts cancelled Mr. Fries said at first that he did not think the B. & O. needed such assistance but later he said that in the event the companies should decline to cancel the contracts, the B. & O. would welcome the aid of the board. Fries said the B. & O. would do all it could in the way of co-operating with the board.

W. P. Kenney, vice president of the Great Northern in charge of traffic, discussed the contract of that company with the Nippon Yusen Kabushiki Kaisha, called the N. Y. K. He said the contract had been renewed October 18 and that under it the Great Northern received a large volume of inbound shipments from the Orient but gave little tonnage to the steamship line in return, because under the existing conditions a railroad has so little control over the routing of outbound traffic. He said the N. Y. K. had large forces in New York, Chicago and Seattle to solicit outbound business.

Commissioner Thompson asked whether Mr. Kenney was familiar with the efforts of the board to establish fast freight service in trans-Pacific routes and Mr. Kenney said the "535's" were comparable to any vessels on the Pacific.

The commissioner then said it was not a question of the Great Northern getting superior service via the Japanese line and Mr. Kenney replied in the negative. In reply in a question Mr. Kenney said he had not attempted to negotiate a contract with the Shipping Board.

"You appreciate the government is operating its vessels at a loss?" said Mr. Thompson.

"Yes," replied Mr. Kenney.

"It is quite distressing to the Shipping Board," continued Commissioner Thompson, "that a great transportation line neglected even to confer with us before making a contract with a line that is in direct competition with the government."

Mr. Kenney declared he did not believe there was a chance for the Great Northern to get an exclusive contract with an American line. He said further that the Great Northern got practically all the inbound traffic of the N. Y. K. without any effort on the part of the Great Northern. He said there was no question but that the contract provided that the Great Northern should work preferentially for the N. Y. K.

Commissioner Thompson asked whether it was not so that in effect the contract made the agents of the Great Northern the agents of the N. Y. K. Mr. Kenney replied he did not think that was so.

"It appears to me that the inescapable fact is that the Great Northern on October 18 went into direct competition with the government," said Commissioner Thompson.

"I don't want that statement to go unchallenged," interrupted Mr. Kenney. "This was an extension of a contract that had been in existence twenty-five years. Up to the present time there was no service available for the Great Northern to do this business and we should not be condemned. We have lost more money carrying the American flag on the Pacific than the American government has lost."

Mr. Kenney further said that the Great Northern was not desirous of opposing the Shipping Board in any way in its efforts to develop the American merchant marine, but that until there was something to take the place of the contract with the N. Y. K. it should not be condemned for having continued the agreement.

"When you come down to patriotism," he declared, "get the American shipper to ship under the American flag."

He said shippers were giving their traffic to Canadian lines and vessels and that recently he had tried to get some business from a New York shipper who has been using the Canadian Pacific on business to the Orient and that the reply was that the shipper liked the service he was getting via that route.

"We have a dock at Seattle available to every line at no cost," said Mr. Kenney. "We don't discriminate in favor of any line. Naturally we want to hold onto our incoming traffic. I don't think that it is the desire of the Shipping Board to deprive us of our Asiatic traffic in order to have it turned over to the Canadian Pacific at Victoria and Vancouver."

"We had no opportunity to work out with you a tonnage agreement on our lines," said Commissioner Thompson. "We are not talking patriotism. We are talking business."

Mr. Kenney said the service of the Shipping Board on the Pacific would be superior to any on that ocean when it had been established.

"It has been established—there are five vessels in that trade," said the commissioner.

"It has not been advertised enough for me to know it," replied Mr. Kenney.

Mr. Kenney said the N. Y. K. was practically making a present to the Great Northern of the inbound traffic and that to the Great Northern that was the important phase of the situation.

Commissioner Thompson asked for an expression of opinion as to the willingness of the Great Northern to cancel the contract. Mr. Kenney said he would have to confer with President Budd and the officials of the company with regard to that. He suggested that a contract with the N. Y. K. might be drawn that would meet with the approval of the board. He said the Great Northern wanted to get the inbound traffic if possible. He said if the Great Northern had refused to renew the contract, the N. Y. K. would have gone to one of the Canadian lines and the Great Northern would have lost the traffic.

"There would be no benefit to the American merchant marine for us to lose that," he said.

Commissioner Lissner inquired whether Mr. Kenney was aware of the fact that such contracts were lawful only if approved by the Shipping Board. Mr. Kenney said he did not understand that approval in advance was required. He said the board had been informed that the company was negotiating a new contract.

"I assume it is the duty of the Shipping Board to see that the treasury of the Great Northern is not depleted," said Mr. Kenney, adding that the company was "willing to go the limit with the board" if that was necessary to assist the government.

Commissioner Lissner said he thought the Great Northern had violated the law unknowingly.

Mr. Kenney remarked that "service gets the business" and that when Shipping Board Boats gave the best service they would get the business.

Robert C. Wright, general traffic manager of the Pennsylvania, said that company had only one existing agreement and that was with the I. M. M. with regard to allocation of piers at Philadelphia. He said it was not a traffic agreement, and that recently the Pennsylvania had turned one side of one pier involved over to the United American lines, an American steamship line. Commissioner Thompson said the board did not see anything objectionable in the agreement but asked whether the company would cancel it if the board asked that.

"We have no objection to canceling it," said Mr. Wright. "We will cancel it tomorrow."

R. M. Calkins, vice president of the Chicago, Milwaukee & St. Paul in charge of traffic, at the afternoon session declined to promise the commissioners that he would recommend to his company abrogation of its traffic agreement with the Osaka Shosen Kaisha steamship company in the absence of a substitute which would assure his company an equal return in revenue. Commissioner Thompson characterized this attitude on the part of Mr. Calkins as a "discordant note."

"I am sure the board would not ask me to recommend giving up that business (which he had said ran into the millions each year) unless I had something tangible to replace it," said Mr. Calkins.

Commissioner Thompson asked what must be the position of the board, acting under the mandate of Congress, to establish a merchant marine, if it were met by the opposition of the great transcontinental lines.

"We can't escape that," said the commissioner.

"You don't expect that tonnage at the expense of the treasuries of the Great Northern and the Chicago, Milwaukee & St. Paul, do you?" asked Mr. Calkins.

The commissioner replied in the negative contending there would be no loss on outbound shipments and probably no loss on inbound shipments if the transcontinental lines handled shipments via American lines.

Mr. Calkins said his company was ready to co-operate to the fullest extent with the board in building up an American merchant marine, but he said he doubted whether the Shipping

Board could control the tonnage involved, 80 per cent of which he said originated east of Chicago.

"The question is whether we could jointly control that business," said he. "I am willing to discuss that at any time. I don't want to mislead you by making a promise I could not later back up. If I give up that business what assurance have I that the Canadian Pacific will not take it up?"

Commissioner Thompson believed that situation could be met by legislation.

It was further, contended by Mr. Calkins that the arrangement between his company and the Japanese line should not be disrupted except as might be required by law because the arrangement was beneficial to United States trade. He said there was no contract but merely a tacit understanding with regard to the exchange of tonnage. He further said that he had been one of the first to ask the board to allocate some of the cargo-passenger vessels to the Puget Sound ports and that his company had helped advertise the passenger service given by the board vessels.

Lincoln Green, vice president of the Southern, speaking for that road and the Mobile & Ohio, said the contracts those companies had would be abrogated. D. O. Wood, general foreign freight agent for the Grand Trunk Railway, said that that company under its contracts did not discriminate against American vessels. H. M. Biscoe, of the Boston & Albany, said he was confident that company's contracts would be abrogated. The representative of the Atlanta, Birmingham & Atlantic said its contracts were inoperative.

The railroad companies represented at the hearing have been requested to submit written statements to the board as to their position with regard to the contracts. At the present moment, officials said, there is no desire to take any legal action with respect to the contracts because it is believed that that will not be necessary.

Commissioner Frederick I. Thompson, who acted as chairman at the hearing, said a report of the attitude of the carriers' representatives had been submitted to the board and that the members were gratified at the willingness of the companies "to follow the views of the government with respect to the pacts."

"The conclusion of the Shipping Board that the agreements were harmful to the development of American commerce in American vessels," said Commissioner Thompson, "was clearly defined to the railroad executives present, and it was considered a good augury to have evidenced the disposition of the rail carriers to form a closer working contact with the organization of the Shipping Board, looking toward an extension of American commerce in American vessels."

"It was particularly gratifying to the board to hear the expression of the two trans-continental carriers, handling the major portion of the Pacific-Orient commerce, that the establishment of an American flag service from the Pacific coast to the Orient had resulted in a record-breaking service as to time and accommodations. The representatives of these two companies, namely, the Great Northern Railway and the Chicago, Milwaukee & St. Paul Railroad, particularly interested in this service, clearly recognized and admitted that the accommodations, provided by the combination passenger and cargo vessels the Board is now establishing on these Trans-Pacific routes, were unexcelled by any other nation."

"The Shipping Board felt confident that upon reflection the Chicago, Milwaukee & St. Paul Railroad, the only company whose representative would not guarantee to recommend to his associates the cancellation of its agreements with the Osaka Shosen Kaisha, would recognize the necessity of meeting not only the views of the board, with respect to its contract with this foreign company, but would fall in line with the spirit evidenced by all of the rail lines who were represented at the meeting and who possess similar agreements."

LIGHTERAGE AT NEW YORK

The Traffic World Washington Bureau

Another argument on lighterage in New York harbor, one of the subjects about which there is some issue practically all the time, is to be made to the Commission December 28, when No. 12238, Standard Shipbuilding Corporation vs. Central of New Jersey, will come up. The same complainant has another case against the same carrier, No. 12857. The attitude of the company is rigidly against any refund to the complainant in the earlier case in which the complaining consignee is asking for refund of money paid by it to an outside lighterage concern for bringing stuff from the Jersey shore to Shooter's Island. The transactions involved in that case took place in 1918, during the war, while those forming the basis for the latter complaint took place in 1920. The company is not so much opposed to reparation in the second, taking the position that it will make the refund in the later case if the Commission holds that it was its duty to make delivery, free, at Shooter's Island. The distinction between the two cases is believed to be very fine and that hence the argument will be more than ordinarily interesting to those who have questions in connection with lighterage in New York harbor.