

## NEW SHIPPING LEGISLATION

*The Traffic World Washington Bureau*

A bill (S. 2678) requiring all ships sailing under a foreign flag and entering the ports of the United States or clearing therefrom to have a permit from the United States Shipping Board has been introduced by Senator Jones, of Washington, chairman of the Senate commerce committee. It provides that from and after 90 days after passage foreign vessels must have the permit and that in issuing or refusing any such permit the board "is authorized and directed to impose or require compliance with such conditions as it may deem necessary to promote the development and protect the interests of the American merchant marine," and that "such permits shall be issued for such length of time as may be determined by the United States Shipping board, and may be canceled upon such notice as may be fixed from time to time by such board."

Senator Jones also introduced a bill (S. 2681) providing "that the master of a ship of the United States is hereby given the right to assert a claim against the vessel of which he is master for his wages and disbursements when the owners of the vessel are insolvent and the master would lose his claim if not permitted to assert it against the vessel."

## RAILROAD STEAMSHIP CONTRACTS

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Representatives of railroad companies that have agreements or contracts with steamship companies operating vessels under foreign flags or that have foreign connections have been called before the Shipping Board to explain the contracts, and the board will demand abrogation of all such contracts as are regarded as detrimental to the American merchant marine, according to A. D. Lasker, chairman of the Shipping Board. The contracts and agreements in question are on file with the Commission and were outlined in *The Traffic World* of July 9, 1921, p. 76.

Mr. Lasker said he had taken up the question of the contracts with President Harding and that the President felt the same way that he did about them.

The Senate Nov. 8 adopted the resolution offered by Senator Jones, directing the Commission to send to the Senate copies of agreements on file with it between railroads and steamship companies operating from ports of United States in foreign trade, and to give the Senate all information in its possession with respect to the amount of freight handled under such agreements. Chairman Lasker announces that the Shipping Board has invited representatives of 28 railroads having contracts with steamship companies engaged in foreign trade to attend the hearing before Commissioners Thompson, Plummer and Lissner, December 1. The Commission will be invited to participate in the hearing, the object of which is to determine whether these contracts are against the upbuilding of an American merchant marine. If so, the board will request the companies to terminate the contracts and will also seek similar contracts for American vessels.

Senator Joseph E. Ransdell of Louisiana, as president of the National Merchant Marine Association, in a speech in New York attacked the railroads having agreements with foreign steamship lines as "turning over to our alien competitors trade that could be handled as expeditiously and efficiently by our merchant marine." The association in a statement issued September 11 made an attack on the railroads along the same lines. (See *Traffic World*, September 17, p. 550.)

Discussing "What's Wrong With Our Merchant Marine," Senator Ransdell said the outstanding feature of the situation was "that the more shipping we secure, the smaller percentage of our own trade we seem to carry, and the larger portion our foreign competitors secure."

"This, it is apparent," he continued, "is what is fundamentally wrong with our merchant marine. But what has caused it? Why, when we offer cargo space, speed of delivery, and service at the same rates as foreign shipowners, are we unable to gain, or even to hold our own, in our own commerce?"

"We all know, of course, that the American ship costs somewhat more to build, and more to man and operate, than the foreign vessel with which it must compete. This means that the net return on the investment in the American ship, as a general proposition, must be less than on the foreign ship; but it does not explain why, the freight rates being equal, the bulk of the trade goes to the alien competitor, and on an increasing scale."

"There is one factor which, I believe, goes far to explain the situation. To the shipper, dependability of service is vital. He must be assured of a regularity of sailings, and he must be able to count upon the delivery of his goods within a specified time. But he never has been assured of a thorough dependability upon the Shipping Board's services, and now, with the wholesale laying up of the board's vessels and the general curtailment of new trade routes, he is turning more and more to other services upon which he can depend, and the foreigner is alive to this situation and quick to take advantage of it."

"But there are other and far-reaching underlying causes that are crippling the development of the American merchant marine. Not only is our shipping forced to meet competition from abroad, but in many cases that competition is aided and abetted by Americans. In fact, there is no lack of instances where beneficiaries of the American government, whose enterprises are being aided by government funds, are turning over to our alien competitors trade that could be handled as expeditiously and efficiently by our new merchant marine."

"I refer to our railroads. Nearly a score of them, including the greatest systems of the country, have filed with the Interstate Commerce Commission, under a recent order, copies of contracts made by them with foreign shipping lines. In these it is agreed by the railroads that they will use their best efforts to secure freight for the foreign companies to the exclusion of others. Exclusive use of facilities is granted in many cases, free wharfage and freight handling is given special arrangements on through bills of lading are made, and many other privileges are accorded."

"Let me read you brief extracts from one or two of these agreements."

"The Pennsylvania system reports an agreement between the Northern Central Railroad (covering its connections) and Furness, Withy & Co., a British corporation, in which the railroad states:

That it will use its best endeavors to promote the business of the said steamship line and cordially co-operate with it in all reasonable requirements to further its interests."

"And it is furthermore agreed:

That each party will use their best efforts to promote the interchange of business tributary to both companies as against their individual and mutual competitors."

"The Baltimore & Ohio Railroad has a contract with the North German Lloyd Line whereby the railway agrees to furnish free of rent for the line's use and always accessible piers, sheds, coal yards, warehouses, and so forth. It agrees to try to get the vessels of the line exempt from city, harbor and county taxes, and to do its best to obtain mails for the steamers. And the agreement further states that the railroad—

Agrees to deliver always for the use of the vessels a sufficient quantity of best fresh Cumberland coal at a price that shall be always 50 cents per ton under the market value at Baltimore, and which price is never to exceed \$5 per ton of 2,240 American pounds."

"The Boston & Albany Railroad in an agreement with the Cunard Line grants the free and exclusive use of certain piers, and in addition pledges itself to make all reasonable efforts to secure the amount of export freight required by said steamship company. And it further pledges under certain conditions "a reduced rate of 2½ cents per hundred pounds for freight in carload lots."

"As a result of the operation of the various contracts well over a million tons of freight are turned over annually by American railroads to foreign ships. These foreign lines, on their part, agree to deliver as much freight as possible to the contracting railroads, but in the exchange the foreigner gets far the best of it."

"The most amazing aspect of the situation, however, is that the railroads, supplied with funds from the United States treasury, have been utilizing their resources to build up the business and swell the profits of foreign competitors of the government's shipping. In other words, the government of the United States is placed in the position of using its money to foster competition with itself."

"You will doubtless be told that the majority of these contracts were entered into at a time when there was no American merchant marine worth mentioning, and that the contracts are legal. Even conceding this, the fact remains that no such agreements have been made for the benefit of the government's vessels, although we have had a large government fleet on the sea for more than two years. If the American railroads are not prepared to give to the American merchant marine the same aid they extend to foreigners, steps should be taken to end these conditions. Why should not the Shipping Board secure such agreements and thereby secure employment for thousands of tons of idle vessels?"

"How are we to escape the conclusion that the American merchant marine has powerful enemies at home working to destroy it? For a year and a half now the merchant marine act of 1920 has been law, but of all its provisions the ones that remain unenforced are those which would increase our share of our carrying trade and decrease the share of our foreign rivals. What is the dead hand of delay that blocks every effort that would check the triumphal march of our alien competitors? If there are sinister influences at work, as is charged with increasing frequency, let us drag them to the light and ruthlessly stamp them out of existence. Not till then shall we be able to realize to the full what is wrong with our merchant marine."

In speaking on his resolution relating to contracts between railroads and steamship companies, Senator Jones said the United States would have to take heroic steps and look after

its interests in building up an American merchant marine. He said if the Harding administration would enforce the merchant marine law, such action would go a long way toward stopping practices that injure the merchant marine. He said he hoped rumors that the administration did not intend to enforce this or that provision of the law were not true. Senator LaFollette announced he would push his resolution calling for an investigation of the Shipping Board.

Senator Jones submitted a letter from the secretary of the National Merchant Marine Association relative to the contracts. He said the letter showed the secret of the opposition on the Pacific Coast to the enforcement of Section 28 of the Jones law and quoted the following:

There was an agreement executed between the Osaka Shosen Kaisha and the Chicago, Milwaukee & St. Paul Ry. Section 6 of this agreement reads:

It is further mutually agreed by the parties hereto that all freight tendered to the Osaka Co. by the St. Paul companies shall be given the preference over any other freight tendered to the Osaka Co. by any other corporation or shipper, the St. Paul companies advising the agent of the Osaka Co. details of amount of freight contracted for next sailing, and the St. Paul companies to likewise give the preference to through freight tendered by the Osaka Co. to any other freight tendered to the St. Paul companies by any other corporation or shipper.

"This agreement was executed in 1908 and ran until April 1, 1919.

"Here is a significant fact: A letter signed by R. M. Calkins, vice-president of the St. Paul, addressed to the president of the Osaka Shosen Kaisha, under date of June 13, 1918, states:

There is no intention on the part of this company to cancel this contract. In fact, we hope that it may continue in force and that the friendly relations which have been maintained for the past ten years between our companies will continue indefinitely. Due to the present federal administration of American railways, it is not advisable—and I doubt very much whether it would be possible—for us to enter into a formal renewal of this contract; but, as I have already stated, we trust that it will continue in force, with possibly some slight modification, that may be brought about from time to time by the new government regulations.

You must understand, however, that at the present time we have no authority to make any pledges or promises, and the situation, as I have outlined it, is the personal opinion and desires of both our president and the writer, and we sincerely trust that our friendly relations may continue uninterruptedly.

"They could not under the law and regulations enter into a formal contract to renew the contract which they had made, so they had a gentleman's agreement to continue it in force."

The letter in part was as follows:

There are a number of these contracts and their provisions constitute potentialities that are so grave a menace to the development of the American merchant marine that a searching investigation of them seems not only wise but a vital necessity for the preservation of a volume of American shipping adequate to our needs.

In 1920 alone, according to the roads' own figures, practically 2,000,000 tons of export were turned over to foreign steamship companies by railroads, most of which had contracts with foreign lines.

Large as this amount is, however, it falls far short of representing actual total deliveries of exports by American carriers to our competitors in our own ocean-carrying trade. None of the agreements on file with the Interstate Commerce Commission, so far as it has been possible to ascertain, covers transportation to or from the port of New York, and the same is true in regard to other large American ports.

Many of the large railway systems of the United States have executed agreements binding them to give the preference to foreign steamship lines over American lines, and in cases where subsidiaries of the leading roads have executed contracts with foreigners, it is specified that the provisions of the agreement shall apply also to the connections of the road; thus linking up great American systems with development of lines under foreign flags already carrying not far from two-thirds of our ocean commerce.

With the government turning over many millions of dollars to American railroads, and with the railroads utilizing their resources to secure business for foreign steamship lines, even to the extent of employing solicitors to get cargo, a remarkable situation is created. For, while the government is forced to tie up hundreds of its vessels for lack of freight, American railroads continue to turn over cargo to foreign steamship lines, and these lines continue to gain steadily in the percentage of our ocean commerce which they carry, while our vessels transport less and less. Thus, the government, by its payments to the railroads, is using its money to foster competition with its own shipping, and thereby add to the heavy burden of loss.

If these contracts can be construed as legal, the fact remains that there has not been found on record with the Interstate Commerce Commission a single agreement whereby an American railroad is pledged to use its efforts to the end of gaining trade for shipping under the American flag.

A list of the foreign steamship lines which benefit by these special arrangements with the great American rail carriers is practically a roster of our chief competitors on the ocean. British lines predominate, but they by no means monopolize the field of favored treatment. Leading Japanese, German and Scandinavian companies have also been made able to secure in American commerce advantages which are not accorded to our own shipping and which result in the diversion of a volume of freight, which, secured for our own vessels, would diminish the amount of our ships laid up for lack of trade.

## PERMANENT EXPORT MARKET

*The Traffic World Washington Bureau*

That the commercial future of the United States depends on a development of a permanent export market, and that the wartime foreign trade of this country was artificial and is being rapidly lost, were points brought out in an informal talk given at the United States Shipping Board to a body of newspaper representatives by R. T. Merrill, of the staff of Vice-President Smull of the Emergency Fleet Corporation. His subject was one of a number of studies which the board is having made of

the basic facts affecting and underlying world trade conditions, and especially the economic position of the United States.

Mr. Merrill said that in his discussion he was principally concerned with the weight and volume of the commodities carried by water, rather than their value. To obtain these figures the Shipping Board was obliged to gather original statistics, which are now in such shape as to permit the accurate forecasting of tonnage needs on vessel routes and to maintain a sufficient number of Shipping Board vessels in operation adequately to supply those needs, he said.

The major commodities from the standpoint of bulk, which go to make up the world's ocean traffic, were briefly summarized with their countries of origin, their quantities and the place and amounts of their consumption. The position of the United States with regard to the essential raw materials, such as coal, petroleum, cotton, iron, copper, wool and sulphur, was more fully gone into, and the marvelous variety of our natural resources, which, with few exceptions, would permit the country to be almost self-sustaining, was clearly demonstrated.

The development of the United States was traced from its early days as a sparsely settled and undeveloped country, importing practically all its manufactured articles and exporting only the more easily obtained raw materials, through its rapid transition into a manufacturing country of the first importance. This change was shown by means of the relation between the imports and exports of raw materials and of manufactured articles.

Foodstuffs were shown to have comprised the greatest proportion of total exports more than forty years ago, at the time when the central west was being developed by the railroads and land was still relatively cheap. That the United States had from that time steadily receded from its position as a food exporting nation in order to feed its own population, because that population had turned more and more to manufacturing, was a point emphasized.

Even before the war the greater part in bulk of our cargoes was outbound, the speaker said, and since the war this condition had been aggravated. With the exception of the traffic of the great lakes and the importation of bulk oil from Mexico, but one district furnishes full cargoes in both directions—the West Indies. If the United States achieved its natural destiny as the coal merchant to Latin-America, he said, it would be desirable that our ships adopt a triangular route in order to lessen the unproductive voyage home in ballast.

The point was stressed that on account of this country's greatly increased capacity for production as a result of the war, it would be necessary to market abroad those manufactured articles which the domestic market was incapable of absorbing. As the European nations would be obliged, in order to improve exchange, to produce and market to capacity, there would ensue a keen struggle for the world markets—South America, China, Africa and India—for manufactured articles.

Further, as the foreign nations, especially those that are essentially manufacturing countries, owe the United States huge sums of money for war loans, they will endeavor to pay those loans by their products, and to avoid swamping the domestic market, the United States will have to find foreign consumers not only for its own surplus, but for our foreign imports as well. From this the speaker drew the conclusion that the United States would be forced into setting up elaborate machinery for re-export, including large "free zones."

Mr. Merrill concluded with the recommendation that manufacturers turn to the foreign fields and that the government take steps to support the manufacturer's hands in such an attempt, adding that the United States Shipping Board had done, and was doing, all that by law it could, namely, insuring adequate service, reasonable rates and freedom from unfair discrimination.

## RELIEF FOR SHIP PURCHASERS

*The Traffic World Washington Bureau*

At the close of a hearing November 9 before the Shipping Board and the Emergency Fleet Corporation on the request of pioneer purchasers of Shipping Board vessels for a reduction in the price of tonnage at which they bought government vessels in 1919 and 1920, Chairman Lasker announced that the board and corporation did not believe that they had been "illuminated" beyond what they were before the meeting started.

"The board and the trustees, however, wish to pursue the matter further, keeping in the interim an entirely open mind and one leaning sympathetically to your condition and weighing constantly the relationship of this situation to the development of a merchant marine," said he. "They believe that we should now pursue the investigation from a definite angle and that we should investigate each company and its situation individually, getting therefrom a real and true picture of the individual needs of each company in the situation, and a composite picture of the situation as a whole.

"With that in view we have appointed a committee from each of the two boards, the basis of whose work shall be expedition because we realize that expedition is almost the