

Seventh Annual Report
OF THE
Federal Maritime Commission



Fiscal Year Ended June 30, 1968

We are basically testing the ability of free enterprise to work with free government for the benefit of the general welfare of all free nations and free men.

CHAIRMAN JOHN HARLEE
Federal Maritime Commission

LETTER OF TRANSMITTAL



Federal Maritime Commission
Washington, D. C. 20573

Office of the Chairman

TO THE SENATE AND HOUSE OF REPRESENTATIVES

The Federal Maritime Commission submits herewith its 7th Annual Report to the Congress. The report furnishes information required by Section 103(e) of Reorganization Plan No. 7 of 1961 and the Merchant Marine Act, 1936, for the fiscal year 1968.

The controlling policy underlining the work of our Commission has been service to the public and this theme is reflected throughout this report.

Respectfully,


John Harilee

Rear Admiral, U. S. Navy (Retired)
Chairman

FEDERAL MARITIME COMMISSIONERS (Fiscal Year 68)



James F. Fanseen

James V. Day

John Harlee
Chairman

Ashton C. Barrett

George H. Hearn
Vice Chairman

TABLE OF CONTENTS

	<i>Page</i>
HIGHLIGHTS OF THE YEAR	1
OUR MISSION	20
FOREIGN TRADE	25
Carrier Agreements	25
Shippers' Requests and Complaints	28
Conciliation Service	29
Exclusive Patronage (Dual Rate) Contracts	29
Freight Rates	30
ADP Application to Carrier Agreements	35
International Relations	36
DOMESTIC COMMERCE	38
Freight Rates	38
Special Permission Applications	39
Carrier Agreements	39
Special Studies	40
PASSENGER INDEMNITY	43
PORT TERMINALS	45
FREIGHT FORWARDERS	50
Licensing	50
Rulemaking Proceedings	50
Other Significant Activities	51
FINANCIAL ANALYSIS	53
TRANSPORT ECONOMICS	55
COMPLAINTS AND COMPLIANCE	57
Informal Complaints (Foreign)	57
Informal Complaints (Domestic)	58
Compliance Program and Container Inspections	58
Fact-Finding Proceedings	59
Field Investigations	59
Formal Proceedings	60
COMMISSION CASES	62
Decisions of Hearing Examiners (in proceedings not yet decided by the Commission)	62
Pending Proceedings	63
Final Decisions of the Commission	64
RULEMAKING	69
ACTION IN THE COURTS	70
LEGISLATIVE ADVANCES	72
ADMINISTRATION AND MANAGEMENT	76

Charts

	<i>Page</i>
Fiscal Year 1968 Action With Respect to Exclusive Patronage (Dual Rate)	
Contract Systems	30
Amount of Surcharge	33
Status of Commission Docket in Formal Proceedings	61
Statement of Appropriation and Obligation for Fiscal Year 1968	79

Illustrations

Commissioners in Official Session	iv
Special Activities of Commissioners	8
Cellular Container Ship	21
Motorship at Bristol Bay	22
Roll-on Roll-off Containership	41
Puerto Rico Harbor	42
New York Docks	49
Independent Ocean Freight Forwarders Application	52
Container Seminar Meeting	74

HIGHLIGHTS OF THE YEAR

Review of the operations of the Federal Maritime Commission indicates a vigorous pattern of growth in all areas of operation required to meet demands for regulation of the waterborne foreign and domestic offshore commerce of the United States. Keynote of Federal Maritime Commission policy has been the development of an atmosphere conducive to the ultimate resolution of mutual problems, full consideration of the industry it is our responsibility to regulate, and concern for the welfare of the millions of people in areas serviced by the industry.

*Excerpts From Propeller Club Address
Given by Chairman John Harlee*

Informal Procedures To Save Time and Money

In fiscal year 1968, the Commission developed fully its regulatory policy of attempting to resolve problems by informal means. Informal procedures are used except where the problem is an important and novel one that requires a formal precedent or where a formal hearing is required to safeguard the rights of the defendant in a prosecutive action. Where a novel legal question that does not involve disputed facts is presented the Commission attempts to save time and expense by adjudicating the issue without an evidentiary hearing. Informal settlements are often initiated within the Commission but sometimes are triggered by informal complaints of private parties. We expect many problems to be settled without the necessity of formal litigation under the conciliation service approved by the Commission July 3, 1968. Wherever possible the informal procedures include a confrontation of opposing parties. Procedures such as those herein outlined have drastically reduced the number of hearings that would have been required in fiscal year 1968. Of

equal importance, many problems were resolved that would not have come to hearing because of the expense of litigation.

Benefits to Commerce

American commercial interests were assisted in important ways by the Commission. Rates in the domestic offshore trade remained relatively constant notwithstanding price increases in most segments in the national commerce. Terminals were modernized and expanded (radically in the cases of container terminals) without significant regulatory hinderance. Wherever possible regulatory procedures were expedited to allow expanding terminals to meet operational deadlines and this was accomplished without sacrifice of the rights of protesting parties. Ocean freight forwarders were encouraged by the Commission to enter new fields of endeavor, principally in the form of consolidation services, to further the export commerce of the United States and to offset the loss of business which forwarders are fearful of losing as a result of the container revolution.

The American Merchant Marine benefitted by the following powers and policies of the Commission: (1) Use and potential use of the Commission's power under section 19 of the Merchant Marine Act, 1920, which allows the Commission to adopt orders counteracting foreign governmental decrees which discriminate against shipping in the United States foreign trade; (2) assuring that conference agreements, rates, and practices are not unfair to carriers and provide for admission of all qualified lines; (3) attacking malpractices in foreign trade and thereby enabling lines to compete on equal terms; (4) assuring that the practices of terminal operators and ocean freight forwarders do not impede foreign or domestic commerce; and (5) attempting to foster a regulatory climate which will provide for maximum trade expansion.

International commerce benefits from fair Commission regulation. The Commission assures that pooling agreements are not carried out unless there is a demonstration that they are not detrimental to commerce. The Commission attempts to maintain competition to the extent reasonable and protects competitive independent carriers in foreign trades. Recently the Commission has sought elimination of artificial restraints by conferences, carriers, and other persons subject

to the act against containerization, palletization and other technological innovations that will assure cheaper, safer, more efficient and ever increasing foreign commerce of the United States.

Cooperative Agreements

In early March the Commission took steps to maintain shipping stability at Pacific coast terminals by conditionally approving, pursuant to section 15, Shipping Act, 1916, two cooperative working agreements filed by the Pacific Maritime Association on March 11, 1968, as a result of a Supreme Court decision in *Volkswagenwerk v. F.M.C.*, 390 U.S. 261 (1968).

The agreements, T-2148 and T-2149, authorize the assessment of the membership of the Pacific Maritime Association for the purpose of creating a fund (Mech Fund) to meet obligations to pay employees' retirement benefits under the ILWU and PMA Longshore Mechanization and Modernization Plan and the ILWU-PMA Walking Boss Plan.

The Department of Defense, Volkswagenwerk Aktiengesellschaft, and the Matson Navigation Co. urged the Commission to approve the agreements in order to avoid the possibility of work stoppages on west coast piers and resulting difficulty in supplying our forces in Vietnam. Matson and Volkswagenwerk also protested certain provisions of the agreements and these provisions were made the subject of the investigation ordered by the Commission.

Prompt action by the Commission on these agreements was credited as a major factor in maintaining west coast shipping stability and preventing a stevedore strike.

Legislative Action—90th Congress

Public Law 90-298, enacted April 29, 1968, authorizes the Commission to permit a common carrier by water in foreign commerce or a conference of such carriers, under certain conditions, to refund a portion of freight charges or waive collection of a portion of such charges from the shipper. Notice of proposed rules to implement this legislation was published in the Federal Register on June 29, 1968.

Commission Rules

The Commission established, effective June 14, 1968, by amendment to General Order 13, a rule relieving carriers in the foreign commerce of the United States from the administrative burden of publishing and filing ocean tariffs governing freight rates assessed on shipments of the Military Sea Transportation Service under that agency's competitive bidding system. This amendment will merely require carriers to file with the Commission a copy of their tenders of rates for the transportation of U.S. military cargo.

The Commission proposes, by amendment to its General Order 13, to require carriers in the foreign commerce of the United States and conferences of carriers to publish in their tariffs criteria governing the availability of special "Project Rates", and to define that term. The objective of the proposed amendment, published in the Federal Register May 25, 1968, is to enable the Commission to insure that "Project Rates" are applied in a nondiscriminatory manner.

In furtherance of its policy of encouraging informal settlement of disputes involving matters within its jurisdiction, the Commission has proposed (Docket No. 68-2) to establish a conciliation service under which a Commission conciliator may be assigned to work with the parties desiring the service. The conciliator will act in an advisory capacity with a view toward bringing about agreement between the parties. Participation in the conciliation is voluntary, and any party may withdraw from the conciliation procedure at any time. However, this service should result in the elimination of many long and costly formal proceedings, and result in substantial savings to shippers, carriers, and the Commission.

On May 14, 1968, final rules exempting nonexclusive transshipment agreements from section 15 approval were published in the Federal Register. This exemption, allowed pursuant to the provisions of Public Law 89-778, will serve the best interests of both carriers and shippers by allowing such agreements to be more readily negotiated and expeditiously effected.

On November 11, 1967, the Commission published proposed rules governing the filing of uniform agreements between common carriers of freight by water in the foreign commerce of the United States. Comments by interested persons have been received and publication of final rules is expected early in fiscal year 1969. Although per-

missive rather than mandatory, the use of the uniform agreements contained in the rules will result in considerable time and expense savings to the Commission, as well as the conferences and the carriers.

Commission Decisions

The following Commission decisions were of particular significance in the administration of its regulatory programs in the foreign trade:

Docket No. 68-8—Disposition of Container Marine Lines' Through Intermodal Container Freight Tariff Nos. 1 and 2, FMC Nos. 10 and 11. On April 23, 1968, the Commission concluded that the tariffs of Container Marine Lines (CML) providing for a through transportation service comprised of port-to-port transportation between United States and United Kingdom and inland transportation in the United Kingdom were acceptable for filing under section 18(b) (1), Shipping Act, 1916. It was further determined that the alleged conflict between the port-to-port portion of rates and port-to-port rates in tariffs of conferences of which CML is a member and dual rate contracts of the conferences was nonexistent inasmuch as the intermodal service provided by CML was not within the scope of conference agreements or approved conference dual rate contracts.

On May 7, 1968, the North Atlantic Westbound Freight Association filed with the Court of Appeals for the District of Columbia Circuit a petition to review the report and orders of the Commission and the Commission has requested the court to remand the matter to the Commission for further hearing. This case remained under active judicial consideration at the end of fiscal year 1968. The Container Marine Lines tariffs reflect the new intermodal techniques developing in international ocean transportation and may establish a pattern for tariffs of this kind.

Docket No. 66-49—North Atlantic Mediterranean Freight Conference—Rates on Household Goods. On November 13, 1967, the Commission ordered the North Atlantic Mediterranean Freight Conference to relinquish control over the rates on Government-controlled cargoes, the carriage of which is reserved by law to U.S.-flag carriers. In addition, the Commission found that the rates of two of the conference member lines on certain household goods shipments of the State Department were unjustly discriminatory in violation of section 17 of the Shipping Act, 1916, and ordered the conferences to cease and desist from the violation. On the basis of this decision, the substantially higher rates charged on State Department household goods were reduced to parity with rates charged on military household goods not only in the trades covered by this conference, but also in worldwide outbound and inbound trades of the United States.

Docket No. 65-13—Rates on U.S. Government Cargoes. This proceeding covered the investigation of the rates and practices of the members of three American-flag berth operator groups in connection with the movement of military cargoes in the U.S. foreign trade. The Commission decided, among other things, in its report served December 12, 1967, that rates which are admittedly noncompensatory and which are reduced in order to unfairly attempt to drive a competitor from the trade are contrary to section 18(b) (5) of the Shipping Act, 1916.

A significant initial decision was also made in *Docket No. 65-45—Investigation of Ocean Rate Structures in the Trade Between U.S. North Atlantic Ports and Ports in the United Kingdom and Eire—North Atlantic United Kingdom Freight Conference, Agreement 7100, and North Atlantic West-bound Freight Association, Agreement 5850.* On January 31, 1968, the presiding examiner in this case issued his initial decision in which he found that in the outbound trade the general cargo rate, some commodity NOS rates, and certain individual commodity rates were so high as to be detrimental to U.S. commerce. While this decision will be reviewed by the Commission, the final decision in this case could have far-reaching effects on the inbound/outbound rate structures in the other U.S. foreign trades.

Other Significant Decisions

Ocean Freight Rates and Charges from the United States to South Vietnam

A significant program activity which the Commission has been maintaining for several years involves surveillance over the ocean rates and charges maintained by the member lines of those conferences serving trade from the United States to South Vietnam. This trade is of particular importance since virtually all cargoes moving therein are Government-sponsored and under cargo preference laws are reserved generally for movement on U.S.-flag vessels. Additionally, the American-flag carriers operating a liner service from the United States to South Vietnam are being relied upon, in large part, for the movement of materials and supplies to our military forces in that country.

During fiscal year 1968 the Commission's staff entered into discussions with the staffs of the Agency for International Development, Department of Agriculture, and the Military Sea Transportation Service regarding the possibility of concerted Government action to effect elimination or reduction in certain additional charges being applied by the conference carriers on their service to South Vietnam.

After a number of months of negotiations the following reductions were published in the conference tariffs to become effective July 1, 1968:

- (1) Elimination of the congestion surcharge at Saigon of \$1.75 per ton;
- (2) Reduction of an outport differential generally applied to Saigon from \$6.50 per ton to \$3.50; and
- (3) Reduction of an arbitrary charge applying to Vietnamese ports other than Saigon from \$20 per ton to \$10.

Based upon the volume of movement of cargoes from the United States to Vietnam in calendar year 1967, it appears that the annual savings resulting from these reductions will approximate \$3 million.

Containerization

Containerization is probably the most significant and rapidly developing innovation in ocean transportation in many years. The Commission has kept abreast of this technological advancement in ocean transportation and has continued its studies into all aspects of containerization. One such study, inaugurated toward the end of the fiscal year, is the application of the "land bridge" concept to shipping in the U.S. trades. The advantages of this concept (the movement of containers from point of origin via ocean to the United States, overland across the United States, and ultimately via ocean to country of destination) with respect to cost and transit time savings will be explored fully. Through such studies and through collaboration with carriers, shippers, freight forwarders, and others, the Commission, at all times, has the required information to effect any needed and workable regulatory changes to secure for the shipping public the full benefits of intermodal container transportation.

Alaska Trade Study

The Alaska Trade Study, a regulatory staff analysis prepared by the Commission was published during fiscal year 1968. Comprehensive in coverage, it included (a) A collection of available information concerning transportation conditions in the Alaska trade; (b) an evaluation of regulatory and jurisdictional problems; (c) the development of long-range objectives; and (d) a theoretical review of

ocean rates and other transportation factors in the Alaska trade—all of which offer the possibility of materially improving the Alaskan economy through a better transportation system.

Special Activities of the Commissioners

In addition to the major responsibility of final adjudication of matters referred to the Commission, the Commissioners of the Federal Maritime Commission have a very important public relations function. It is their obligation to insure that the industry and the general public understand the aims of the Commission as well as the overall impact of trade innovations on water commerce. This requires frequent appearances at maritime functions and speaking at presentations, ship launchings, and before civic groups. Commissioners also have the opportunity of obtaining firsthand knowledge of particular problems and the views of shipping officials and interested public at such meetings.

Vitalizing the Commission's public relations responsibility is Chairman John Harllee, who with firm belief in the "rightness" of maritime regulations passed by Congress and exuding optimism for the future of the U.S. maritime industry, takes every opportunity to present the Commission's aims to the public. Included in each speaking engagement is a visual survey of waterfront, port, or other shipping facilities and mutual exchange of ideas with local officials of Government and industry.



Chairman John Harllee addressing the Propellor Club, Port of Los Angeles, Long Beach, Calif.

*“The basic objective of American trade and commerce is to stimulate our own United States economy; and our international trade plays a vital role in our economy today. We are entering upon an era in which this trade will have a new and unprecedented importance * * *. The FMC will make its contribution by guarding against malpractices in our trade and commerce and by fighting the twin evils of prejudice and discrimination among or against those who serve on our trade routes.”*

In March 1968, Admiral Harllee visited Japan for talks with the Chief of Shipping Bureaus of the Japanese Ministry of Transport. These talks concentrated on disparity between U.S. freight rates on exports and imports and the containership services being started later this year in the trans-Pacific trade.

Typical of numerous formal and informal speeches made by Chairman Harllee during fiscal year 1968 are the following:

Our American merchant marine, to its credit, has met every war demand and has risen to this accomplishment without a single essential civilian requirement being forced to cut back or suffer delay or inconvenience.

*International Executive Association, Inc.
March 1968*

Another aspect of the concern of our Government in maritime affairs is the welfare of our domestic offshore states and territories such as Alaska, Hawaii, Puerto Rico, Guam, Virgin Islands, and Samoa. Ocean transportation to these areas is conducted by American-flag lines, but, again, a balance must be struck between the welfare of the steamship lines for which high freight rates must be good and the welfare of the millions of people in those states and territories for whom high freight rates may not necessarily be good.

*Maine Maritime Academy
Castine, Maine
August 1967*

There are five ways in which I believe the Federal Maritime Commission has benefitted the American merchant marine. They are:

- (1) There has been a tremendous increase in cargo carried by the American merchant marine since the activity of the Federal Maritime Commission. * * * We certainly do not claim credit for all or most of this increase, but I do believe that removal of monopolistic perversions and artificial impediments to trade by the Commission and its assistance to exporters and importers has played some helpful role in this increase in trade.
- (2) Protection of the American Merchant marine from discrimination by foreign governments.
- (3) Fair treatment of American-flag steamship lines by conferences.
- (4) Relationships between freight forwarders and the steamship lines.
- (5) Relationships between carriers and terminals.

*Propeller Club
Port of Charleston, S.C.
September 1967*

In addition to his public relation functions, Chairman Harllee has made a number of formal statements to various congressional committees on matters of interest to the Federal Maritime Commission.

On August 15, 1967, Chairman Harllee appeared before the Committee on Merchant Marine and Fisheries, U.S. House of Representatives, to give a report of stewardship and to explain the Federal Maritime Commission's position on: (a) proposed legislation providing for accounting of revenues from rate increases and refunding of amounts determined by the Commission to be unlawful; (b) proposed legislation relative to pretrial depositions and discovery procedures; and (c) proposed legislation on carrier waiving portions of freight charges. At this time he stated:

I am convinced that fair and reasonable implementation of the regulatory statutes by our Commission, guided by practical understanding of problems facing ocean shipping, has led to conditions of fair competition for both American-flag lines and foreign lines; has maintained a healthy and non-predatory conference system; and has improved the position and economic strength of our foreign freight forwarders and terminal operators and improved their relations with the carriers.

On March 19, 1968, Chairman Harllee appeared before the Committee on Government Operations, Subcommittee on Foreign Aid Expenditures, U.S. Senate, to testify on port charges placed on shipments of surplus commodities by the United States to foreign countries.

Chairman Harllee was awarded the highest honor of California's San Francisco Port Authority when on April 1, 1968, he was presented the Order of Maritime Merit with rank of Commander "in recognition of invaluable, unselfish, and lasting contributions to the maritime industry and to the development of world trade through ocean commerce."

On June 14, 1968, he was presented the "Honorary Port Pilot Award" by the City and Port of Long Beach, Calif.



VICE CHAIRMAN GEORGE H. HEARN
NATIONAL MARITIME DAY
NEW YORK, N.Y.—MAY 5, 1968

"We as a maritime Nation, with the Atlantic, Pacific, gulf coasts, and Great Lakes, must realize that international trade and the merchant fleet that makes it possible, is the ingredient that brought this Nation to prominence. Without a strong merchant fleet, our status as a leading force in the free world will be on the rocks."

During fiscal year 1968 Commissioner George H. Hearn held on-the-site conferences during a Far East trip to Japan, the Philippines, and Hawaii (covered under International Relations) and also at Fort Schuyler, N.Y.; Princeton, N.J.; Newport, R.I.; Seattle, Wash.; and Vancouver, British Columbia.

In his speaking engagements before industry groups, Commissioner Hearn emphasized the values to be gained through increased cooperation between the Federal Maritime Commission and the shipping industry particularly in the opening of new frontiers in markets and techniques. Addressing the New York Freight Forwarders & Brokers Association, Inc., in New York City he stated:

Independent ocean freight forwarders have been recognized as providing an important link in our domestic and foreign export commerce. * * * I believe that the forwarders should join with Government agencies such as the Federal Maritime Commission in efforts to help bridge the frontiers for our industries and would-be exporters. The Federal Maritime Commission and other agencies should provide incentive to the forwarders as far as possible in this regard.

It is, I believe, within the capacity of forwarders to help ensure the United States an opportunity to participate importantly in these (Africa, Asia and Latin America) trade expansion areas. Working hand in hand, the forwarders and the Government should be able to take long strides toward their common goals. The common goal of our Nation in foreign commerce coincides with the commercial and pecuniary best interests of you, the New York Foreign Freight Forwarders & Brokers Association, and your concerted efforts can result in a patriotic benefit for all.

Commissioner Hearn was also honored by receiving the New York Freight Forwarder's "Man of the Year" award and by being selected to attend the Naval War College Conference.



Commissioner Ashton C. Barrett speaking before Propeller Club, Savannah, Georgia.

*"We Americans have much of which to be proud. We have a land endowed by Providence with the bounty of plenty, and we have, over the generations of our national life, employed our endowments generally to good and moral ends. * * * We must resolve that American business and the American Government can find a way to live together in mutual respect and for the promotion of the general welfare and prosperity of all our people."*

Commissioner Ashton C. Barrett, who was one of the first Commissioners appointed to the Federal Maritime Commission when it was made an independent agency, frequently serves as representative for the Commission at industry functions. Typical of such functions are the launching of the SS *President Fillmore*, the launching of the SS *Delta Paraguay*, and the launching of the SS *Delta Uruguay*—all at Pascagoula, Miss.

In his most recent public addresses, Commissioner Barrett has outlined in a clear and concise manner the problems presented to the Federal Maritime Commission by conferences, containerization, freight forwarders, etc. To quote:

In view of the international character of ocean shipping, conferences remain a most useful device for maintaining rate stability. Competition among the various carriers of the world would become destructive were it not for effective steamship organizations. The conference system has brought about rates which are the same for all shippers. * * * and improved the opportunities for keeping permanent lines involved in transportation with fixed and dependable sailing dates.

The benefits of the conference system may be reduced to a great extent if one or more of the members resort to rate cutting or any other violation of a conference agreement. Collusive activities of conferences could cause rate levels to be too high * * * .

Conference maneuvers, clothed in secrecy, could lead to the elimination of outside competition, if left unchallenged. Several forms of regulation are, therefore, necessary to ensure producers, shippers, consignees, and interested members of the public fair consideration.

*Institute on Foreign Transportation and Port Operations
New Orleans, La.*

The shipping industry may no longer be considered as a separate entity; it has become, more than ever before, a segment of an overall transportation system. Containerization has made manifest the tremendous need for an effective, integrated intermodal system. * * *

To achieve such realization, full coordination and harmony must exist among the ocean, rail, truck and air carriers; recognition of new problems in the fields of labor, Government, and finance must be acknowledged and resolved; and the functional use of a containerized system must ensure the maximum benefit to all concerned.

*Movers' & Warehousemen's Association of America, Inc.
Las Vegas, Nev.*



Commissioner James V. Day speaking at the American Merchant Marine Conference Honolulu, Hawaii—October 11, 1967.

*“The role of the Federal Maritime Commission is regulation * * * but in discharging our responsibilities we constantly seek to assure the growth and continued prosperity of American shipping and to see that it will not be hampered by illegal discrimination or unfair prejudices.”*

Commissioner James V. Day in his official public addresses repeatedly stresses the theme that while the Federal Maritime Commission's basic role is regulation, the function of that regulation must be to promote a strong merchant marine capable of maintaining our national security, our national growth, and the welfare of the American merchant and consumer. In April 1968 speaking before the 19th Annual Institute on Foreign Transportation and Port Operations at New Orleans, La., Commissioner Day stated:

The Federal Maritime Commission has always sought to administer the regulatory shipping laws in a manner to create a healthy climate for the growth and protection of our commerce.

We at the Commission do not live in some esoteric governmental ivory tower closing our eyes to dollar-and-cents values. Nor do we permit ourselves to be lured by fancy theories away from sound American private enterprise philosophies in which the ability to earn an adequate profit is vital. In carrying out our regulatory responsibilities under law, we seek to help our ocean commerce.

We shall continue all our efforts * * * toward the common goal of a U.S. merchant marine, strong, vital, and always able to meet the requirements of our national security and the economic welfare of these United States.

*Propeller Club of United States
Honolulu, Hawaii 1967*

Our regulatory responsibilities and goals cover and have a close relationship with port and terminal operation.

In such regard, we have made it a cardinal principle to cooperate with ports in seeking to assure that our regulatory actions are positive and helpful.

Miami, Fla., 1967

Further, with respect to forwarders and port terminals in their relationships with carriers, we seek the preservation of fair dealing. Our course is one of cooperative effort.

New Orleans, La., 1968

In March 1968, Commissioner Day participated in the Brookings Institution Conference at Princeton, N.J. for Presidential appointees to independent boards and commissions.



COMMISSIONER JAMES F. FANSEEN
SPEAKING BEFORE FOREIGN COMMERCE CLUB
NEW YORK CITY, MAY 1968

*“Criticism is not the answer to the plight of our Nation’s Merchant fleet. * * * I believe it is necessary to establish and maintain strong lines of communication between government and industry. * * * Without the exchange of thoughts and ideas, there can never be any common determination to find viable solutions to our problems.”*

Commissioner James F. Fansen during fiscal year 1968 made 15 speeches to official maritime groups in which he emphasized the necessity and benefits of mutual cooperation between Government and the industry, the impact of the intermodal container concept, and the responsibilities of ocean freight forwarders. Selected remarks included the following:

Every effort has been made by the Federal Maritime Commission in all its dealings to make sure that the restrictions and obligations which have been imposed are consistent with the public interest. The public includes not only the exporters, importers, and consumers whom I have already mentioned, but it also includes carrier, freight forwarder, and port terminal operators. Our purpose has been to regulate *only where needed and only to the extent necessary*. Regulatory emphasis has been placed on stimulating transportation progress, and we have attempted to carefully avoid harassing or interfering with carrier management.

*Middle Rotary Club
Baltimore, Md.
November 1967*

Adaptation to containerized facilities presents unprecedented economic complications. * * * All trends indicate that the dominance of containers will continue. Container cargo will move through that port which provides location of container terminal at points convenient to shippers and receivers, that port which provides marshalling areas deployed in such a manner to permit quick delivery of containers to shippers, and that port which provides quick and efficient handling of the cargo with a minimum of damage and pilferage.

*Port and Industrial Development Commission
Baltimore Junior Association of Commerce
September 1967*

A viable partnership of Government and business working together to solve our massive problems. * * * (in re ocean shipping) is the key to the promises of the future. The approach of Government and business finding fault with each other is no solution. * * * Our maritime "problems" are nothing more than opportunities to prove our merit, opportunity to perform a much needed service, and opportunity to produce, as partners, a dynamic, creative maritime industry.

*Propeller Club
Port of Baltimore
Maryland 1968*

OUR MISSION

Congress has delegated to the Federal Maritime Commission the responsibility for the regulation of waterborne shipping in the foreign and domestic offshore commerce of the United States. The basic principle of operation is protection of the interests of the public whether directly involved with the shipping industry or indirectly serviced or influenced by shipping activities. This requires not only a keen interest in and accurate knowledge of the immediate effect of rate or operation changes but the ability to project current tariff trends, carrier developments, route and schedule modifications or expansions, and competitive practices into their future impact on areas serviced. The people who are dependent on the service of the domestic offshore carriers must be assured of continued nonexploitive service regardless of changes in shipping routes, shipping companies, or tariff rates. To accomplish this the Federal Maritime Commission must at all times keep informed on the activities of both the large companies operating on the high-profit runs and the small area-servicing enterprises.

We are working for, and we believe we can have, a regulatory system which protects and fosters American commerce; stabilizes rates and services; expands rather than inhibits trade; creates fair and equal conditions for ships of all flags, conference or independent; and imposes no undue burden on anyone. The design for this system is spelled out in the shipping statutes, particularly in the "Bonner Act of 1961" * * * which modernized the shipping laws so that they are realistic and fitted to changing times and circumstances. * * * The Federal Maritime Commission as the instrumentality of this design will bend every effort to create the regulatory system provided for by the vision and wisdom of the Congress.

*Rear Adm. John Harlee,
Statement before House Merchant Marine and Fisheries Committee,
July 21, 1964*



U.S. Line container ship of the latest cellular design used in the foreign commerce represents one of the larger type operations whose trade is regulated by the Federal Maritime Commission.



Motorship at Bristol Bay discharging to a power scow while other small river boats stand by to receive their cargo. This area, typical of all others north of the Alaska Peninsula, is without docks and all cargo must be lightered to and from the beach. The Federal Maritime Commission is responsible for regulating services to such areas.

The Federal Maritime Commission was established as an independent agency by Reorganization Plan No. 7 of 1961, effective August 12, 1961. The Commission is composed of five members, appointed for 5-year terms by the President, by and with the consent of the Senate, with no more than three members appointed from the same political party. The President designates one of the Commissioners to be the Chairman, who also serves as the chief executive of the Commission.

The statutory authorities and functions of the Commission include the following:

a. Approval or disapproval of agreements filed by common carriers;

b. Regulation of the practices of common carriers by water and other persons engaged in the foreign and domestic offshore commerce of the United States, and conferences of such common carriers;

c. Acceptance or rejection of tariff filings of domestic offshore carriers or common carriers in the foreign and domestic offshore commerce of the United States, and conferences of such carriers. In the domestic offshore trade the Commission has the authority to set maximum or minimum rates and suspend rates;

d. Issuance or denial of licenses to persons desiring to engage in ocean freight forwarding activities;

e. Reviewing and determining validity of alleged or suspected violations of the shipping statutes and Commission regulations by common carriers by water in the domestic offshore or foreign commerce of the United States, terminal operators, freight forwarders, and other persons subject to the provisions of the shipping statutes;

f. Conducting formal investigations on its own motion and adjudicating formal complaints pursuant to the Administrative Procedure Act;

g. Making and promulgating rules and regulations to interpret, enforce, and assure compliance with shipping statutes;

h. Administering programs to assure compliance with the provisions of shipping statutes through field investigations, submission of reports, preparation of financial analysis studies, economic studies, etc.;

i. Attending to complaints against carriers and other persons subject to the act by administrative action, formal proceedings, referral

to the Department of Justice, or by negotiation of voluntary agreement between parties;

j. Conducting activities in conjunction with Department of State to effect elimination of discriminatory practices on the part of foreign governments against U.S.-flag shipping; and

k. Issuance of certificate of financial responsibility to qualified passenger vessel operators.

FOREIGN TRADE

It has been the judgment of this Government reaffirmed over a 50-year period that oceanborne foreign commerce requires regulation and surveillance. This commerce, of course, is not the exclusive province of the United States. Every cargo movement involves the interests of at least two governments. * * * The United States because of its great reliance upon foreign shipping is convinced that shipping requires governmental regulation and surveillance to protect the public interest and national welfare. * * * In turn such regulation also requires the ability to minimize international irritants and the skill to work for voluntary rather than compulsory compliance.

The Federal Maritime Commission has been working for and believes it has a regulatory system which * * * effects a balancing of interests * * * and assures foreign carriers they will be treated fairly and responsibly, safe from unreasonable demands and requirements.

*Excerpts from Rear Admiral Harlee's Statement
Before House Merchant Marine and Fisheries Committee,
July 21, 1964*

Carrier Agreements

Section 15, Shipping Act, 1916, authorizes the Commission to allow common carriers by water in the commerce of the United States and other persons subject to the Act to enter into arrangements, undertakings or agreements regarding activities enumerated in that section which, if approved by the Commission, are exempt from the provisions of the antitrust statutes. Activities enumerated in Section 15 include fixing rates, controlling competition, pooling or apportioning earnings or traffic, allotting ports or regulating sailings, limiting or regulating the volume or character of traffic to be carried and providing for exclusive, preferential, or cooperative working arrangements. An agreement is approved if the Commission finds, after notice

and hearing, that it is not (1) unjustly discriminatory; (2) detrimental to the commerce of the United States; (3) contrary to the public interest; or (4) in violation of the Shipping Act, 1916.

Activity in Processing Section 15 Agreements

The Commission is current in the processing of foreign carrier agreements. The average processing time is 55 days from the date of filing. This is considered optimum as it includes a usual 20-day Federal Register notice period during which interested parties are given the opportunity to file comments or protests.

At the beginning of fiscal year 1968, there were 42 agreements pending Commission approval under section 15. These consisted of 15 new agreements and 27 modifications to existing approved agreements. During the year, 216 agreements were filed (86 new agreements and 130 modifications). The Commission approved 201 agreements; 22 were withdrawn by the parties as a result of informal discussions requesting clarification or revision of the agreements; seven were handled in formal proceedings; and 28 are in process of staff analysis.

At the close of fiscal year 1968, there were 765 active approved agreements on file consisting of 138 conferences and rate agreements; 13 joint conference agreements; 52 joint service agreements; 20 pooling agreements; 32 sailing agreements; 402 transshipment agreements; and 108 miscellaneous cooperative working arrangements.

Rules Governing the Filing of Section 15 Agreements

On November 11, 1967, the Commission published proposed rules governing the filing of uniform agreements between common carriers of freight by water in the foreign commerce of the United States. Comments by interested persons have been received and publication of final rules is expected early in fiscal year 1969. Utilization of the forms of agreements set forth in these rules, although permissive rather than mandatory, will insure expeditious processing of agreements and may in many instances result in approval under section 15 without the necessity of formal hearings. The use of the form agreements will result in considerable savings of time and expense to the Commission, the conferences, and the carriers.

Exemption of Nonexclusive Transshipment Agreements from Section 15 Approval

On May 14, 1968, final rules exempting nonexclusive transshipment agreements from Section 15 approval requirements were published in the Federal Register (46 CFR 524). These new rules were made possible by the exemption authority granted by the 89th Congress in the enactment of Public Law 89-778 on November 6, 1966. The Commission under appropriate safeguards, through the requirement of filing for information but not for approval, and by implementation of tariff filing requirements under Section 18(b) of the Act, will thus be able to exercise its authority to exempt nonexclusive transshipment agreements from formal consideration and processing under Section 15. The best interests of both carriers and shippers will be served because transshipment arrangements which have little anticompetitive effect may be more readily negotiated and expeditiously put into operation.

Self-Policing of Section 15 Agreements

The pertinent provisions of the Shipping Act, 1916, provide that "The Commission shall disapprove any such agreement, after notice and hearing, on a finding of inadequate policing of the obligations under it, * * *." Pursuant to this statutory requirement, the Commission adopted self-policing rules in 1963 under General Order 7 (46 CFR 528). Section 528.2 of this general order requires that conference and other ratemaking agreements between common carriers by water in the foreign and domestic offshore commerce of the United States shall contain a provision describing the method or system used by the parties in policing the obligations under the agreement, including the procedure for handling complaints and the functions and authority of every person having the responsibility for administering the system.

A comprehensive review was recently conducted of all conference and ratemaking agreements to determine their current procedures with respect to the self-policing requirements imposed by Section 15 of the Act. This review revealed that only two of the 120 conference and ratemaking agreements approved and on file with the Commis-

sion which are subject to self-policing requirements failed to provide any form of self-policing and action was initiated in each instance to correct deficiency. Twenty-eight agreements were found delinquent with respect to the required semiannual filing of self-policing reports.

In a recent decision served by the Commission on March 20, 1968 in Docket No. 1095, the Commission established certain principles regarding self-policing of Section 15 agreements as follows:

- (1) determinations made under a neutral body type of self-policing system, which combines both investigative and adjudicatory functions, must be subject to a *de novo* review by an impartial and disinterested panel of arbitrators;
- (2) to give effect to the principle that an accused should not be subject to punishment on the basis of secret evidence, arbitrators must be furnished only with such evidence as has been disclosed to the accused line and which the accused line has had an adequate opportunity to rebut or explain; and
- (3) a review *de novo* by a panel of arbitrators does not require a new trial but merely a new evaluation of the record established before the neutral body.

The Commission decided Docket No. 1095 after remand of the case from the United States Court of Appeals for the District of Columbia Circuit *States Marine Lines, Inc. v. Federal Maritime Commission*, 376 F. 2d 230 (1967). The Commission is now reviewing the self-policing provisions of the various ratemaking groups to see that they comply with the decision of the Commission and the court in Docket No. 1095.

Shippers' Requests and Complaints

General Order 14 (46 CFR 527) was adopted in 1965 by the Commission to implement the statutory requirement of the Shipping Act, 1916, which provides that "The Commission shall disapprove any such agreement, after notice and hearing, on a finding * * * of failure or refusal to adopt and maintain reasonable procedures for promptly and fairly hearing and considering shippers' requests and complaints." A review of the 411 reports received from conferences in fiscal year 1968 indicates that the action taken by the carrier

groups has been favorable to shippers in 67 percent of the cases, thus affording the shipper lower rates, refund of overcharges and other benefits. This high percentage of favorable action is attributed to the careful attention the carrier groups are according shippers' requests particularly as a result of the reporting requirements promulgated by the Commission under General Order 14 and the Commission's continuing surveillance over these actions and concern over freight rate matters and shipping problems.

Conciliation Service

Final rules establishing a new service to the public to be known as the Federal Maritime Commission Conciliation Service were being considered by the Commission at the end of fiscal year 1968. These rules establish a simplified method for settling disputes between persons or companies involved in the shipping, receiving, handling, or movement of merchandise in the waterborne commerce of the United States, domestic offshore and foreign. It is anticipated that these rules will become effective early in fiscal year 1969.

Exclusive Patronage (Dual Rate) Contracts

Section 14(b) of the Shipping Act, 1916, enacted by Public Law 87-346, effective October 3, 1961, authorizes the Commission to permit, with certain specified statutory safeguards, the institution by carriers or conferences of carriers of a contract system, available to all shippers and consignees equally, which provides lower rates to a shipper or consignee who agrees to give all or a fixed portion of his patronage to such carriers or conferences of carriers. The Commission may approve such dual rate contract systems unless it finds that the contract, amendment or modification thereof will be detrimental to the commerce of the United States, contrary to public interest, or unjustly discriminatory or unfair as between shippers, exporters, or ports or between exporters from the United States and their foreign competitors.

The following chart is a compilation of the Commission's activity during the fiscal year with respect to exclusive patronage contracts.

FISCAL YEAR 1968 ACTION WITH RESPECT TO EXCLUSIVE PATRONAGE (DUAL RATE) CONTRACT SYSTEMS

(a) Approved dual rate contract system:

As of July 1, 1967.....	59
Approved during fiscal year 1968.....	10
Canceled during fiscal year 1968.....	1
Approved systems as of July 1, 1968.....	68

(b) Dual rate contracts filed for approval pursuant to section 14(b), Public Law 87-346 during fiscal year 1968:

	<i>New system</i>	<i>Modifications to existing systems</i>
Pending July 1, 1967.....	3	0
Filed fiscal year 1968.....	11	32
Approved during fiscal year 1968.....	10	3
Applications withdrawn before approval	1	0
Pending approval July 1, 1968.....	3	29

Of the 68 systems approved as of July 1, 1968, six are not being implemented by the conferences. Four involve the inactive Cuban trade and two became dormant upon approval of the Inter-American Freight Conference (9648). Thus, as of July 1, 1968, there are 62 approved dual-rate contract systems which are in operation.

The marked increase in applications filed for permission to institute new dual-rate systems, from six in 1967 to 11 in 1968, was attributable mainly to the expansion of trade with the developing nations of Africa and Israel. Filing of modifications to existing dual rate systems increased from one in 1967 to 32 in 1968. Most of this increase (29) arose from the conferences' and carriers' desire to provide in their approved merchant's contracts for the effects of currency devaluation by governmental action as a condition beyond the control of carriers which would permit increases in rates on less than the statutory 90-day notice requirement.

Freight Rates

Section 18(b) of the Shipping Act, 1916, requires common carriers by water in the foreign commerce of the United States and conferences of such carriers to file with this Commission tariffs which set forth their rates and charges for the transportation of property

and any governing rules or regulations. To implement the statutory standards the Commission issued General Order 13 (46 CFR 536) which prescribes the form and manner in which ocean rate tariffs required by the statute shall be published and filed. These tariff filing requirements are designed to afford adequate notice to the general public with respect to carrier's effective ocean rates and charges, and to insure that tariffs covering the movement of goods in our international commerce are reasonably uniform and easily interpreted. It is the purpose of these requirements to guard against unjustly discriminatory rates and practices.

At the beginning of fiscal year 1968, there were 2,114* ocean freight tariffs on file with the Commission. This total increased to 2,424 by the close of the fiscal year. During the year, 118,166 pages of tariff filings were received representing the establishment of 236,332 new or initial rates and 295,415 rate changes. Of the total number of filings received by the Commission during the year, 462 were rejected for failure to conform with the Commission's tariff filing standards.

While it is not economically feasible for the Commission's tariff examining staff to meticulously analyze each and every rate and charge contained in these tariffs, a program providing for scrutiny of those items appearing to have significant import is maintained. For example, wherever we have reason to believe that rates and charges on a particular commodity have a significant effect upon the marketing capability of shippers, a close scrutiny of such rates in light of pertinent economic and marketing factors is made. Our tariff examining program places particular emphasis upon careful examination of all rules and regulations which govern the application of rates and charges. Particular emphasis is placed upon examining rules and regulations for the movement of containerized or unitized goods because of the rapid development of the intermodal container concept in our international trades. It is our purpose to insure that conferences and carriers do not adopt rates and practices designed to inhibit the development of these concepts which should offer improved service with economic benefits to both shippers and carriers.

*This number of tariffs on file is 400 less than the number reported in the annual report for the year ended June 30, 1967. The difference was occasioned by a change in the system of recordkeeping.

Our tariff examination program is intended, to the extent possible, to make certain that rates and practices are not unjustly discriminatory and do not inhibit the ability of shippers to compete effectively in international markets.

Special Permission Applications

Under Section 18(b) of the Shipping Act, 1916, the Commission is authorized, in its discretion and for good cause, to waive the 30-day filing notice provisions set forth in the act. During fiscal year 1968, 243 special-permission applications for waiver of the filing notice were received. Of this number, 218 were approved, 15 were denied, and 10 were withdrawn by the applicants.

Freight Rate Surcharges

One of the Commission's most important programs, as indicated in prior annual reports, is the continuing surveillance of surcharges. Surcharges expressed in fixed dollar amounts or as a percentage of the published freight rate are levied by carriers in foreign commerce and directed against cargo moving into ports where conditions such as congestion, labor shortages or work stoppages impede normal vessel operations.

Under the Commission's program steps are taken immediately upon the filing of a surcharge to obtain information concerning conditions at the port against which the surcharge is directed. The Department of State has been helpful in furnishing the data necessary to reach a determination as to the course of action to be taken. If the report from State indicates that port conditions would seemingly warrant additional revenues to overcome added expenses a watch is maintained to assure that the surcharge is not effective beyond the troublesome period.

Frequent exchanges of correspondence take place between the Commission and the carriers and conferences relative to surcharges. In general, conference and carrier representatives have been most cooperative and surcharges reduced or eliminated as improved port conditions warrant.

During fiscal year 1968 the following ports were involved in surcharges and the action taken by the carriers and conferences was as indicated:

<i>Port</i>	<i>Amount of surcharge</i>	<i>Action taken</i>
Bandar Shahpar percent . .	10	Canceled.
Bangkok dollars per ton . .	6. 50	do.
Beirut percent . .	15	do.
Benghazi do	15	do.
Colombo do	15	do.
Damman do	10	do.
Dubai do	10	do.
Iran do	5	do.
Istanbul do	15	do.
Izmir do	15	do.
Khorramshahr do	10	do.
Kuwait do	10	do.
Mataadi do	10	do.
Bhrain do	5	do.
Iraq do	5	do.
Saudi Arabia do	5	do.
Trucial Coast Ports do	5	do.
Freeport Bahamas do	10	do.
Nassau do	10	do.
Guatemala do	15	do.
Israeli Ports do	5	do.
Morocco do	25	do.
Algeria do	25	do.
Tunisia do	25	do.
Libya do	25	do.
Egypt do	25	Reduced to 15 percent.
Syria do	25	do.
Vietnamese Ports—See special report Under Highlights.		

General Freight Rate Increases

In order to satisfy the Commission's statutory responsibility to insure that ocean rates are not established at levels which will inhibit the ability of shippers to compete effectively in the foreign market place, the Commission maintains a program for surveillance over general freight rate increases published by conferences or carriers in the U.S. foreign trade. Under this program whenever a conference publishes a general rate increase, a letter is promptly dispatched to it asking for specific information regarding the relationship of the increase to actual carrier expenses. In the great majority of cases, the conferences are able informally to satisfy the Commission's staff that the general increase is consistent with related expenses.

The Commission's surveillance program, for example, resulted in cancellation of general increases involving the west coast of Italy, Sicilian and Adriatic ports/North Atlantic Range Conference and the Italy-South France/United States Gulf Conference. Each of these conferences published a 5-percent surcharge intended as a temporary general increase to become effective September 1967. The Commission questioned the propriety of these increases in light of Section 14(b) of the act which provides that a rate shall not be increased before a reasonable period and in no case less than 90 days. As a result both conferences eliminated their surcharges in November 1967.

Computer Processing of Freight Rates

The Commission's computerized data bank, consisting of approximately 24 currently effective tariffs representing the major conferences and carriers operating in the trades between all coasts of the United States and the United Kingdom and the European Continent, is being maintained in a current status by the processing of revisions to these tariffs.

In an effort to increase specificity in the Commission's retrieval programs and to develop systems and programs responsive to the needs of shippers, carriers, and conferences of carriers, our current data processing system and programs are being reviewed. The concept of standardization or uniformity in commodity descriptions for ocean freight tariffs is being studied particularly in view of the Standard Transportation Commodity Code used by the domestic railroads and

truck lines and the Worldwide Air Cargo Commodity Classification being developed by the International Air Transport Association.

The Commission is keeping close contact with carrier and shipper groups seeking tariff simplification, standardization of transportation documentation, and elimination of unnecessary shipping documents. We are also maintaining liaison with the Interstate Commerce Commission and the Civil Aeronautics Board with respect to the tariff automation activities of those agencies and with the Department of Transportation regarding development of intermodal services in the foreign commerce.

ADP Application to Carrier Agreements

The first major phase of the Commission's application of Automatic Data Processing methods to section 15 agreements was completed in August 1967 for all sections of the Conference Agreements Book. The compilation lists conference, rate, and interconference agreements by agreement numbers, showing current carrier membership, trade areas, and representatives with addresses and other information pertaining to the listed agreements. Application of computerized methods facilitated the production of this listing of Section 15 agreements making it possible to provide carriers, conferences, shippers, and the interested public with a 225-page current publication at the inexpensive subscription price of \$3.50.

The second major phase of the program for computer application to agreements data was completed and listings produced in May 1968 for all section 15 agreements (aggregate 590) other than rate-fixing agreements. This list of agreements was compiled for internal use of the Commission for analyzing status of agreements, for determining participation in agreements by individual carriers and for various other studies and projects.

Machine programing of the third major phase, the recording and listing of Agreements Compliance Data, was completed during June 1968. This multiple program consolidating data on minutes reports, self-policing, and shippers' requests and complaints will expedite Commission surveillance of actions of carriers and conferences thus enhancing our capability for protection of carriers, shippers, exporters, importers, and ports from discriminatory actions of parties under section 15 agreements.

International Relations

In order to make any real contribution a regulatory commission must display an aggressive willingness to enunciate policy whenever it is required before problems reach the crisis stage. It is such a commission's responsibility to create techniques to facilitate the consideration of policy alternatives that look not only at present-day problems, but that also open up the promise of tomorrow.

*Commissioner James F. Fanseen
World Trade Club
Houston, Tex.—December 1967*

The regulatory responsibilities of the Federal Maritime Commission, when applied in the international sphere of shipping, often raise problems of major diplomatic import.

The Commission throughout the year has kept in close touch with the U.S. Department of State and the representatives of foreign nations to assure against unnecessary or undesirable escalation of the points of disagreement which arise in the application of the various statutes administered by the Federal Maritime Commission.

The Commission's cooperative efforts have been reasonably successful. There have been resolutions of dissention about U.S. regulatory activities in international commerce. A feeling of general amicability with foreign governments and shipping lines concerning U.S. regulatory requirements has been reached through discussions and liaison with appropriate foreign shipping attachés, international organizations, and other agencies concerned with international shipping problems.

The role of the U.S. Department of State in helping the Federal Maritime Commission has been friendly, productive and substantial.

During the period under review, Chairman John Harllee was in Japan to discuss government regulatory activities with the officials of the Japanese Government. Vice Chairman George H. Hearn, during the same reporting period, was in the Philippines and Japan for an overall discussion of international shipping problems brought about through new developments in the shipping industry, particularly containerization.

The Commission and staff held a series of meetings with the European and Japanese shipping attachés, to discuss, among other things, proposed general orders concerning the type and substance of Section 15 agreements. Meetings were also held on Docket No.

65-5 (Proposed Rule Covering Time Limit on the Filing of Overcharge Claims).

At the beginning of fiscal year 1968, Commissioner Fanseen visited England, France, Denmark, Norway, Sweden, and the Netherlands to attend the 18th session of Council of Intergovernmental Maritime Consultative Organization, and to inspect port and terminal facilities in various European ports for the purpose of determining and analyzing containerization progress and the general impact of other European advancements upon the competitive position of U.S. shipping.

During the period under review, information and background data was secured on 18 ports throughout the world, in order to assist in alleviating or reducing the various congestion and other port surcharges which were pending.

Foreign Discrimination

The prospect of foreign shipping discriminations continued during fiscal year 1968. To meet this problem the Federal Maritime Commission maintained a continual surveillance of foreign shipping activities and on the plans for the proposed multilateral shipping convention of the Latin America Free Trade Association (LAFTA). During the year three new instances of discrimination emerged. In one instance, the discrimination was removed through negotiation, and in the other two instances, threatened discrimination has not been implemented and is not at present affecting the operation of U.S. shipping lines.

DOMESTIC COMMERCE

While the Federal Maritime Commission as a regulatory agency does not have statutory responsibility for the promotional aspects of the American merchant marine, policywise it believes that fair and impartial regulation contributes substantially toward promoting our merchant marine in becoming the greatest mode of domestic and international trade. A great America requires a strong and economical merchant marine.

The Federal Maritime Commission regulates rates and practices of domestic offshore common carriers by water serving the trades between the continental United States and Alaska, Hawaii, Puerto Rico, Guam, American Samoa, and the Virgin Islands, pursuant to the provisions of the Intercoastal Shipping Act, 1933, and the Shipping Act, 1916.

Freight Rates

The Intercoastal Shipping Act, 1933, requires domestic offshore water carriers to file with the Commission and keep open for public inspection tariffs of rates, fares, and charges for, or in connection with, transportation between ports served. The Commission accepts or rejects these tariffs in accordance with the requirements of the statutes and the Commission's rules.

In fiscal year 1968, 13,387 new pages to existing freight and passenger tariffs were examined. Of these, 659 pages were rejected and letters sent to persons filing as to the corrective action to be taken.

Action was taken by the Commission concerning 35 protested or questionable tariff provisions. In the majority of cases orders of suspension and investigation were issued but the carriers in all but five instances withdrew the proposed rate increases. Formal proceedings

were started against the five carriers who did not withdraw the rate increase. The Commission permitted the remaining protested tariffs to go into effect because staff analysis indicated the proposed changes were justified.

The Commission's policy of meeting with domestic offshore water carriers, shippers, and representatives of the governments of the domestic offshore areas to discuss, negotiate, conciliate, or otherwise resolve potential disputes on an informal basis resulted in eliminating approximately 29 formal proceedings. This is a substantial saving in both time and money to the Commission, the carriers, the shippers, and the public.

Special Permission Application

Section 2 of the Intercoastal Shipping Act, 1933, provides that no change may be made in tariff rates, fares, charges, classifications, rules or regulations, except by publication, filing, and posting of new tariff schedules. Such changes cannot become effective earlier than 30 days after the date of filing with the Commission. Upon application of the carrier, the Commission may, in its discretion and for good cause, allow the changes to become effective on less than 30 days' notice. In this fiscal year, the Commission approved 151 special permission applications, denied 10, and two were withdrawn by the applicants.

Carrier Agreements

Agreements between carriers in the domestic offshore trades are subject to Section 15, Shipping Act, 1916, which requires that such agreements be filed for approval before effectuation. Each agreement or modification is examined to determine whether it represents the true and complete understanding of the parties; would be unjust, discriminatory, or unfair as between carriers, shippers, exporters, importers, or ports; would operate to the detriment of the United States; would violate the Shipping Act; or be contrary to the public interest.

Twelve new agreements and five modifications to existing agreements were filed during fiscal year 1968. Two carrier agreements were pending at the end of fiscal year 1967. Thus, nineteen carrier

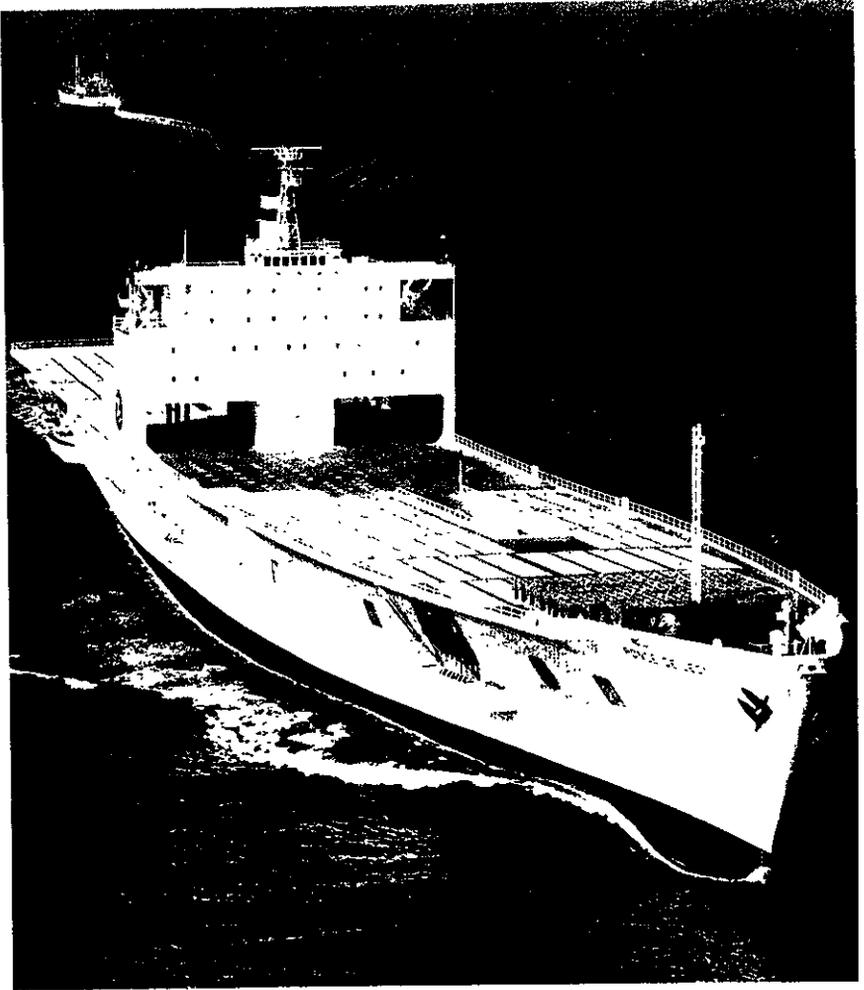
agreements or modifications to agreements were processed during fiscal year 1968. Thirteen were approved; one was withdrawn; one was returned to the parties as not being subject to Section 15; and four are pending approval. Two of the pending agreements are involved in formal Commission proceedings *Dockets Nos. 67-44—Agreement No. DC-30 Between South Atlantic & Caribbean Lines, Inc., and TMT Trailer Ferry, Inc. (C. Gordon Anderson, Trustee); and 68-5—Agreement No. DC-27 between Castle & Cooke, Inc., and American President Lines, Ltd., Proposing Joint Ownership of Hawaiian Lines, Inc.*

Special Studies

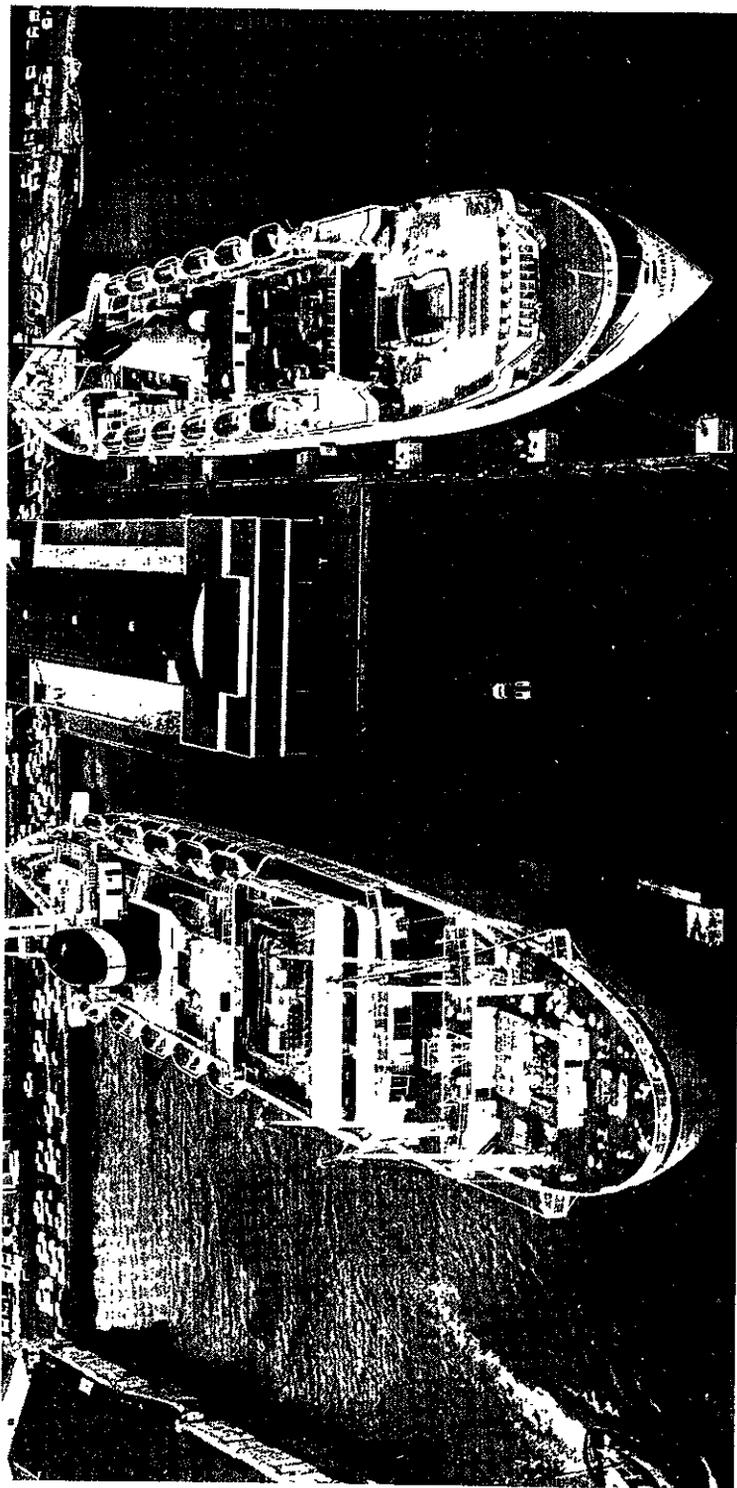
A study of the Puerto Rico and Virgin Islands trades was started late in fiscal year 1967. The major objective of the study is the evaluation of the effect of ocean transportation on the economy of these areas.

It will provide the Federal Maritime Commission with detailed background information to supplement data obtained in formal proceedings and will be used in the development of more efficient administrative and regulatory techniques.

The study will look into the operations of terminals in conjunction with water carriers, pickup and delivery services, trucking services, adequacy and efficiency of shipping services, developmental rates, and any problems which may retard the free flow of commerce between the United States and Puerto Rico.



Latest type roll-on roll-off container ship in the New York-Puerto Rico trade is one of the vessels in the domestic offshore trade whose rates are regulated by FMC.



Puerto Rico Harbor—Analysis of such terminal facilities is an integral part of the Puerto Rican/Virgin Islands Trade Study.

PASSENGER INDEMNITY

The Commission is charged with the administration of sections 2 and 3 of Public Law 89-777, the ship passenger safety statute enacted November 6, 1966.

Section 2 of the statute, which became effective August 7, 1967, requires owners and charterers of vessels having berth or stateroom accommodations for 50 or more passengers, and embarking passengers at U.S. ports, to establish financial responsibility to meet any liability incurred for death or injury to passengers or other persons on voyages to or from U.S. ports. Section 3, effective May 5, 1967, requires persons arranging, offering, advertising, or providing passage on such vessels to establish financial responsibility for indemnification of passengers for nonperformance of transportation.

The rules implementing Sections 2 and 3 of Public Law 89-777 are contained in Commission General Order No. 20, which requires, *inter alia*, that assets or securities accepted by the Commission from applicants, insurers, guarantors, escrow agents, or others as evidence of financial responsibility must be physically located in the United States. This significant requirement results from a finding by the Commission that in enacting the statute Congress intended that assets must be readily available in the United States to pay any judgment obtained from U.S. courts.

At the beginning of the fiscal year two applications for certificates of financial responsibility to indemnify passengers for nonperformance of transportation (performance certificates) and 41 applications for certificates of financial responsibility to meet liability incurred for death or injury (casualty certificates) were pending. In addition, 12 performance certificate applications and 13 casualty certificate applications were received.

During the fiscal year 11 performance certificates and 53 casualty certificates were issued. One performance certificate application and one casualty certificate application were withdrawn, and seven performance and six casualty certificates, previously issued, were revoked by the Commission, generally at the request of the holders.

Twenty-four informal complaints concerning passenger vessel operations were received and 20 of these were closed. Although the Commission does not have the statutory authority to adjudicate the major portion of these complaints, in many instances Commission intervention results in satisfaction of the passengers' complaint.

PORT TERMINALS

The Commission is responsible for the regulation of the activities of marine terminal operators pursuant to the provisions of the Shipping Act, 1961. This entails the processing of terminal agreements, review of terminal tariffs and policing and regulating terminal practices. In carrying out this responsibility the actions described below were taken in fiscal year 1968.

1. The Commission implemented General Order 15, requiring that: (a) Marine terminal tariffs be filed with the Commission on or before their effective dates; (b) tariffs be posted at marine terminal operators' place of business; and (c) definitions for services offered conform to those contained in the rule. Sixty-five companies filed 109 new tariffs since May 10, 1967, when the date of compliance with General Order 15 (July 14, 1967) was announced. Approximately 465 tariffs covering the operations of approximately 400 terminal operators are now on file with the Commission. All initial tariffs have been examined for compliance with General Order 15, and 7,035 supplemental or amended tariff pages were examined to determine whether they were in conformity with the provisions of the Shipping Act, 1916, General Order 15, or an approved terminal conference agreement to which the terminal may have been a party. This is an increase of almost 70 percent over last fiscal year, and it is attributable to the implementation of General Order 15.

2. The Commission prepared a Terminal Tariff Circular designed to assist terminal operators in the construction, publication and filing of marine terminal tariffs. This circular was distributed to the public in mid-July 1968.

3. The Bureau of Domestic Regulation arranged for and participated in meetings with terminal operators and trucking interests at the Port of New York to devise a truck detention rule consistent with

the Commission's decision in *Docket No. 1153—Truck and Lighter Loading and Unloading Practices—New York*, and the U.S. Court of Appeals decision upholding the Commission's decision. These meetings began in early March and continued through the end of the fiscal year.

4. Because of considerable congestion at the New York piers, the Commission urged all water carriers and terminal operators to adopt uniform free time and demurrage rules on export cargo. If voluntary rules could not be adopted by January 1, 1968, the Commission said it would undertake a rulemaking proceeding to establish such rules. Rules proposed by the terminal conference, steamship conferences, and individual carriers varied with respect to the actual number of days' free time to be allowed. Because of the confusion that would result from varying free-time rules at New York Harbor, the proposed rules were postponed indefinitely and the Commission issued notice of proposed rulemaking and hearing in *Docket No. 68-9—Free Time and Demurrage Charge on Export Cargo*, setting forth proposed free-time rules to be applied on export cargo at the Ports of New York and Philadelphia.

5. The Commission instituted an investigation, *Docket No. 67-50—In the Matter of Agreement No. T-2061 between San Francisco Port Authority and Port of San Francisco Grain Terminal, Inc.*, to determine whether a terminal lease agreement between the San Francisco Port Authority and the Port of San Francisco Grain Terminal, Inc. should be approved, modified or disapproved pursuant to Section 15 of the Shipping Act, 1916. The issues in the proceedings are confined to whether the rental rate agreed upon is compensatory and, if noncompensatory, whether it results in prejudice to other ports or terminals. The agreement was subsequently withdrawn and the proceeding dismissed.

6. The Commission instituted an investigation, *Docket No. 68-13—Assembly Time—Port of San Diego*, to determine whether the Port of San Diego proposed assembly time rule is contrary to Sections 16, First, and 17 of the Shipping Act, 1916, and whether and in what respect, if any, the Commission should modify its order in *Docket No. 1217* to permit the proposed allowance of assembly time.

7. The Commission approved agreements Nos. T-2148 and T-2149 between the members of the Pacific Maritime Association au-

thorizing assessments of the membership for the purpose of creating a fund to meet the obligation of the Pacific Management Association (PMA) to pay employee benefits under the mechanization and modernization agreement and walking boss agreement it entered into with the International Longshoremen's & Warehousemen's Union. Approval of these agreements was granted by the Commission but the agreements were set down for investigation in *Docket No. 6818—Agreement No. T-2148 and T-2149—Pacific Maritime Association Assessment Agreements*, to determine whether the assessments under the agreements are in violation of Sections 14, Third, 15, 16, and 17. Approval was granted with the proviso that all assessments under the agreements would be subject to such adjustments as may be required by any future Commission order issued as a result of the investigation.

8. The Commission instituted *Docket No. 68-26—Agreements Nos. T-2108 and T-2108-A between the City of Los Angeles and Japan Line, Ltd., et al.*, to determine whether agreements No. T-2108 and T-2108-A between the City of Los Angeles and Japan Line, Ltd., et al., should be approved, modified, or disapproved pursuant to section 15, Shipping Act, 1916. A similar investigation, *docket No. 68-27—Agreement No. T-2138 between the the Port of Oakland and Japan Line, Ltd., et al.*, was instituted to determine whether Agreement No. T-2138 between the Port of Oakland and Japan Line, Ltd., et al., should be approved, modified, or disapproved pursuant to section 15, Shipping Act, 1916.

9. The minutes of 141 terminal conference meetings were reviewed to determine whether any action reflected therein was violative of the Shipping Act.

10. One hundred quarterly reports were reviewed covering shippers' requests and complaints submitted by ratemaking terminal conferences in accordance with the Commission's General Order No. 14.

11. The Commission considered 118 informal complaints concerning the practices of terminal operators and concluded findings and actions with respect to 66 cases. Of the 52 pending complaints, 43 are in formal proceedings before the Commission. Thirty-five of the forty-three are the subject of formal *Docket No. 65-46—Truck Loading and Unloading Rates at New York Harbor*, and *Docket No. 68-9—Free Time and Demurrage Charges on Export Cargo*.

12. The Commission processed 136 terminal agreements filed pursuant to Section 15 of the Shipping Act, 1916. Eighty-nine agreements were determined not to be subject to the act; 33 were processed for Commission approval; and four were voluntarily withdrawn by the parties. Ten were pending final Commission action at the end of the year.



The congestion at the New York piers has required Federal Maritime Commission action on free time and demurrage rules on export cargo

FREIGHT FORWARDERS

I believe that our freight forwarding licensing program has resulted in better relationships between freight forwarders and the steamship lines. * * * It is in the interest of both parties that fair play exist. I think the Federal Maritime Commission program is fostering this desirable atmosphere.

*Commissioner James F. Fanseen
World Trade Club
Houston, Tex.—December 1967*

Licensing

The licensing statute, section 44, Shipping Act, 1916, provides for the licensing and regulation of independent ocean freight forwarders by the Commission. Applicants for licenses are investigated and information developed to determine if the applicant is fit, willing, and able to function as an independent ocean freight forwarder. The following depicts the licensing activity of the Division of Terminals and Freight Forwarders:

At the end of fiscal year 1967, 964 licenses were issued and 50 applications were pending. During fiscal year 1968, 48 new applications were received; 54 licenses were issued; 13 applications were denied or withdrawn; and 31 continued in process. Twenty-seven licenses issued previously were revoked for reasons other than failure to maintain bonds and 12 show-cause orders were issued for failure of licensees to maintain a valid surety bond on file with the Commission. At the end of fiscal year 1968, there were 991 licensed freight forwarders, with 31 applications pending.

Rulemaking Proceedings

A rulemaking proceeding, *Docket No. 67-58—Compensation and Freight Forwarder Certification*, designed to amend General Order

No. 4, was instituted to provide for the disclosure of the true shipper's name on the "shipper line" of ocean bills of lading. Such disclosure would be required before a forwarder would be eligible to be compensated by the carrier. This amendment to the rule was initially ordered to become effective July 19, 1968, but the effective date was postponed pending action on a petition for reconsideration filed with the Commission.

Other Significant Activities

In late fiscal year 1967, a jurisdictional conflict developed from a proposal of the Detroit-Wayne County Port Commission to adopt rules and regulations to license certain port and freight forwarder activities. It was felt that the proposed regulations might be an infringement upon the Commission's freight forwarder licensing authority. As a result of discussions conducted with the Detroit-Wayne County Port Commission, that Commission decided to withdraw the proposed regulations because of possible conflict with Federal Maritime Commission regulations. This matter was concluded in early fiscal year 1968.

Federal Maritime Commission

Washington, D.C. 20573

INDEPENDENT OCEAN FREIGHT FORWARDER LICENSE

No. _____

KNOW ALL MEN BY THESE PRESENTS THAT

is the holder of an Independent Ocean Freight Forwarder License and, as such, is duly authorized to carry on the business of forwarding shipments transported by oceangoing common carriers from the United States, its Territories, or possessions to foreign countries, or between the United States and its Territories or possessions, or between such Territories and possessions.

This license is conferred pursuant to the authority contained in Section 44 of the Shipping Act, 1916, and is subject to the provisions of said Act, Part 510 of Chapter IV of the Code of Federal Regulations as it is or may be amended, the pertinent provisions of other applicable regulations promulgated under the foregoing Act, and any terms and conditions set forth on the reverse side of this license.

Attest:

Secretary

DIRECTOR, BUREAU OF DOMESTIC REGULATION

By authority of Federal Maritime Commission,
Manual of Orders, Commission Order No. 201.1

Effective.

FINANCIAL ANALYSIS

A significant advance in the financial analysis of the domestic offshore carrier operations was initiated in fiscal year 1968 by the proposal for adoption of a rule which would require detailed commodity cost accounting as opposed to the previous overall operating and average-cost analysis.

Under the terms of General Order No. 11, made effective in 1964, the Commission for the first time in the regulation of waterborne foreign and domestic offshore commerce of the United States required the reporting, separately from any other operations, of the assets employed in and the operating results from the domestic offshore carriage of cargoes by all carriers performing these services. The data made available by the requirements of this order have been of great value to the Commission in judging the propriety of the numerous rate changes filed with it by the carriers in these services. The accounting concepts of this order, however, were not designed to differentiate costs of carriage on a commodity basis but only to produce overall operating results.

On December 1, 1967, the Commission published in the Federal Register Notice of Proposed Rulemaking which would require carriers with gross revenues of more than \$1 million earned in the service of the domestic offshore trades to file more detailed financial reports revealing costs of carriage of various categories of commodities. Comments have been received from the industry and other interested persons, reviewed, and hearing counsel has replied to these comments. Much time has been spent in discussion with the industry on the proposed changes. Comments on the replies could be filed up to the end of August 1968. In connection with this new system, the Commission accountants developed new methods of accounting and a form for reporting for Commission and carrier use.

During fiscal year 1968, financial reports were received from 42 carriers under the provision of General Order No. 5, and 43 under the provisions of General Order No. 11. It is contemplated that 15 to 20 carriers would file pursuant to the new accounting report instead of General Order No. 11. Analyses of these financial data continue to be of material assistance in expediting action in both general and specific commodity rate cases. The Commission carries on a continuing program of audit and verification of the financial reports required by the terms of these orders.

The Federal Maritime Commission has been a leader in developing cost principles for the shipping industry and working with other agencies to develop uniform systems of accounting. Federal Maritime Commission financial advisors have been selected to review and comment on proposed changes in several prescribed accounting systems for the Interstate Commerce Commission, participate in the Military Sea Transportation Service Conference on "Respond" program, and review an exposure draft of the Accounting Principles Board on "Accounting for Income Taxes" for the American Institute of Certified Public Accountants.

Other areas of operation involved participation in rate cases involved in formal Federal Maritime Commission hearings such as *Docket No. 66-22—Alaska Steamship—General Increase in the Peninsula and Bering Sea Areas of Alaska 1966* or *Docket No. 66-43—Sea-Land Service, Inc.—Cancellation of Federal Maritime Commission Port-to-Port Rates West Coast/Alaska Trade*. A great deal of professional accounting time was also spent on financial analysis related to *Docket No. 66-48—Rates and Practices of the Pacific/Northwest Tidewater Elevator Association* and the Puerto Rican trade study.

TRANSPORT ECONOMICS

The main thrust of the Commission's program of transport economics has been concentrated primarily on an effort to determine where entire rate structures are disparate to the disadvantage of American export commerce; and then to further analyze the transportation circumstances in that given trade to determine whether there is any justification for such a disparity. This is accomplished by (a) analysis of the published outbound and inbound tariffs of the subject trade, and (b) analysis of the actual operational data pertaining to that trade. Studies in process during fiscal year 1968 or completed include:

1. Trade Route No. 5 Rate-level study:

A formal investigation (Docket No. 65-45) of the ocean rate structures in the U.S. North Atlantic/United Kingdom and Eire trade—in which exhibits and oral testimony of the staff of this office played an important part—was concluded on May 17, 1968, with oral argument before the Commission. The Commission's decision in this investigation is presently pending. The formal investigation in this case was begun on December 9, 1965, and the preparation therefor began many months before.

2. Trade Routes Nos. 12 and 22 Rate-level study:

An informal investigation of the ocean freight rates and structures in the U.S. Atlantic and Gulf/Japan trade has constituted a major effort during fiscal year 1968. This study has included preparation of charts, statistical tables, and narrative analysis covering tariff rate structures, actual cargo movements of major moving commodities, and a variety of related subjects.

3. Trade Route No. 6: Sweden, Norway, and Finland.

4. Trade Route No. 9: France.

5. Trade Route No. 16: Australia/New Zealand.

6. Economic and statistical studies made in connection with large overall trade studies such as:

(a) Conference rate differential surcharge and transshipment practices.

(b) A general survey of Puerto Rican shipping and trade statistics.

(c) An analysis of the sterling devaluation and the effect on U.S. foreign trade.

(d) A study of so-called third-country rates.

(e) Puerto Rican trade: Sea-Land Service, Inc., rate-of-return study.

(f) Containerization studies.

COMPLAINTS AND COMPLIANCE

Informal Complaints (Foreign)

The Commission continued to implement its policy of fostering and facilitating cooperative negotiations between parties to controversies arising in U.S. oceanborne foreign commerce as an effective means of resolving issues and problems to the mutual satisfaction of those concerned without resorting to formal procedures. Whenever circumstances permit, the Commission suggests or encourages mediation procedures to deal with difficulties and issues arising between shipper and carrier interests and utilizes its offices and personnel to facilitate meaningful negotiation. In furtherance of this policy the Commission has proposed a conciliation service under which a Commission conciliator will be made available at the request of the disputing parties to deal with the disputes in an informal manner. Use of this service is purely voluntary.

Another safeguard with respect to prompt and fair consideration of shippers' requests and complaints rests on the Commission's existing rules requiring conferences of carriers by water to establish procedures for handling shippers' requests and complaints and to file reports of actions. The Commission, in conjunction with the Department of Commerce, has published a 27-page booklet entitled "Ocean Freight Guidelines for Shippers," which provides exporters and importers assistance in presenting their requests and complaints to carriers and conferences. At the close of the fiscal year the revision and updating of this booklet was in process.

Most of the shippers who have freight rate problems are acquainted with the procedures established by conferences and carriers for presenting their requests for rate action. Conference reports covering several thousand shippers' requests for rate adjustment

show that conferences grant these requests, in whole, or in part, in most instances. Apart from this, however, many shippers and other persons direct informal complaints to the Commission seeking assistance in obtaining redress of grievances. Last year 257 such complaints concerning rates, rules, claims, and possible violations of the Shipping Act were considered by the Commission's staff. Nearly all the complaint cases which were concluded were resolved on the basis of no violation or in a manner satisfactory to the shipper. Thirteen cases were found, after investigation, to involve violations of the Shipping Act and were referred to the Department of Justice for appropriate action. There were 83 cases in process at the close of the year.

Informal Complaints (Domestic)

During fiscal year 1968 the Commission received 89 informal complaints involving freight rates, tariffs, agreements, and practices of domestic offshore carriers. In addition, there were 16 pending informal complaints at the end of fiscal year 1967. Of these, 86 cases were resolved after a determination that no violation existed or by adjustment satisfactory to the parties involved. One complaint was withdrawn and one case that involved a violation of the shipping statutes was referred to the Department of Justice for appropriate action. At the end of fiscal year 1968, 17 informal complaints were pending additional investigation.

Compliance Program and Container Inspections

In order to more effectively administer and enforce the provisions of the shipping statutes, the Commission during fiscal year 1968 instituted a compliance program providing for periodic surveys of the operations and company records of common carriers trading in the domestic offshore areas. The compliance surveys and the container inspection program are intended to: (1) Detect and document instances of failure to comply with the shipping statutes and the rules and regulations of the Federal Maritime Commission; (2) educate and impress on persons subject to regulation the necessity to comply with the regulations applicable to their specific operations; (3) ren-

der assistance to regulated persons concerning Federal Maritime Commission regulations; and (4) initiate appropriate corrective action with respect to willful violations detected by such surveys and inspection.

The Commission continued its container inspection program for the domestic offshore trades. During fiscal year 1968, 228 container inspections were completed resulting in disclosure of 22 possible violations of the Intercoastal Shipping Act, 1933. These were referred to the Department of Justice for appropriate action where warranted. Letters were sent to a number of shippers involved in first-time minor violations. Certain carriers estimate that this program has been instrumental in saving \$800,000 in freight revenues which would have been dissipated due to misclassification and weight or measurement falsification on bills of lading.

Fact-Finding Proceedings

The report of the investigative officer in an investigation of the effects of steamship conference organization, procedure, rules, regulations, and practices upon the foreign commerce of the United States was issued during the past fiscal year. On September 19, 1967, the Commission took the following action with respect to the report: (1) Decided to release the report, without signifying its adoption of any part; (2) decided to terminate the investigation; and (3) solicited comments from any interested carrier, conference, shipper, or member of the public. Comments were received and at the close of the fiscal year the comments were the subject of staff analysis.

Field Investigations

Fiscal year 1968 saw continued emphasis on the container inspection program in the domestic offshore trades and on ferreting out malpractices generally in all of our trades. Investigative activity formed the basis for or complemented much of the work of the Commission reported elsewhere herein.

Under the container inspection program, which was initiated late in fiscal year 1966, we inspected on all coasts, 228 individual containers. Two major steamship lines in this trade have reported that

this investigative program, by its effectiveness, has substantially increased their freight revenues. Two shippers were fined a total of \$3,100 by a Federal district court after pleading *nolo contendere* to charges of undermeasuring their containerized shipments.

Overall, during the fiscal year, 408 new investigative cases were opened and 367 investigations were completed. These encompassed suspected violations of Sections 15, 16, 18(b) and 44 of the Shipping Act, 1916, and Section 2 of the Intercoastal Shipping Act, 1933, as well as independent ocean freight forwarder license applicant investigations, compliance checks of already licensed forwarders, and financial responsibility inquiries under Public Law 89-777. The pending active caseload at the year's end was 250. Investigative activity for the fiscal year resulted in the conclusion by the Department of Justice of 11 cases upon pleas of guilty, *nolo contendere*, or by compromise settlement in the amount of \$78,060, for violation of the aforementioned statutes.

Formal Proceedings

The Commission on its own motion instituted 34 proceedings and remanded for additional information two proceedings previously submitted to it. Furthermore, 22 formal complaints were filed and 55 complaints were filed pursuant to the Commission's General Order No. 16, *Procedure for Adjudication of Small Claims*. Seventy-six cases were concluded either through Commission decision, satisfaction of complaint, or discontinuance of proceeding.

There has been a decrease in the number of proceedings instituted by the Commission due to the substantial completion of the initial freight forwarder licensing program and the Commission action on dual-rate contract applications. There has likewise been a decrease in the section 15, Shipping Act, 1916, investigations due to the completion of the show-cause program whereby the Commission has obtained substantial compliance with its general orders regulating operations of steamship conferences. These programs are now regulated through staff surveillance consistent with guidelines set down by the Commission in formal proceedings.

An increase is noted in the institution of rulemaking proceedings which is indicative of the effort of the Commission to regulate the

steamship industry through rules of general application wherever possible. Significant in this area are the implementation of rules pursuant to Public Law 89-778 which permits exemption of certain activities from Commission requirements when no regulatory purpose would be served by adherence to these requirements.

During the course of the year the Commission served several decisions of novel import. In this category of proceedings were the cancellation of a conference agreement for failure of certain members thereto to comply with lawfully issued subpoenas supplying the information which the Commission felt was necessary to enable it to insure that the Conference agreement operated in a lawful manner; the assertion of jurisdiction over movements of cargo in the trade with the non-contiguous State of Alaska involving pickup and delivery services and utilization of the Alaska ferry system; and the establishment of criteria for determining whether rates are so unreasonably low as to be detrimental to the commerce of the United States contrary to Section 18(b) (5), Shipping Act, 1916.

The status of the Commission docket in formal proceedings is indicated below:

	<i>Beginning fiscal 1968</i>	<i>New dockets and remanded cases</i>	<i>Concluded fiscal 1968</i>	<i>Pending beginning fiscal 1969</i>
Investigations:				
Section 15.....	18	12	20	10
Sections 14, 16, 17....	5	3	3	5
Section 18(b)(5).....	3	1	3	1
Complaints.....	32	22	34	20
Small claims.....	0	55	2	53
Dual-rate contracts.....	2	0	1	1
Freight forwarder licensing.....	0	2	0	2
Rate proceedings.....	9	6	8	7
Rulemaking.....	4	12	6	10
Total.....	73	113	77	109

COMMISSION CASES

Hearing examiners preside at hearings held after receipt of a formal complaint or institution of a proceeding on the Commission's own motion. They have the authority, *inter alia*, to administer oaths and affirmations, issue subpoenas authorized by law, rule upon motions and offers of proof and receive relevant evidence, take or cause depositions to be taken whenever the ends of justice would be served thereby, regulate the course of the hearing, and hold conferences for the settlement or simplification of the issues by consent of the parties, dispose of procedural requests, issue decisions, and take any other action authorized by agency rule and consistent with the Administrative Procedure Act.

At the beginning of the fiscal year, 58 proceedings were pending before hearing examiners. One hundred cases were added during the fiscal year, which included two cases remanded by the Commission for further proceedings by the examiners. The examiners conducted hearings in 14 cases, held prehearing conferences in 20 cases, and issued 31 initial decisions during the fiscal year.

Decisions of Hearing Examiners (in Proceedings Not Yet Decided by the Commission)

Docket No. 1092—Agreement No. 8660—Latin/American Pacific Coast Steamship Conference and Proposed Contract Rate System. The Shippers Rate Agreement use by the conference was found not detrimental to the commerce of the United States, contrary to the public interest, unjustly discriminatory, or otherwise contrary to Section 14b of the Shipping Act, 1916.

Docket No. 65-45—Investigation of Ocean Rate Structures in the Trade Between U.S. North Atlantic Ports and Ports in the United Kingdom and Eire—North Atlantic United Kingdom Freight Conference, Agreement 7100, and North Atlantic Westbound Freight Association, Agreement 5850. The

overall conference rate structure in the trade from North Atlantic ports to the United Kingdom was found not to be so much higher than the conference rates in the reciprocal trade, or the latter so low, that they violate Sections 15, 18(b) (5), or other sections of the Shipping Act, 1916. The general cargo and some of the commodity N.O.S. rates of the North Atlantic United Kingdom Freight Conference in the outbound trade and the rates applicable to certain specific outbound commodities were found to violate Sections 15 and 18(b) (5) of the Shipping Act, 1916. The rates of the conference on commodities that move in small volume were found to violate Sections 15 and 18(b) (5) of the Shipping Act, 1916.

Docket No. 67-8—Agreement 9597 between Flota Mercante Gran Centroamericana, S.A., Continental Lines, S.A., and Jan C. Uiterwyke Co., Inc. Respondents were found to be common carriers by water amenable to the proscriptions of the Shipping Act, 1916, who entered into and carried out continuing agreements and are presently carrying out an agreement without Commission approval in violation of Section 15 of the Shipping Act, 1916. Respondents were also found to have charged different rates than those specified in tariffs on file with the Commission in violation of Section 18(b) (3) of the Shipping Act, 1916.

Docket No. 67-54—Chr. Salvesen & Co., Ltd. v. West Michigan Dock & Market Corp. West Michigan Dock & Market Corp. was found to have violated Section 16 "First" of the Shipping Act, 1916, by unreasonably refusing to serve complainant's vessel in order of time of arrival, and by granting undue preference to another vessel because such other vessel was owned by a regular customer. West Michigan Dock & Market Corp. was further found to have violated Section 16 "First" of the Shipping Act, 1916, by subjecting complainant's vessel to undue and unreasonable disadvantage in the assignment of available shore labor to stevedore the vessel. Complainant was found to have been injured by respondent's listed violations of the act.

The examiners also issued decisions in Docket Nos. 65-11, 65-34, 65-41, 65-49, 66-43, 66-48, 66-63, 66-65, 66-68, 67-6, 67-12, 67-15, 67-18, 67-26, 67-27, 67-30, 67-37, 67-45, 67-46, 67-47, 67-48, 67-49, 67-51, 67-59, and SC-1 and SC-2, described under "Final Decisions of the Commission."

Pending Proceedings

At the close of the fiscal year there were 98 pending proceedings, of which 26 were investigations and/or rulemaking proceedings initiated on the Commission's own motion, and the remainder were instituted by formal complaints and/or applications filed by conferences, trade associations, shippers, individual steamship operators, and others.

Final Decisions of the Commission

In proceedings other than rulemaking, the Commission heard 18 oral arguments and issued 45 decisions involving 47 proceedings. Of these proceedings, six were discontinued without report and two were remanded to hearing examiners; one report involved reconsideration of a prior final decision.

Docket No. 1083—Investigation of Rates in the Hong Kong-United States Atlantic and Gulf Trade. Tariff rules restricting the availability of service to shippers and consignees of Chinese descent were found to be unjust and unreasonable in violation of Section 7. One carrier was found to have engaged in the practice of illegal rebating in violation of Sections 16 and 18(b) (3). The issue of rates being so unreasonably low as to be in violation of Section 18(b) (5) was discontinued as moot inasmuch as these rates had not been in effect for more than 5 years. Certain criteria, however, were established for application to such investigations in the future.

Docket No. 1095—Self-Policing Provisions of the Trans-Pacific Freight Conference of Japan and the Japan Atlantic and Gulf Freight Conference. On remand from the U.S. Court of Appeals for the District of Columbia Circuit, the self-policing provisions of the two conferences were modified to provide *de novo* review of findings of the neutral body by an impartial panel of arbitrators, exclusion of secret evidence from the record on review, and verbatim transcription of the proceedings before the neutral body.

Docket No. 65-11—International Packers Ltd. v. North Pier Terminal Co., et al. The tariff provisions of the respondent terminal operators relating to overtime and extra service charges were found to be unreasonable practices under Section 17. The record did not disclose, however, that these practices resulted in harm to the complainant shipper. Accordingly, reparation was denied and the complaint was dismissed.

Docket No. 65-13—Rates on U.S. Government Cargoes. Atlantic and Gulf American-Flag Berth Operators (AGAFBO) were found to have violated Section 15 by setting unreasonably low rates contrary to Section 18(b) (5) in an effort to compete unfairly with Sapphire Steamship Lines. Sapphire was found to have violated Section 18(b) (1) by failing to file tariff provisions regarding certain loading and heavy lift charges. AGAFBO and West Coast American-Flag Berth Operators were directed to delete from their agreements authorization for certain dormant functions.

Docket No. 65-14—Free Time and Demurrage Practices on Inbound Cargo at New York Harbor. New rules were prescribed governing the granting of free time and assessment of demurrage on import cargo.

Docket No. 65-41—Pacific Far East Lines—Alleged Rebates to Foremost Dairies, Connell Brothers Co., and Advance Mill Supply Corp. An undisclosed arrangement whereby Foremost Dairies received commissions from Pacific Far East Lines on the sale of bunker fuel oil without performing

commensurate services or incurring actual liability was found to be in violation of Sections 16 and 18(b) (3) and Section 2 of the Intercoastal Shipping Act, 1933. No other violations of the shipping statutes were found.

Docket No. 65-49—Interconference Agreement in the U.S./Mediterranean Trades. The Commission adopted the decision of the examiner, approving, pursuant to Section 15, agreement No. 9413 which provided for consultation on freight rates and practices between the North Atlantic Mediterranean Freight Conference and the Gulf/Mediterranean Ports Conference.

Docket No. 66-9—Agreement No. T-1870: Terminal Lease Agreement at Long Beach, Calif. Agreement No. T-1870, providing for a lease of wharf and contiguous premises from the City of Long Beach to Sea-Land of California on a nonexclusive preferential basis, was approved pursuant to Section 15.

Docket No. 66-35—The Boston Shipping Association, et al. v. Port of Boston Marine Terminal Association, et al. A change in respondent terminal operators' tariff shifting assessment of wharfage from cargo to vessel did not require prior approval under Section 15 and was not otherwise violative of the Shipping Act, 1916. Accordingly, the complaint was dismissed.

Docket No. 66-43—Minimum Charges and Terminal Delivery Services—Atlantic-Gulf/Puerto Rico Trades. The tariff rules of Sea-land Service and Gulf/Puerto Rico Lines, requiring mandatory store-door delivery by the carrier of minimum bill of lading shipments, were found not to be violative of the shipping statutes even though such rules may work a slight hardship on a small number of consignees.

Docket No. 66-45—Agreement for Consolidation or Merger Between American Mail Line, American President Lines, and Pacific Far East Lines. Agreement 9551, providing for merger of the three companies party thereto, was found to be subject to the jurisdiction of the Commission and was approved, pursuant to Section 15.

Docket No. 66-48—Rates and Practices of the Pacific Northwest Tide-water Elevators Association. The association's rates, rules, and regulations were found not to be violative of the shipping statutes with the exception of certain overtime charges which were found to be excessive and were ordered reduced.

Docket No. 66-49—North Atlantic Mediterranean Freight Conference—Rates of Household Goods. Respondents' agreement which provided in part for control over rates on cargo reserved by law to American-flag carriers was found, to that extent, contrary to Section 15 and the conference was directed to relinquish control over such rates. On reconsideration, the order was restricted to rates on State Department household goods. Individual respondents, American Export Isbrandtsen Lines and Prudential Lines, were found to have violated Section 17 by charging different rates to the State and military departments for substantially the same service.

Docket No. 66-63—U.S. Borax & Chemical Corp. v. Pacific Coast European Conference, et al; Docket No. 67-27—Pacific Coast European Conference,

et al. v. U.S. Borax & Chemical Corp. The Pacific Coast European Conference was found to have violated Sections 14(b), 16 and 17 by charging higher rates to U.S. Borax & Chemical Corp. than to other shippers for substantially the same service pursuant to an unlawful and unenforceable dual rate contract and by denying Borax the use of a subsequent approved contract. Reparation was awarded accordingly. The complaint of the conference was dismissed as time-barred.

Docket No. 66-65—Ballmill Lumber & Sales Corp. v. Port of New York Authority, et al. It was found that the lease between Port of New York Authority and Weyerhaeuser Co. providing for handling of lumber at Port Newark and the tariff rule of Maher Lumber Terminal Corp. providing for volume discounts on the handling of lumber violated Sections 16 and 17, and subjected Ballmill Lumber & Sales Corp. to undue and unreasonable preference and disadvantage. The record, however, did not show pecuniary damage and reparation was not awarded.

Docket No. 66-68—Agreements Nos. T-1953 and T-1953-A Between The City of Oakland and Matson Navigation Co. The Commission adopted the decision of the examiner, approving, pursuant to Section 15, agreements T-1953 and T-1953-A, providing for lease of a marine terminal facility by the City of Long Beach to Matson Navigation Co.

Docket No. 67-6—American Union Transport—Increased Rates and Charges on Iron and Steel. American Union Transport's rates on piling shells and cast iron, extra length and late delivery charges, and N.O.S. rate were found to be just and reasonable.

Docket No. 67-12—United States of America v. American-Oriental Lines. The Commission adopted the decision of the examiner, finding that American-Oriental Lines collected charges in excess of those applicable under its tariff on a shipment of trucks to East Pakistan. Repayment of the overcharges was ordered.

Docket No. 67-15—Maddock and Miller v. U.S. Lines, et al. The Commission adopted the decision of the examiner, finding that the action of U.S. Lines in changing its supplier of china did not constitute a deferred rebate. Accordingly, the complaint was dismissed.

Docket No. 67-18—Agreements T-1985 and T-1986 at Long Beach, Calif. The Commission adopted the decision of the examiner, approving, pursuant to Section 15, agreement T-1985 providing for the leasing of a marine terminal facility by the City of Long Beach to Evans Products Co.

Docket No. 67-26—U.S. Great Lakes/South and East Africa Rate Agreement Exclusive Patronage (Dual Rate) System. The dual rate contract including a 15-percent spread between contract and noncontract rates of the U.S. Great Lakes/South and East Africa Rate Agreement was approved pursuant to Section 14b.

Docket No. 67-30—United States of America v. American Export Isbrandtsen Lines; Docket No. 67-45—United States of America v. American Export Isbrandtsen Lines; Docket No. 67-46—United States of America v. Hellenic

Lines; Docket No. 67-51—United States of America v. American Export Isbrandtsen Lines; Docket No. 67-59—United States of America v. American Export Isbrandtsen Lines. In each of these proceedings, the Government sought recovery of overcharges. In each instance, the respondent carrier raised as a defense a conference tariff rule providing that such claims had to be presented within 6 months from date of shipment. The Commission adopted the decisions of the examiner, finding that such a rule was no bar to recovery where a complaint is filed under Section 22 within the statutory limitation period. Reparation was awarded.

Docket No. 67-33—Calcutta, East Coast of India and East Pakistan U.S.A. Conference. The agreement of Calcutta, East Coast of India and East Pakistan/U.S.A. Conference was canceled for failure of certain of its members to comply with lawfully issued subpoenas of the Commission which the Commission felt withheld from it information which prevented it from performing its statutory functions under Section 15. (The order canceling the agreement was subsequently stayed by court order pending review of the Commission's decision.)

Docket No. 67-37—United States of America v. Gulf and South American Steamship Co. The Commission adopted the decision of the examiner, finding that Gulf and South American had misapplied its tariff rules on a shipment of automobile parts, resulting in overcharges to the Government. Reparation was awarded.

Docket No. 67-41—Special Rates to Alexandria and Port Said. The arrangement between North Atlantic Mediterranean Freight Conference and United Arab Co. for Maritime Transport and Agencies, whereby rates lower than ordinary rates were offered, was found to be violative of Section 14b.

Docket No. 67-43—Sea-Land Service—Cancellation of Port-to-Port Rates in the West Coast/Alaska Trade. Sea-Land Service's port-to-port rates which included a pickup and delivery service were found to be within the jurisdiction of the Commission and not a joint service subject to the jurisdiction of the Interstate Commerce Commission.

Docket No. 67-47—Brazil/United States-Canada Freight Conference, et al. v. Moore-McCormack Lines, et al.; *Docket No. 67-48—Inter-American Freight Conference Agreements Nos. 9648 and 9649.* Agreement 9648, as amended, covering the transportation of cargo between U.S. Atlantic and Gulf ports and ports in South America was approved pursuant to Section 15. The complaint in Docket No. 67-47 and agreement 9649 (pooling guidelines) were withdrawn prior to the decision of the Commission.

Docket No. 67-49—States Marine Lines, et al. v. Pacific Coast European Conference, et al. The self-policing system of the Pacific Coast European Conference was found to lack specific guarantees against unfairness and the conference was ordered to cease and desist from further action against States Marine Lines until such time as appropriate amendments to the system are made and approved by the Commission. The question of the lawfulness

of the conference's readmission fee was remanded to the examiner for further proceedings.

Docket No. 67-52—Alaska Steamship Co.—Cancellation of Port-to-Port Rates in the West Coast/Alaska Trade. Alaska Steamship Co.'s service which included pickup and delivery and some substituted service by the Alaska Ferry System were found to be subject to the jurisdiction of the Federal Maritime Commission.

Docket No. 68-8—Disposition of Container Marine Lines Through Intermodal Container Freight Tariffs. Container Marine Lines' tariffs providing for a through transportation service between U.S. ports and inland points in the United Kingdom were found acceptable under Section 18(b) and not in conflict with the tariffs and dual-rate contracts of the conferences of which it is a member.

Small Claim Docket No. 1—R. A. Eastman & Co. v. Matson Navigation Co. The Commission determined not to review the decision of the Examiner, awarding a refund of overcharges on shipments of furniture.

Small Claim Docket No. 2—Minnesota Mining & Manufacturing Co. v. American Export Isbrandtsen Lines. The Commission determined not to review the decision of the Examiner, awarding a refund of overcharges and finding that a conference rule requiring claims to be filed within 6 months from date of shipment did not bar recovery where a complaint is filed under Section 22 within the statutory limitation period.

RULEMAKING

The following rulemaking proceedings, instituted in fiscal year 1968, are in progress:

Docket No. 67-55—Filing of Agreements Between Common Carriers of Freight by Water in the Foreign Commerce of the United States. Proposed rules published November 4, 1967.

Docket No. 67-57—Significant Vessel Operating Common Carriers in the Domestic Offshore Trade: Reports of Rate Base and Income Account. Proposed rules published December 1, 1967.

Docket No. 68-2—Federal Maritime Commission Conciliation Service. Proposed rules published January 18, 1968.

Docket No. 68-15—Rules of Practice and Procedure: Depositions, Interrogatories, and Discovery. Proposed rules published March 27, 1968.

Docket No. 68-25—Tariff Filing Requirements for Project Rates in Foreign Commerce. Proposed rules published May 25, 1968.

Docket No. 68-33—Exemption: State of Alaska Ferry System. Proposed rules published June 29, 1968.

Docket No. 68-34—Rules of Practice and Procedure: Special Docket Applications. Proposed rules published June 29, 1968.

The following rules were published during the fiscal year as a result of rulemaking proceedings:

General Order 4—Practices of Licensed Ocean Freight Forwarders, Ocean Freight Brokers, and Oceangoing Common Carriers, Amendment 13 (Compensation and Freight Forwarder Certification).

General Order 16—Rules of Practice and Procedure, Amendment 2 (Notice of Appearance, Declaratory Orders, and Reopening and Reconsideration of Proceedings).

General Order 23—Exemption of Nonexclusive Transshipment Agreements from Approval Requirements.

Amendment to Tariff Circular 3 (Exemption of Small Vessel Operations),

ACTION IN THE COURTS

Nine petitions to review Federal Maritime Commission orders were pending in the various U.S. Courts of Appeals at the beginning of the fiscal year. Two cases were pending before the Supreme Court of the United States. During the year 11 petitions were filed in the courts of appeals. Nine cases were disposed of during the fiscal year, leaving 13 cases pending briefing, argument, or decision on June 30, 1968.

Some of the more important cases in which the Federal Maritime Commission was involved during the fiscal year were the following:

Alaska Steamship Co. v. Federal Maritime Commission and U.S.A., 9th Cir., No. 22,439, and *Sea-Land Service, Inc. v. FMC and U.S.A.*, D.C. Cir., No. 21,529. The cases pending decision on June 30, 1968, involve the issue of whether tariffs for certain port-to-port service between the Port of Seattle and Alaska ports which include pickups and delivery and (in the case of Alaska Steamship Company) the utilization of the Alaska ferry system are subject to jurisdiction of the Federal Maritime Commission or the Interstate Commerce Commission. This decision will involve interpretation of Public Law 87-595, an amendment to the Interstate Commerce Act.

Matson Navigation Co. v. FMC and U.S.A., 9th Cir., No. 22,604. This case involves resolution of the issue of whether or not the Federal Maritime Commission has authority pursuant to Section 15 of the Shipping Act, 1916, to approve agreements to merge between steamship companies. The Department of Justice and a steamship company have opposed the position of the Federal Maritime Commission that Section 15 provides that agreements to merge must be filed with the Federal Maritime Commission for approval.

Calcutta, East Coast of India and East Pakistan/U.S.A. Conf. v. FMC and U.S.A., 5th Cir., No. 23,506. This case pending decision

in the District of Columbia circuit involves the authority of the Federal Maritime Commission to order dissolution of a steamship conference pursuant to Section 15 of the Shipping Act, 1916, when members of that conference on the instruction of their governments refuse to furnish information needed to enable the Commission to determine whether or not operation of the conference and its rates are consistent with the requirements of Section 15 of the act.

Volkswagenwerk Aktiengesellschaft v. FMC, 390 U.S. 261 (1968) held that an agreement among the members of the Pacific Maritime Association was an agreement required to be filed with and approved by the Commission pursuant to Section 15 of the Shipping Act, 1916. The association's agreement provided for the funding of the costs of a "mechanization and modernization" agreement between the association, and the International Longshoremen's and Warehousemen's Union. This latter agreement was a significant departure from previously existing management-labor practices in that the Union permitted automation in return for financial guarantees that its members would not be penalized by such automation.

Federal Maritime Commission v. Akiabolaget Svenska Amerika Linien, et al., 390 U.S. 238 (1968), upheld an order of the Commission disapproving the "unanimity" and the "tie-in" rules of the Atlantic Passenger Steamship Conferences. The Commission's order and accompanying report had been issued in Docket No. 873, after proceedings conducted pursuant to a remand by the Court of Appeals for the District of Columbia Circuit in 1965.

LEGISLATIVE ADVANCES

Congress passed two amendments to the Shipping Act, 1916, during fiscal year 1967.

The first was Public Law 90-177, which authorizes the Commission to adopt procedures for pretrial discovery and written interrogatories in adjudicatory proceedings arising in complaint cases or in cases instituted on its own motion. This would restore to the Commission the powers exercised by it prior to the holding by the U.S. Court of Appeals for the Ninth Circuit, *Federal Maritime Commission v. Anglo-Canadian Shipping Co.*, 335 F. 2d 255 (1964), that the Commission lacked statutory authority for discovery procedures.

The second, Public Law 90-298, empowered the Commission to permit common carriers by water in the foreign commerce to make voluntary refunds to an aggrieved shipper of a portion of freight charges assessable in instances where the Commission finds that a carrier, through inadvertence or error, has failed to file an intended rate and that such refund will not result in discrimination among shippers. This authority was necessary in view of the Commission's decision in *Ludwig Mueller Co., Inc. v. Peralta Shipping Corp.* and *Application of Lykes Bros. Steamship Co., Inc.*, Special Dockets 377-378, that the absence of rate-fixing authority in the foreign commerce precluded the Commission from granting equitable relief in deserving situations.

Chairman Harlee testified before several committees in regard to other maritime matters such as a proposed modification to the Intercoastal Shipping Act, 1933, to require carriers operating in the domestic offshore trades and whose rates have been suspended by the Commission to make an accounting of revenues derived as a result of increased rates going into effect at the end of the suspension period; the propriety of the U.S. Government paying for port charges as

part of the ocean transportation of food commodities shipped to foreign countries under the Food for Freedom Act; and a bill entitled "Trade Simplification Act of 1968", which would authorize carriers of different transportation modes to enter into agreements among themselves to establish joint rates, and to agree on divisions of revenue, apportionment of liability, the issuance of a single through bill of lading, and the pooling or interchange of equipment for the transportation of cargo between places in the United States and places in foreign countries.

In addition, the Commission made studies of numerous bills introduced into Congress, and furnished pertinent comments.



EDWARD SCHMELTZER, MANAGING DIRECTOR

FEDERAL MARITIME COMMISSION

MODERATING THE SEMINAR ON THE CONTAINER REVOLUTION

*“The container revolution is an immense thing. It compares with the transition from grocery stores to supermarkets. * * * I think the biggest problem is how to get the containership system operating in a way that won't dislocate everything. We must achieve a balance that won't result in so much competition that rates will immediately be driven down to their lowest level, but will pass on to the shippers sufficient savings to significantly increase trade.”*

*“The Container Revolution From Diverse Points of View”
Washington, D.C., October 1967*

ADMINISTRATION AND MANAGEMENT

Being a small, compact organization, the Federal Maritime Commission is striving in its internal administration and management programs to develop a model agency which can give maximum coordinated response to functional demands, employee-management relations, and special Federal programs. We are endeavoring to cover all facets of our responsibilities with the smallest possible staff and the greatest economy of operation.

Container Seminar

Responsive action to all special programs was taken with major efforts in the areas of executive development training and service to the public.

Worthy of special emphasis was a top-level executive seminar on the "Container Revolution" consisting of 10 after-hours meetings planned and moderated by the Managing Director, Edward Schmelzer. This lecture series presented the various aspects of containerization from diverse points of view. Speakers were recognized leaders in fields most affected by the container revolution. Federal Maritime Commission employees met with members of the international shipping industry and representatives of other Government agencies to reach common understanding of current and future developments in the rising use of cargo containers.

Proceedings of this seminar were printed in pamphlet form for use of the Committee on Commerce, U.S. Senate, under the title "Seminars on the Container Revolution."

Service to the Public

The Federal Maritime Commission is acutely cognizant of its responsibilities to the public as stated in Public Information Act (Public Law 89-487). Evaluation of Federal Maritime Commission policy was therefore made during fiscal year 1968 through a special management study entitled "Comparative Survey of Policies and Practices of Regulatory Agencies Relative to Compliance with Public Information Act (Public Law 89-487)." Conclusions of this study indicated that the Commission follows a relatively liberal policy on releasing information to the public as it withholds only information which it is required by regulation to withhold or which would jeopardize pending or future Commission operations. Other actions taken to provide increased service to the public consisted of:

(a) Reorganization of the Public Reference Room toward the ultimate goal of a "one-stop service" for information on Commission functions, responsibilities, and activities. Special training has been given to the Public Reference Room staff, particularly the tariff clerks, to enable them to give more efficient and intelligent service to the public. During the last quarter of the fiscal year the Public Reference Room serviced 1,500 requests for information.

Interested parties can secure from the Public Reference Room copies of agreements in the foreign trade of the United States, domestic offshore trade, or terminal agreements; data on persons or companies operating in the field of foreign freight forwarding; names of steamship lines offering cruises in the United States trade and commerce that have been certified under the provisions of Public Law 89-777 as being financially responsible; copies of documents submitted in docketed proceedings; copies of over 2,000 tariffs relative to the U.S. foreign trade or the 420 tariffs relating to the domestic offshore trade. A regularized schedule of charges for services rendered helps defray the cost to the Government for these specialized services.

(b) Publication of guidelines and information-type manuals such as:

- (1) "Conference Agreement Book"—A 225-page current listing of Section 15 agreements.

- (2) "Terminal Tariff Circular"—Designed to assist terminal operators in the filing of marine terminal tariffs.
- (3) "Guide on Shipping Automobiles—Automobile Manufacturer's Measurements" which provides a uniform method of declaring weights and cubic measurements on new and used unboxed passenger automobiles transported in the domestic offshore trades of the United States.
- (4) "Seminars on the Container Revolution"—Lectures and discussions on container problems by experts in the field.
- (5) "Hearing Examiner's Manual" to provide guidelines for hearings, rulings, and decisions.

Management Developments

During fiscal year 1968 the Federal Maritime Commission entered into a more sophisticated approach to management problems by (a) distribution to all Commission staff members of a completely revised "Program and Priorities Objectives Plan" providing additional program directions and emphasis and describing new or modified activities and tasks to be accomplished to achieve maximum efficiency in internal operations and service to the industry and general public and (b) establishment of a management analyst staff position in the Office of the Managing Director to survey and evaluate the effectiveness and operational efficiency of internal programs and functional segments.

**Statement of Appropriation and Obligation for the Fiscal Year
Ending June 30, 1968**

APPROPRIATION:

Public Law 90-133, 90th Congress, approved November 8, 1967: For necessary expenses of the Federal Maritime Commission, including services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles; and uniforms, or allowances therefor, as authorized by the Act of September 1, 1954, as amended (5 U.S.C. 5901) ----- \$3, 600, 000

OBLIGATIONS AND UNOBLIGATED BALANCE:

Net obligations for salaries and expenses for the fiscal year ended June 30, 1968----- 3, 577, 019

Unobligated balance withdrawn by the Treasury----- 22, 981

**STATEMENT OF RECEIPTS DEPOSITED WITH THE GENERAL FUND
OF THE TREASURY FOR THE FISCAL YEAR ENDED JUNE 30, 1968:**

Publications and reproductions-----	8, 665
Freight forwarder license fees-----	1, 900
Fines and penalties-----	83, 125
Bonus for reporting services-----	1, 155
Miscellaneous -----	<u>527</u>
Total general fund receipts-----	<u>95, 372</u>