
REPORT ON SHIPPING PROBLEM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

REPORT OF MR. H. G. DALTON, OF CLEVELAND, OHIO, ON THE
SHIPPING PROBLEM

DECEMBER 10, 1925.—Referred to the Committee on the Merchant Marine
and Fisheries and ordered to be printed

To the Congress of the United States:

I transmit herewith for the information of the Congress the report made to me by Mr. H. G. Dalton, of Cleveland, Ohio, in response to my request that he make a study of the shipping problem.

CALVIN COOLIDGE.

THE WHITE HOUSE, December 10, 1925.

CLEVELAND, OHIO, November 12, 1925.

DEAR MR. PRESIDENT: In accordance with your request that I study the shipping problem and report to you concerning it, I beg to submit the following:

I believe the Nation now realizes the need of an adequate merchant marine, both for the development and protection of our foreign commerce and for the requirements of the national defense, and will support it. A restatement now of the determination to establish and support a merchant marine will be helpful and timely.

We have already made a good start with the ships engaged in coastwise and intercoastal trades, which under the wise laws existing (which should be preserved) restricting that service to American built, owned, and operated ships, are giving without other aid a fine service. It is growing both in volume of business and in the number of ships.

The foreign or offshore shipping, however, presents an entirely different situation. It is probably the most competitive and com-

plicated business we have to deal with, requiring, as it does, the knowledge of ships, their operation, traffic problems and market conditions, port facilities and regulations, and the navigation laws of the countries of the world over. For us to compete efficiently and successfully with the nations who have built up the large carrying trade of the world extending over generations—one might fairly say centuries—is no small task and will require skill, patience, time, and money to accomplish it.

Governmental operation can never equal in efficiency or economy private operation. It seems unnecessary to enumerate the many reasons therefor. It is an accepted fact. Therefore we should continue to make every effort to transfer to private ownership as promptly as it can be done the various lines in operation; but this probably can not be accomplished until the services, one after another, are brought to a profitable operating basis or nearly so, and until that time they must be maintained and operated by the Government. But during this period of governmental operation and in order to facilitate the transition from one form to the other, in selecting the shipping men to manage the operated lines care should be taken to secure those who have substantial business prospects and experience in foreign shipping, with the view that they may eventually take over the ownership of the property and business they are managing. The sale of any line should carry with it a guaranty of its continuance for a reasonable number of years. Such provision has been required in recent sales.

I believe the consolidation of some of the services would be advantageous and in the line of economy, and I suggest also that further study be given to that feature as well as to the policy now in force with respect to remunerating managing operators for their service. If some method were devised whereby these managing operators could become interested in the operating profits and losses of their respective fleets, benefit would result therefrom. A considerable expenditure now made for overhead supervision by the Shipping Board would be unnecessary if such a plan were adopted.

The removal of the restrictions forbidding the railroads to own and operate ships in international trade would also be helpful. It would both extend the transportation facilities of our foreign commerce, and the ships employed, assuming them to be of American register, would be suitable for the needs of the national defense. This and any other avenue of aid in upbuilding the merchant marine should be encouraged.

The tendency of world shipping is now toward the regular operation of the cargo liner on specific routes. It is agreed that the trade routes now being served are covering adequately with suitable ships the present needs of our foreign business. There is some difference of opinion as to the proper number of ships that should be in service on some of these routes. It is also likely that as time goes on there will be need of change in the trade routes to be operated, either by adding new services or discontinuing those which after a fair trial are found either too costly to maintain or to be furnishing unnecessary service; but both of these matters will be satisfactorily dealt with by a good management.

I recommend that the Department of Commerce, which has close contact with and access to the best governmental knowledge of the

needs of commerce and industry as a whole and which is also best fitted to determine the policy, needs, and adequacy of these trade routes, should hereafter be consulted concerning any change of the present routes, the addition of new routes, or the discontinuance of old ones.

Cargo ships of the liner type are now available in sufficient numbers to serve the present needs of our foreign commerce; and while this type of ship also will be useful to some extent for the requirements of the national defense and the mails, these latter services will require ships with greater speed and provisions for carrying both passengers and cargo, and provision of such ships should receive careful consideration. Cooperation between the Departments of the Army, Navy, Commerce, and Post Office in selecting the types of ships to be used on the different trade routes should be encouraged.

In a recent survey it was found that there are sufficient ships available in the existing fleet to provide for the present and near-by future needs without the necessity of replacement with new tonnage in any material amount, but to take care of changes in and growth of trade, obsolescence of the present fleet, etc., new ships will eventually be required. The adequacy of the present fleet is based upon the assumption that the plan for the Dieselization of a sufficient number of ships in the existing fleet to be used in those routes where they will be most serviceable and economical in operation will be carried out. When greater need arises, the requirements for the different governmental agencies that are not adequately met by the present fleet can be provided.

I suggest that consideration be given to the use of the Naval Reserve to such extent as may seem reasonable and proper as a means of giving opportunity for the practical development of that branch of the service.

For purposes of efficiency and economy, I recommend the complete separation of the Emergency Fleet Corporation from the Shipping Board and the transfer to the Emergency Fleet Corporation of all ships, with all terminal and other properties and facilities used in connection therewith and now owned by the Government, together with all books and accounts, the insurance funds, and the Research Bureau. I do not believe that the methods now in force will ever be successful, and to my mind the confusion and dissatisfaction now existing are only to be expected. There appear to be considerable duplication in work and a degree of conflict of authority which together lead to increased costs and lowered efficiency.

Reverting to my suggestion of the advantages to be obtained through cooperation among certain departments of the Government which are concerned in this enterprise, in order to secure this end and at the same time to provide the reorganization of the controlling body of the Fleet Corporation, I recommend that a board of directors or trustees, consisting of four members of the Cabinet, specifically the Secretaries of the Army, Navy, Commerce, and the Postmaster General, be set up. If, in your judgment, there should be representation at large on this board, I suggest that three persons representing the Atlantic, Pacific, and Gulf regions be added to it. I further recommend that the President of the United States appoint, in addition to the persons named above, a chief executive of the Fleet Corporation, who shall also be a member and president of the board,

and who, with the approval of the board, will dictate the policies and carry on the business of the Fleet Corporation. All of the persons so appointed should serve subject to the pleasure of the President of the United States.

As soon as the ships and other properties connected therewith are turned over to the Fleet Corporation, as above constituted, I recommend that a careful survey and inventory of all such ships and properties, together with an audit of the books and accounts, be made and that the books of the Fleet Corporation be adjusted thereto. At the same time it should be determined what number of ships, with suitable reserve, will be required to serve the trade routes it is decided shall be operated, together with the terminal and other properties required in connection therewith. Inasmuch as the mails and the requirements of the national defense need ships of a different character and of a more costly service than the cargo-carrying trade, it seems reasonable that the extra costs of these services, as to both ships and operation, should be fairly apportioned among the governmental departments served and included in their respective departmental budgets and paid over to the Fleet Corporation. Arrangements for proper continuance of these allowances, when and as earned, if the lines are sold for private operation, should be made.

The remainder of the property, both ships and otherwise, should, in my opinion, be disposed of as promptly as practicable. While it is desirable to get as much of a return from this part of the Government's investment as possible, the early disposal of it will bring the best ultimate results. The ships not needed for service, if kept, will require constant attention and expenditure to prevent deterioration. The world to-day is overstocked with shipping. Most, if not all, of the ships not needed will later be found unsuited for service and, therefore, will have little future value. The present time seems opportune for scrapping them. This kind of material is useful now and has good value. Shipyards now idle awaiting a return of shipbuilding can be well employed at this work during their period of idleness. I believe an attempt should be made to dispose of the surplus ships in small numbers from time to time and spread them out among the various concerns that can scrap them, thus benefiting many industries.

These suggested changes would restore the Shipping Board's functions to their original status as largely a judicial and regulatory body, and while the regulation of sea-borne traffic, by reason of world competition in both shipping and commerce, involves entirely different problems from those of the railways, for instance, and therefore should be very carefully entered into, still I believe some provision for a regulatory body to which American shippers and shipping can have access would be wise. The continuance of the Shipping Board would provide for this among the other duties left to them.

In conclusion I desire to express my great appreciation of the services rendered and the information which has been freely placed at my disposal by all of the departments and agencies concerned in these matters in the preparation of this report.

Very respectfully yours,

H. G. DALTON.

The PRESIDENT,
Washington, D. C.

