

# THE DEPRESSED CONDITION OF THE U.S.-FLAG TANKER INDUSTRY

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## HEARING BEFORE THE COMMITTEE ON COMMERCE UNITED STATES SENATE NINETY-FOURTH CONGRESS

FIRST SESSION

ON

THE DEPRESSED CONDITION OF THE U.S.-FLAG TANKER  
INDUSTRY AND THE IMPACT THAT PRESIDENT FORD'S  
ENERGY PROPOSALS MAY HAVE ON THAT SECTOR OF  
THE ECONOMY

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# THE DEPRESSED CONDITION OF THE U.S.-FLAG TANKER INDUSTRY AND THE IMPACT THAT PRESIDENT FORD'S ENERGY PROPOSALS MAY HAVE ON THAT SECTOR OF THE ECONOMY

FRIDAY, FEBRUARY 7, 1975

U.S. SENATE,  
COMMITTEE ON COMMERCE,  
Washington, D.C.

The committee met at 10 a.m. in room 5110, Dirksen Senate Office Building, Hon. Ernest Hollings, presiding.

## OPENING STATEMENT BY SENATOR HOLLINGS

Senator HOLLINGS. The committee will please come to order.

The Committee on Commerce meets this morning to receive testimony from administration officials on the current economic condition of the U.S.-flag tanker industry and the impact that the President's energy proposals will have on the U.S. fleet and shipbuilding industry.

In the past few weeks, two of our shipyards, Seatrain Shipbuilding in Brooklyn, N.Y., and Newport News Shipbuilding & Dry Dock Co., in Newport News, Va., have laid off nearly 6,000 employees. Todd Shipyard in San Pedro, Calif., has suspended work on tanker construction putting the jobs of 3,500 workers in serious jeopardy.

The number of vessels and deadweight tonnage of capacity change daily, but nearly 30 U.S.-flag tankers comprising over 1.2 million deadweight tons of capacity are laid up for lack of employment. As might be expected, independent—non-oil company owned—U.S.-flag tanker operators are bearing the brunt of the depressed situation since the oil companies always use their own vessels before hiring independents. I am told that 25 percent of the U.S.-flag independent fleet is laid up as compared to 4 percent worldwide.

In addition, several tankers have recently been sold for scrap or transferred to foreign registry. I understand that the number of inquiries being made to Maritime Administration officials regarding foreign registry is increasing daily.

There has been a worldwide surplus of tonnage since 1971. This condition has been interrupted only by the availability of grain cargoes for movement to the Soviet Union and, for a brief period in 1973, by the existence of unusually high rates in the international tanker market.

Staff member assigned to this hearing: Richard J. Daschbach.

Last year the Congress proposed a solution for the U.S.-flag tanker industry by passing the Energy Transportation Security Act. That legislation was pocket-vetoed by President Ford on December 30, 1974.

In his veto message the President stated, and I quote:

This bill would have the most serious consequences. It would have an adverse impact on the U.S. economy and on our foreign relations. It would create serious inflationary pressures by increasing the cost of oil and of all products and services which depend on oil.

Officials of the Department of Commerce estimated that the Energy Transportation Security Act would raise the price of oil carried on U.S.-flag ships by 12 cents a barrel. The President implied in his veto message that 12 cents a barrel would wreck the economy; it would contribute to the inflationary pressures on not only oil, but every product in our economy.

Exactly 2 weeks later, President Ford was racing the Speaker of the House, Carl Albert, to go on television to raise oil prices by \$3 a barrel. The serious inflationary pressures the President worried about a 12-cent increase disappeared in all the ballyhoo advocating a \$3 increase.

Today we find the U.S. tanker and shipbuilding industries in a serious economic situation. Our initiative was rejected by the executive branch. This morning we hope to hear what the administration officials propose to do to aid this ailing segment of our economy.

Chairman Magnuson invited Secretaries Simon, Dent, Morton, and FEA Administrator Zarb to testify before this committee and respond to a series of questions. Unfortunately, Secretaries Simon and Morton will not be here today, but we do expect that they will respond to the questions propounded by Chairman Magnuson.

Secretary Dent and Deputy FEA Administrator Zausner will testify this morning. I am happy that they were able to be here. However, before we hear from them, Congresswoman Shirley Chisholm, who has a special concern over the Seatrain situation, will present a statement.

I am delighted to have Congresswoman Shirley Chisholm here.

Will you come forward? We will be glad to hear from you at this time.

If you wish, after we hear from you, you can join us on the committee and you can ask any questions you would like.

#### **STATEMENT OF HON. SHIRLEY CHISHOLM, U.S. REPRESENTATIVE FROM THE TWELFTH DISTRICT OF NEW YORK**

Mrs. CHISHOLM. Thank you very much.

Mr. Chairman and members of the committee, I want to first extend my sincere personal gratitude for the opportunity to appear this morning. Second, I want to commend you for taking the initiative and forging ahead in an effort to expose to the American people the very grave crisis that confront our entire merchant marine industry and the many thousands of workers now threatened with massive unemployment.

The current economic morass has forced a severe impact upon our Nation that has hit every level of society. But nowhere is it more

unjustly felt than in those communities who have historically been at the bottom rung of the economic ladder.

For quite some time, the unemployment rate has been above the national average, economic crisis or not, in the Bedford Stuyvesant-Bushwick community which I represent. The flight of business out of the city of New York, the dearth of industrial and business plants in low economic communities, the lack of requisite skills for functioning in a highly automated and technological society, the relatively low formal educational achievement among the general populace—all of these factors have been an integral part of the insidious deprivational syndrome that characterizes such communities.

With the advent of manpower training funds and other types of preparatory programs, young and older men, primarily minority—black and Puerto Rican—were trained to acquire certain skills, thus making the Brooklyn Navy Yard one of the city's most important job-producing resources. The Navy Yard's 26 tenant companies provide employment for nearly 5,000 New Yorkers. It was just in August of 1974 that Seatrain's Turbo Tanker *Williamsburgh*, a 225,000-ton tanker, the largest commercial vessel ever built in the United States, was christened.

Overnight, the dream of persons who never had a real chance but could now make a productive contribution was shattered. These were people who were on public assistance, people who really never believed that the system cared about them, people who felt that the opportunity to move into the midstream had become a reality—1,100 idled in December and an additional 1,800 idled in January. The impact of these layoffs in Brooklyn, an already economically depressed area of our city, is particularly distressing and holds serious implications for the area's economic existence.

The dramatic story of the Seatrain lines began in 1969 when it leased a portion of the former Brooklyn Navy Yard with the intention of building supertankers for the U.S.-flag charter market. It was believed at that time to be a bold idea since tankers exceeding 200,000 deadweight tons had never been built in the United States before. Howard Pack, the president of Seatrain, and the chairman, Joseph Kahn, said that it could be done and the output was to be two ships per year that fill the docks. Mr. Pack indicated—and I quote him now:

We consider this a positive and a concrete way for Seatrain to create jobs for the unemployed. We are pleased to be able to work with the City of New York to make the Navy Yard a productive asset to the community.

Joseph Kahn, chairman of Seatrain, said that as a business venture:

The creation of a shipbuilding facility by the company also would provide much of the production and conversion capability Seatrain itself needs for the future. Shipbuilding space is at a premium and we will have created an opportunity to become the only major United States company capable of building as well as operating its own fleet.

The employment factor is most important but equally important for a city whose tax base is being eroded daily by the loss of jobs and the flight to the suburbs of those individuals in better economic circumstances is the additional tax revenues for the city, and business for hundreds of local vendors.

From the inception, Seatrain in leasing part of the Brooklyn Navy Yard, included a commitment to the city to employ hard core unemployed from the area. Seatrain is one part of a total revitalization and employment project for the depressed communities around the Navy Yard—Bedford Stuyvesant-Bushwick, Williamsburgh, and Greenpoint. It is really a part of an industrial park plan which now has 23 companies within the 265-acre facility and employs close to 4,000 people from the surrounding low income area. The city purchased the facility from the Federal Government in 1969 for 23.5 million. The depressed areas have been designated as a redevelopment area by the U.S. Economic Development Administration thus making the yard eligible for Federal grants.

Until President Ford exercised a year-end pocket veto of a bill that would have required 30 percent of U.S. oil imports to be carried in U.S.-flag tankers, prospects were risky—now they are desperate. Recent moves by other nations to benefit their fleets by preference requirements have made the situation worse. Right now, 1.4 million tons of U.S. tankers are laid up around the Nation because it remains cheaper to use foreign carriers. At present, the use of American built tankers is only required for oil shipped between two U.S. ports. The overriding concern that must be addressed is the fact that it appears there will be accelerated layoffs in other ship yards around the country and that no one seemingly is willing to speculate on the future, if any, for American-flag tankers.

I would hope, Mr. Chairman, that the commencement of these hearings would not only stimulate a much needed interest on the part of our Government, but would assist the many concerned persons in realizing a future of some economic hope and confidence.

I thank you for this opportunity.

Senator HOLLINGS. Thank you, Mrs. Chisholm. That is a very dramatic statement of the situation in your district. We have jumped from these different committees. While you talked of the development there in the Bedford Stuyvesant area, I can immediately think of our work on housing, rehabilitation, Model Cities. There you have veritably a model city program going just through the regular forces of construction in building up our maritime. What we are cancelling out here, the Department of Housing and Urban Development would hold long hearings on and wonder how to create the very situation that you have described there.

In addition, of course, this committee was trying to build up our national security and environmental safety in the Cargo Preference Act.

I think I know how extremely pushed you are. If you would like to come and join the committee, we are now going to hear from the Deputy Administrator, Mr. Zausner, and then our distinguished Secretary, Mr. Dent. We are delighted to have you with the committee.

The next witness—Mr. Secretary, we are ready to hear from you at any time. We understood Dr. Zausner would be presented first.

#### **STATEMENT OF ERIC ZAUSNER, ACTING DEPUTY ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION**

Mr. ZAUSNER. Mr. Chairman, I appreciate the opportunity to appear before you today to discuss the problems of the maritime industry and