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NOTES BY THE ECONOMIC RELATIONS SECTION AND THE
COMMUNICATIONS AND TRANSIT SECTION ON THE
MERCHANT SHIPPING CRISIS.

March 16th, 1933.

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Note.

The notes collected in the present document are intended to afford a general, though brief and objective survey of the various problems raised by the question of merchant marine. They have been compiled on the basis of material taken from a number of non-official and even private publications. The Secretariat has confined itself to collecting and co-ordinating the information thus obtained. It can therefore take no responsibility for its accuracy.

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CHAPTER I.

GENERAL.

In essence, the crisis from which merchant shipping is now suffering is a result of the present disproportion between available tonnage and traffic requirements.

The importance of this question is due not merely to the capital invested in the shipping industry, but also to the effects of the depression in this sphere. This depression makes itself felt in the shipbuilding industry, which is of great importance to certain countries, and also affects labour, since it leads to considerable unemployment, due partly to the laying up of a large number of vessels and partly to the very noticeable slowing-down in shipbuilding.

Before proceeding to examine in greater detail the various problems raised by this question, it may perhaps be well to bring out certain of the special characteristics of maritime shipping.

It may be said that all the maritime countries in the world have made more or less strenuous efforts to develop their merchant marine and in certain cases to secure for it Government assistance.

Three major considerations have prompted their action in this respect. In the first place the earnings of shipping companies, which for a long period were very large, represented in the shape of "invisible exports" a factor sometimes of considerable importance in the balance of accounts. Weight is frequently given to questions of national prestige and considerations of security, which are of particular importance in countries anxious to safeguard communications between the home country and the colonies. In many cases, finally, the Merchant Marine, and more especially its strongest and fastest units, provides the Navy with extremely valuable and frequently even indispensable auxiliaries.

One of the reasons why merchant shipping is passing through the present crisis is that, in the main, the shipping industry pursues its activities outside the national frontiers, and that consequently it cannot be directly protected by Customs barriers like other industries. If they are not to be handicapped, ship-owners must purchase their ships at the international price and ship-builders, even if it can be assumed that they enjoy Customs protection, are unable to benefit by it to the same extent as those engaged in other industries. Their sales prices are directly influenced by the prices of the world market, and it is this fact which accounts for their persistent efforts to obtain Government assistance whenever free competition places them at a disadvantage in this respect.

CHAPTER II.

INCREASE IN THE TONNAGE AFLOAT SINCE THE WORLD WAR.

A great number of merchant vessels were lost during the war and the majority of countries have therefore endeavoured to fill up the gaps thus created in their shipping; certain of them have even largely increased their merchant marine. The result is that, as compared with 45.4 million tons in 1914, the world tonnage of the

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Merchant Marine - not inclusive of sailing ships and barges - had risen to a total of 62.3 million tons about the middle of 1923. From 1923 to 1926, total world tonnage remained at this level, but, between 1926 and 1929, was increased by a further 4 million tons. In 1930, 2.9 million tons of new shipping were brought into service, the record figure of 68.7 million tons being reached in the middle of 1931.

The following tables are significant:¹⁾

1) Shipbuilding and Ship Record, July 21st, 1932, pages 52-53
(quoting from Lloyd's Register of Shipping 1932).

TABLE I.

Ocean-going Steamers and Motor-ships available for General Cargo-carrying.

Countries	Tonnage owned	Percentage of world total	Tonnage owned	Percentage of world total
Great Britain and Ireland	19,562,143	28.61	12,482,849	38.49
United States of America	12,820,150	18.75	5,759,868	17.76
Germany	4,142,920	6.06	2,342,254	7.22
Japan	4,255,014	6.22	2,053,446	6.33
France	3,507,525	5.13	1,941,388	5.99
Netherlands	2,957,195	4.33	1,774,775	5.47
Italy	3,331,304	4.87	1,767,299	5.45
Norway	4,163,386	6.09	1,024,579	3.16
Other countries	13,628,054	19.94	3,288,719	10.13
World totals	68,368,141	100.00	32,435,177	100.00

Below are two other tables prepared in June 1932 by the Chamber of Shipping of the United Kingdom for the Ottawa Conference:

Steam and Motor Vessels of 2,000 Tons Gross and over.

1913.

Percentage.

	Number of vessels	Tonnage	According to speed 12 knots and over.
British Empire	53.1	52.2	54.7
United States of America	1.8	2.0	6.7
Japan	4.2	3.5	3.7
France	4.5	4.4	6.7
Norway	3.4	2.6	-
Germany	11.2	12.4	10.9
Sweden	1.6	1.1	0.1
Netherlands	3.3	4.1	3.4
Italy	3.8	3.3	4.1
Other countries	13.1	14.4	9.7
World total	100.0	100.0	100.0

1931.

British Empire	34.5	37.9	44.5
United States of America	11.1	11.9	13.8
Japan	7.8	7.0	7.4
France	5.8	5.8	6.0
Norway	6.2	6.0	1.7
Germany	6.0	6.5	7.4
Sweden	2.1	1.8	1.1
Netherlands	4.9	5.2	6.5
Italy	5.7	5.8	5.1
Other countries	15.9	12.1	6.5
World total	100.0	100.0	100.0

In 1896, Great Britain and Ireland owned over 56 per cent of the world's steam and motor tonnage, but, owing to the continual increase which is taking place in the tonnage owned in other countries, the percentage in 1914 had declined to 41.6, and has now been reduced to 28.6. Similar percentages for the same three years respecting the next seven leading countries are:¹⁾

	<u>1896</u>	<u>1914</u>	<u>1932</u>
United States of America (Sea)	4.0	4.5	15.0
Japan	1.9	3.8	6.2
Norway	3.0	4.3	6.1
Germany	8.1	11.3	6.1
France	5.2	4.2	5.1
Italy	2.0	3.1	4.9
Netherlands	1.8	3.2	4.3

1) Shipbuilding and Shipping Record, July 21st, 1932, page 52 (quoting from Lloyd's Register of Shipping, 1932).

It would appear from these figures that, in 1932, there was an increase of over 20 million tons of shipping as compared with 1914.

From 1914 to 1932, world tonnage increased by 43 per cent. The increase in world ocean-going tonnage (steam and motor ships of 2,000 gross and upwards) increased by 58 per cent.

In the twelve months ending June 1932, there was a decrease of 396,730 tons in total world tonnage, according to Lloyd's Register of Shipping.

This is worth noting as indicating a tendency, but it is still clearly inadequate.

These figures, however, do not afford an accurate idea of the actual increase in the transport capacity of maritime shipping. Allowance must indeed be made for the fact that, for the purpose of transporting goods in a given time to a given place, the transport capacity of one ton is now very much higher than it was in 1914. This is due to an increase of 10 to 30 per cent in the average speed of vessels and an increase of 40 per cent in average tonnage, permitting more efficient use of cargo space. Improvements in navigating conditions have, moreover, reduced the loss of time through late arrivals. Lastly and above all, considerable progress has been made in loading apparatus, while access to seaports has been facilitated. For these various reasons, it is considered that the transport capacity of the present merchant fleet in regard both to passengers and goods is 130 per cent of transport capacity in 1914.¹⁾

CHAPTER III.

DECREASE IN SEA-BORNE GOODS AND PASSENGER TRAFFIC.

Any such increases in transport capacity and frequency of sailings ought to have been accompanied by an increase in traffic; reference to the statistics, however, shows that it is exactly the reverse which has been the case: "The value of world trade, in terms of gold, has fallen at a steadily increasing rate. In 1930, it was 19 per cent lower than in 1929; in 1931, 28 per cent lower than in 1930; and, in the first half of 1932, 34 per cent lower than in the first half of 1931."²⁾ The results of the general decline in international trade, of restrictions of all kinds, prohibitions, quotas, exchange control, etc., have materially decreased the freight demand. The Chamber of Shipping, in a special report drawn up at the end of 1932, states that, at the Monetary and Economic Conference, the primary concern of British shipping would have to discover means of removing such obstacles to trade.

In the first place, as regards passenger traffic, the opportunities afforded before the war by mass emigration to oversea countries are no longer available. It seems unlikely, moreover,

1) Revue des Deux-Mondes, René La Bruyère, October 15th, 1932, page 904.

2) Review of World Trade, 1931 and 1932 (League of Nations).

that tourist traffic will regain the activity which characterised it during recent years as a result of the curiosity awakened in the New World by the war, and also by the prosperity of the United States on the one hand and monetary difficulties in Europe on the other hand. It should at the same time be noted that the race for vessels of constantly increasing dimensions which had had to be discontinued on the outbreak of war has, in the last few years, been revived and, in spite of the depression, with renewed intensity.

Transatlantic passenger traffic in 1932¹⁾ was characterised by a decrease in the total number of passages and also by a sometimes considerable increase in the tourist-third and third classes, at least on lines sailing to United States ports. On such lines, the fall in both directions was 7 per cent (53,500 passages), as compared with 1931.

The decline was particularly conspicuous in the case of sailings from Europe to the United States and affected the three higher classes exclusively: first, cabin, second. On the Canadian lines, the decline was general in both directions and irrespective of class, with the exception of the third class in eastbound traffic from Canada to Europe, which showed an increase of 10 per cent. The second class was not used at all.

As regards direct Lines between the United States and the Mediterranean, passenger traffic declined by 22 per cent on the westbound route and 12 per cent on the eastbound route. In this case, the first class showed an increase, whereas the third decreased in both directions.¹⁾

As regards goods traffic, the Suez and Panama Canal statistics, together with those of the world's leading ports, point with the most complete uniformity to a constantly increasing depression in international trade.

The reduction in the weight of merchandise passing through the two great maritime canals amounted in the course of the years 1930-1931 to more than 18½ million tons, representing a fall of 28.1 per cent. In the same period, traffic in the ports of Hamburg, Rotterdam and Antwerp declined by 20.84 per cent, representing a total fall for these three ports of 19 million tons.²⁾

If attention is confined to the records of French and English ports, the three great northern ports and the Suez and Panama canals, it will be found that there was a total falling-off of 75 million tons approximately in the volume of trade handled by merchant shipping throughout the world. The situation did not improve in 1932. On the contrary, at first sight, the statistics seem to show that the depression was from 10 to 15 per cent worse than in the previous year.

1) Bulletin quotidien - February 21st, 1933 (Q.1 et seq.).

2) Revue des Deux-Mondes, René La Bruyère - October 15th, 1932, page 905.

CHAPTER IV.

FALL IN FREIGHTS.

The combined influence of these two factors - surplus tonnage and the decrease in traffic - was bound to react unfavourably upon freights. There appears to be a surplus of considerably over 50 per cent of ocean-going world tonnage. If it is fair to estimate that only half the space in ships in commission is regularly occupied, one may say that only two in five ships are fully occupied.¹⁾ Partially-employed tonnage is a very much heavier charge upon the shipping companies than tonnage actually laid up.²⁾

Freights remained relatively steady during the years 1924-1927 at approximately 25 per cent above the average level of the pre-war years 1898-1913. In 1928, the index fell sharply to 14.9 per cent above the pre-war level. A new decline of 2 per cent was recorded in 1929. In July 1932, it fell to more than 8 per cent below the pre-war level. These figures are taken from the Economist of July 23rd, 1932.

About the same period, the French expert René La Bruyère wrote that freights had fallen by 21.41 per cent as compared with the 1913 average and by 78.85 per cent as compared with 1920, which, in any case, was an exceptional year. They had fallen still further since 1932 and, in the case of shipowners in countries with stabilised currencies, allowance must be made for an adjustment of 30 per cent, as the calculations are based upon quotations in sterling.

The following tables indicate variations in freights of two standard commodities - namely, wheat shipped to Great Britain and coal shipped from this country, over a number of years from 1914 to 1932.

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- 1) President, Chamber of Shipping of the United Kingdom, Fairplay, February 23rd, 1933, page 461.
 - 2) Extract from letter addressed to President of Board of Trade by Trades Union Congress General Council, December 2nd, 1932, published in Fairplay, March 2nd, 1933, page 501.

Wheat Freight to Great Britain.

Scale	1932		1931		1929		1920		1914
	High	Low	High	Low	High	Low	High	Low	Mean
20cwt.	25/6	17/3	26/6	20/3	33/-	24/-	-	-	37/6
"	31/9	20/3	32/6	25/-	42/6	22/6	150/-	100/-	24/7 1/2
"	18/6	12/-	20/6	12/6	24/6	10/-	200/-	40/-	-
"	20/-	12/-	21/6	13/6	26/9	11/-	195/-	37/6	34/9
480 lb.	2/6	1/4 1/2	2/6	1/1 1/2	3/3	1/7	18/-	7/1 1/2	-
"	2/7 1/2	1/2 1/2	2/6	1/4 1/2	3/6	1/9	15/-	7/3	4/7 1/2
"	3/10	2/7 1/2	3/6	2/10 1/2	4/9	3/11	30/-	10/6	-
"	3/-	2/3	2/7 1/2	1/4 1/2	3/10 1/2	2/4	18/-	8/-	-
20 cwt.	11/6	8/9	12/3	9/6	16/6	12/3	-	-	7/4 1/2

From Fairplay, January 5th, 1933; January 7th, 1932; January 9th, 1930; January 6th, 1921.

Coal Freights from Great Britain.
(per 20cwt.)

	1932		1931		1929		1920		1914	
	high	low	high	low	high	low	high	low	high	mean
Wales	9/-	5/9	8/9	6	14/-	8/9	82/6	20/-	11	-
Wales/Barrow	9/6	7/6	9/9	5, 9	13/6	11/-	67/6	20/-	11	7 1/2
Wales/Barnes	10/-	6/9	5/7 1/2	3/6	7/-	5/-	61/3	10/-	10	25 fcs.
Wales/Canaries	11/1	6/9	7/6	5, 9	11/-	8/9	38/9	17/6	10	6
Wales/Colombo	12/6	9/6	10/6	4/-	19/-	15/3	105/-	25/-	10	9
Wales/Istanbul	13/6	7/6	7/6	5, 5	14/-	10/6	87/6	17/6	10	7 1/2
Tyne, e	14/6	5, 10/6	7/-	5, 10/6	11/3	7/-	70/-	15/-	10	37 1/2 fcs.
Wales/Manchester	15/6	6, 10/6	8/9	6, 10	12/6	8/-	80/-	15/-	10	11 1/2
Wales/P. of S.	16/6	6, 10/6	8/-	6, 10	12/10 1/2	8/6	80/-	15/-	10	11 1/2
Wales/River	17/6	8, 10	10/6	7/-	18/6	11/6	58/9	22/6	10	7 1/2
Wales/River & Glasgow	18/6	7, 10/6	9/3	8/-	17/-	10/9	55/-	26/6	10	-
U.K./U.S. Atlantic	19/-	6	10/-	10/-	15/-	6/6	-	-	10	-

From Fairplay, January 5th, 1933; January 7th, 1932; January 9th, 1930; January 6th, 1921.

For a long period, the South-American market was characterised by relative stability, but, in May and June 1932, the fall in prices led to an almost vertical drop. More especially, there was a collapse in freight rates for wheat, whereas the coal rate showed a certain steadiness.¹⁾ On the other hand, it has been estimated that the running costs of the vessels in terms of gold have increased by 50 to 70 per cent since 1913.²⁾

The annual report of the Chamber of Shipping of the United Kingdom, after noting that the freight for tramp steamers had again fallen by 7 per cent in 1932 - which brought it to roughly 20 per cent below the pre-war level - points out that the volume of world trade, which had already fallen by 16 per cent as compared with 1929, had undergone a further decline of 10 per cent in 1932. In considering the question of freights on the other hand, account should also be taken of the increase since 1913 in certain of the items which have to be allowed for in calculating operating costs, such as the cost of labour, port dues, fiscal charges, etc.

Competition in the matter of freight rates is frequently thrown out of gear by the fact that a large number of vessels which remain in service are liners running on the so-called "imperial" routes and kept in commission by means of subsidies - which sometimes attain considerable proportions - for political purposes. In certain countries, shipowners are handicapped by high wages; in others, again, they are handicapped by the operating costs of old vessels and by the growing proportion of tonnage laid up, which, however, varies considerably from one country to another. The maintenance in service of ships twenty-five years old and over is possible only in cases where wages are especially low and where customers are willing to put up with slower delivery in return for lower freight rates.

CHAPTER V.

POSITION OF THE SHIPBUILDING INDUSTRY; LAYING-UP AND SCRAPPING OF PART OF THE SURPLUS TONNAGE.

The fall in freight rates was to some extent checked by the large number of vessels which shipowners were compelled to lay up; 7,628,000 tons were thus laid up on January 1st, 1931. A year later, this measure had been applied to over 12,000,000 tons. At the end of 1932, according to the annual report of the Chamber of Shipping, 14,500,000 tons - i.e., 21.5 per cent of world tonnage - had been withdrawn from service, and the total has certainly increased considerably since that date. On October 1st, 1932, the figure for Great Britain alone was 2,181,695 tons net or about 3.5 million tons gross, equivalent to about one-sixth of the British mercantile marine. On the other hand, in Denmark, as a result of a resumption of trade, more particularly with the U.S.S.R., a certain number of vessels had been replaced in service, and, in September 1932, Denmark showed the lowest figure for vessels laid up during that year.³⁾ In France, on October 15th, 1932, shipping

1) Journal de la Marine marchande, August 18th, 1932, page 1609.

2) Bulletin quotidien, Supplement 114, May 24th, 1932.

3) Journée industrielle, December 1932.

laid up amounted to about 1,000,000 tons. In Germany, on December 1st in the same year, the figure was 1,170,085 tons.¹⁾

In spite of this, shipowners continue in many cases to keep in service vessels which are running at a loss, and tonnage available remains considerably in excess of the demands of the traffic.

The laying-up of vessels naturally involves unemployment among the crews, one-fifth of whom are thus affected throughout the world.²⁾

The serious condition of the mercantile marine throughout the world has also led shipowners to sell a large number of vessels for scrapping. The object of such sales is to secure reserve funds and to retain only the best units of the fleet in service. In certain countries, the scrapping of old ships has also been encouraged by payment of compensation based upon the tonnage of the units given up (see Chapter VI). Over a million tons were thus destroyed between July 1st, 1931 and July 1st, 1932. During the period 1923-1931, the tonnage scrapped throughout the world was equivalent to an annual average of 1.3 per cent of the total. If vessels lost at sea - 3,839,000 tons - are added to this figure, the annual wastage is less than 2.0 per cent, whereas it is agreed that vessels should normally be replaced in twenty years, equivalent to an annual wastage of 5 per cent.³⁾

British and foreign "obsolete" tonnage sold for scrapping in January 1933 amounted to 235,110 gross tons, or at the rate of nearly 3,000,000 tons per annum, excluding the United States. The figures reported in January 1932 were 133,119 tons.⁴⁾

The depression from which the mercantile marine is suffering has inevitable reactions upon the shipbuilding industry, which is of great importance for some countries, particularly Great Britain. The almost complete stagnation of this industry has given rise to extreme unemployment. The scrappings mentioned above represent a healthy tendency towards the improvement of a situation which is marked by the collapse of freight rates, a scarcity of cargoes and passengers, and decreasing receipts. All these factors must necessarily lead to a considerable falling-off in ship-building activity. Germany, which had for several years secured the second place in the world's output of shipping, owing to decreased production occupies only the sixth place; moreover, as almost the entire German fleet consisted of new vessels, there is no need for new constructions.⁵⁾

1) Dr. Rehmke, Fairplay, January 5th, 1933.

2) Revue des Deux Mondes, October 15th, 1932, page 906.

3) Journal de la Marine marchande, July 28th, 1932, page 1479.

4) Fairplay, February 16th, 1933, page 389.

5) Edmond Delage, Le Temps, February 5th, 1933.

Nevertheless, the inequality between demand for and supply of tonnage remains, and the policy of restriction must apparently continue; the shipbuilding trade must adjust its production to consumption in the same way as other industries.

The situation is shown very clearly by statistics.

Gross tonnage of merchant vessels of 100 tons gross and upwards launched:

1899	:	2,121,738	tons
1913	:	3,332,882	"
1919	:	7,144,549	"
1931	:	1,617,115	"
1932	:	726,591	"

In view of the fact that the tonnage laid down in 1932 was considerably less than half the tonnage launched during the year, the serious position of the shipbuilding industry throughout the world is at once manifest. The tonnage launched in 1932 was the lowest ever recorded by Lloyd's Register of Shipping.¹⁾

The most seriously affected was the British shipbuilding industry. In 1892, Great Britain alone constructed 82 per cent of the tonnage launched; in 1898 the proportion had fallen to 72 per cent and in 1900 to 62 per cent. In 1931, the industry, still one of the basic industries of Great Britain, launched 502,000 tons.²⁾ In 1932, this figure fell to 187,794³⁾, representing only a tenth of the maximum capacity of British shipyards as measured in terms of output in 1920⁴⁾. There is a considerable amount of suspended tonnage in the various countries, amounting to 142,000 tons in Great Britain⁴⁾. Twenty-five shipyards did not launch one ship in 1932.⁴⁾

In every shipbuilding country, a comparison between the figures for 1930 and 1931 shows a falling-off, with the exception of Italy, where there is an increase, and France, where the level was more or less maintained. In 1932, there was a falling-off without any exceptions. The principal producing countries, whose relative importance varies considerably from year to year, are as follows: the United Kingdom, United States of America, France, Germany, Japan, Italy, Sweden, the Netherlands and Denmark. The above list⁵⁾ is given in the order of importance of tonnage constructed in 1932.

M. René Fould, President of the "Chambre syndicale des constructeurs de navires et des machines marines", recently recommended, according to the Journée industrielle of November 15th, 1932, the summoning of an international conference for the regulation of shipping activity and shipbuilding throughout the world.

The price of tonnage is dependent upon the state of the market and the variations in demand, and the situation has inevitably affected prices. For a new single deck vessel of normal type of about 7,500 tons deadweight, the price in December 1914 was £7. 5s. Od. per ton; in 1920, £30 and on December 31st, 1931, £8. 9s. 4d; a year later the figure fell to £8. 6s. Od.⁵⁾

1) Lloyd's Register of Shipping, "Annual Summary of the Mercantile Shipbuilding of the World for the Year 1932."

2) Bulletin Quotidien, Supplement of May 24th, 1932.

3) Lloyd's Register of Shipping, "Annual Summary of the Mercantile Shipbuilding of the World for the Year 1932."

4) The Times ("Annual and Commercial Review," February 7th, 1933).

5) Fairplay, January 5th, 1933.

The British shipbuilding industry declared that this price left no margin of profit and did not even cover the cost of production. Prices were, moreover, influenced by the rates for secondhand vessels, which normally are much sought after; these rates have fallen by about 50 per cent in the last four years.

CHAPTER VI.

VARIOUS FORMS OF GOVERNMENT INTERVENTION.

To meet the growing difficulties of the situation of the mercantile marine in various countries, various expedients were adopted, such as schemes for concentration and rationalisation by means of associations of shipowners with a view to the control of tonnage and freight, the payment of compensation for scrapping, but, above all, Government loans and the grant of financial and fiscal facilities. In an article in the Daily Telegraph of December 1st, 1932, the total subsidies granted by countries other than Great Britain were estimated at £30,000,000 sterling. Most maritime nations have materially increased both direct and indirect support of national shipping since the war. While certain States have granted assistance of a limited scope and character, others have laid down comprehensive programmes extending over a considerable number of years. According to an official American study of shipping and shipbuilding subsidies in the various countries, "it is expected that the present system of shipping protectionism will remain basically the same for the next ten to fifteen years according to recently projected programmes".¹⁾

UNITED STATES OF AMERICA.

The shipping policy of the United States since the War is particularly striking. In 1913, only 228,232 gross tons of merchant shipping were launched in the United States. In 1919, 3,579,826 tons were launched, a figure greater than the maximum pre-war world output for any single year - namely, 3,332,882 tons in 1913.²⁾

The outlay of the United States Government upon ship construction and operation through the U.S. Shipping Board, from 1916 to June 30th, 1931, reached the colossal figure of \$3,694,855,792. \$79,648,869 had been returned to the United States Treasury, leaving a remainder of \$3,615,206,923 as the net cost of the programme of the United States Government for the sixteen-year period, less the value of Government property and other assets. This cost does not include expenditure by other Government departments such as certain sums paid under postal contracts prior to the passing of the Merchant Marine Act of 1928.³⁾

In 1921, the merchant ships owned and operated by the United States Government reached the maximum figure of 7,993,000 tons.⁴⁾ The Shipping Board has since sold to private companies all but five of its thirty-eight ocean services. These thirty-eight services were

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- 1) "Shipping and Shipbuilding Subsidies," Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1932, page 8.
 - 2) Lloyd's Register of Shipping, "Annual Summary of the Mercantile Shipbuilding of the World for the Year 1932".
 - 3) "Shipping and Shipbuilding Subsidies," Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce 1932, page 38.
 - 4) *Idem*, page 41.

operated at a deficit of from 40 to 50 million dollars per annum. The only alternative to the long-term mail contracts and the reconstituted construction fund as established by the Merchant Marine Act of 1928 was continued ownership and operation by the Government.¹⁾

On June 30th, 1931, forty-one ten-year mail contracts had been let to private companies according to the terms of the Merchant Marine Act of 1928. Compensation is not based upon the volume of mail carried, but upon the size and speed of the vessels used and the length of the route served. These contracts provide for the permanency of the services undertaken, the construction of new vessels and the improvement of present equipment. It is estimated that the total amount guaranteed for the ten-year mail contracts is \$282,426,400.²⁾ Since then, three other mail contracts have been let.

The ship construction loan fund of the U.S. Shipping Board, on December 31st, 1932, had reached the amount of nearly 154 million dollars.³⁾ Interest rates charged on vessels in foreign trade vary from $4\frac{1}{4}$ to $5\frac{1}{4}$ per cent for the loans authorised previous to the passage of the 1928 Act. For those authorised under the 1928 Act prior to the 1931 amendment, some interest rates have been as low as $\frac{1}{4}$ per cent. Loans authorised subsequent to February 1931 are made at the rate of $3\frac{1}{2}$ per cent for vessels engaged in foreign trade. The 1928 Act authorises the extension of the total sum of the fund to \$250,000,000. Loans may be secured for a period of twenty years.⁴⁾

The Government publicly justified the grant of these subsidies by the high cost of shipbuilding in the United States, the high wages of the crew and the need for counteracting the advantages given by other countries to their mercantile marine.⁵⁾

At the beginning of 1933 there was some question of reducing the subsidies, but the proposal was most vigorously opposed by the shipowners, who pointed out that their financial arrangements had been made on the basis of such subsidies and that their abolition or reduction would lead to bankruptcy and would furthermore deprive the State of the revenue which was important for the balancing of the budget.

FRANCE.⁶⁾

In the budget for 1931-32, a sum of 118,000,000 francs was granted for the subsidising, up to 60 per cent, of the costs of postal mail service in the Far East, Australia, New Caledonia, the African

- 1) T.V. O'Connor, Chairman of U.S. Shipping Board, in Traffic World, February 4th, 1932, page 234.
- 2) "Shipping and Shipbuilding Subsidies", Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1932, pages 67-68.
- 3) Traffic World, February 4th, 1933, page 235.
- 4) "Shipping and Shipbuilding Subsidies", Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1932, pages 70-71.
- 5) "Shipping and Shipbuilding Subsidies", Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1932, page 69.
- 6) Fairplay, June 16th, 1932, page 508.

coast and the Eastern Mediterranean. 49,645,000 francs were granted for the Brazil and Argentine service, 15,000,000 for Corsica, 9,500,000 for the West-Indies and Central America and 4,000,000 for the New York lines.

A loan of 68,748,000 francs, repayable in twenty years, was granted by the Government to the Compagnie Transatlantique, in connection with the building of the liner Normandie. 193,166,000 francs were devoted to a subsidy for sailors' pensions and 15,000,000 for the payment of interest due on maritime credits, etc. Furthermore, credit facilities and special interest rates were granted through the intermediary of the Crédit Foncier. These facilities provide for undertakings by the Government to grant additional subsidies based upon speed and to allow exemption from dues, etc.

By a law of January 10th, 1925, a special subsidy was granted to the tanker fleet; this subsidy amounted in 1930 to 12,000,000 francs and led to a considerable increase in the French tanker fleet, which was almost non-existent before the war.

GERMANY.

It would appear that, previously at any rate, public funds played a somewhat small part in the development of the mercantile marine, which seems to have been principally assisted by the grant of preferential railway rates. This policy was interrupted after the war, but was resumed in 1928. Its effect was to make the Mercantile Marine to some extent a branch of the railway system and to bring it within the scope of arrangements concluded between certain areas where the cost of sea transport was higher from certain German ports than from the competing ports of Antwerp and Rotterdam.

In 1928, the effect of these tariffs was to bring about reductions of from 11 to 50 per cent and in some cases up to 70 per cent, the immediate effect of which was to increase by 16.7 per cent the tonnage conveyed.¹⁾

The German Government took two extraordinary measures in 1932 to protect its merchant shipping. It guaranteed to the extent of 77,000,000 RM. loans raised by German shipping companies with their banks against securities and interest of 1 to $1\frac{1}{2}$ per cent above the discount rate of the Reichsbank, which means 5 per cent minimum interest and $7\frac{1}{2}$ per cent maximum interest per annum. Of this amount, 70,000,000 RM. have been set aside for the main shipping services, and 7,000,000 for "tramps". The Norddeutscher Lloyd and the Hamburg-Amerika combine will secure the most important share of the 70,000,000 RM.

The second measure - the scrapping plan - was associated with a general Government scheme to furnish labour to the unemployed. Ten per cent of the existing 4,000,000 gross tons - i.e., 400,000 gross tons - were to be admitted on condition that the ships were at least twenty years old, belonged to their present owner on January 1st, 1930, and measured not less than 500 gross tons each. The owner who participates in this scheme receives a loan of 30 RM. for each ton scrapped. 12,000,000 RM. have been set aside for this purpose. The loan can be called in by instalments by the Government as

1) Fairplay, June 16th, 1932, pages 568-569.

soon as a shipping company has arrived at a profit. The loan bears no interest. Instead of this, the owner has to consent to the following: scrapping to be performed at certain specified shipyards, total scrapping of all material, etc., which practically leaves no revenue to the owner out of the scrapping itself.¹⁾

ITALY.

The absence of coal and of ores containing the steel essential for the construction of modern vessels has made it necessary for the Italian Government to grant assistance to the shipbuilding industry which is essential to the life of the country. The Government considers itself bound to provide sea transport for its nationals and it has the power to compel its citizens to carry out this duty. This point of view has led the Government to establish a network of shipping lines under its own control, though not immediately managed by the Government. In the plan of January 1st, 1926, the Italian Government drew up a programme of contracts and subsidies, amounting to 4,500,000,000 lire, over a period of twenty-one years. Subsidies are granted to two groups of shipping lines, described as "necessary" or "useful". The first class consists of those connecting the mother-country with the islands and colonies, the second class connects Italy with foreign ports.

A Government decree of November 13th, 1931, provides for bonuses described as "scrapping compensation" which apply to those steel vessels which are "least efficient and adapted only for the conveyance of cargo" and which were on the Italian register before July 1st, 1931. The rate of this bonus is 25 lire per gross ton: the credit of 5,000,000 lire thus provides for the scrapping of 200,000 tons.²⁾

A decree of July 1932 provides for the scrapping of a further quota of 200,000 tons, making 400,000 tons in all.³⁾

JAPAN.⁴⁾

The Government has for years granted subsidies to the shipping lines conveying the mails. In 1931, these subsidies reached a total of 2,650,000 yen.

Furthermore, the Japanese Government obtained a credit of 11,000,000 yen, spread over the three financial years 1932, 1933 and 1934, for the purpose of encouraging the scrapping of old tonnage and the building of new in the proportion of one ton of new shipping for two or three tons scrapped. The measures necessary to the carrying-out of this plan were authorised by a decree of the Ministry of Communications, dated September 27th, 1932, the plan taking effect on October 1st of the same year.

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- 1) Dr. Hans Rehmke, Fairplay, January 5th, 1933, page 55.
 - 2) Fairplay, June 16th, 1932, pages 568-569.
 - 3) Bulletin quotidien, December 16th, 1932, Q.1,2,3,4 and 5.
 - 4) U.S. Commerce Reports, August 22nd, 1932, page 308.

It should be remarked that the fleet included 3,854,513 gross tons of steam and motor tonnage of 2,000 tons and over, of which 879,000 tons were vessels over twenty-five years of age. The vessels to be scrapped must be over twenty-five years old and have a tonnage in excess of 1,000 tons. The replacement vessels are to be cargo ships of a minimum of 4,000 tons with a speed of over 13½ knots. They are to be built in Japanese yards, and all the material, machinery and accessories must be Japanese.¹⁾ The rate of bonus per ton varies between 45 to 54 yen according to the gross tonnage and speed of the new vessel. The vessels to be scrapped amount to from 400,000 to 600,000 tons and the replacement vessels to 200,000 tons.

It will be seen from the preceding that the steps taken in Germany, Italy and Japan have resulted in the elimination from the mercantile marine of old vessels amounting to 1,200,000 and in the reduction of world tonnage by a million tons, or about 1.5 per cent.²⁾

NETHERLANDS. ³⁾

The increasingly critical position of the Mercantile Marine led shipowners in the Netherlands to make urgent demands for Government intervention. A law of July 23rd, 1932, permits the grant of financial aid to companies in the form of credits for financial reconstruction and in order to prevent the transfer of vessels to a foreign flag. The administration of these loans is entrusted to a limited liability company with a nominal capital of 5,000,000 florins, 52 per cent of which is provided by the State. The remaining shares are to be sold to the lines, which receive assistance from the company in the form of guaranteed loans. An advisory committee for the execution of the law has been set up by the Government.

GREAT BRITAIN.

It is a commonplace that the British shipping position was built up by private energy and initiative with relatively little direct assistance from the State.

The total British Government budget estimate for ocean mail services on a contract basis was £820,000 in 1930-31. These postal services are based upon scheduled sailings of certain vessels on certain routes. If the contract services were withdrawn, the

1) British and European shipping journals and newspapers recently contained references to the purchase of a number of old British ships by Japan. The Daily Express on February 21st, 1933, mentioned the names of six ships whose total gross tonnage is 99,337. Four of these six ships are 25 years old or older. Other papers reported a still greater number of ships sold. It does not seem to be certain whether these ships are to be scrapped or used for transport. According to The Shipping World of March 1st, 1933, both Italy and Japan have frequently purchased foreign tonnage for breaking up.

2) Bulletin quotidien, December 16th, 1932.

3) U.S. Commerce Reports, September 3rd, 1932, page 392.

mails would be carried on a weight basis at sailing dates determined by the owners. At all times, the British Post Office has endeavoured to keep the contract cost down to the cost of the service.¹⁾

Apart from the postal contracts, the only other form of Government assistance to the British merchant marine in recent years was, according to Jesse E. Saugstad, the guaranteeing of loans by the British Trade Facilities Acts of 1921-1926 and the Loans Guarantee Act of Northern Ireland of 1922. The guarantees were made for the purpose of promoting industrial activities. About a third of the guarantees under the Trade Facilities Acts and most of the guarantees under the Loans Guarantee Act went to shipbuilding, including improvements to shipyards, purchase of shipyards and materials for construction of vessels, construction and completion of vessels, etc.²⁾ The two forms of guarantees aggregated £34,888,137 to British and foreign shipowners and shipbuilders. Of this sum, £2,723,000 were guaranteed for the construction of vessels for foreign owners among whom were Italian, French, Brazilian and Norwegian owners.³⁾ The average interest rates on the loans are said to have been about 5 per cent, an advantage of perhaps 2 per cent over the normal average market.⁴⁾ The greater number of loans were for ten years; only two were for twenty years.⁵⁾

The retiring President of the Chamber of Shipping, at the annual meeting held in February 1933, mentioned that Great Britain had not been entirely free from the charge of assisting to swell the surplus of tonnage by the Trade Facilities Acts. He added that the Chamber had always opposed the application of these Acts to shipping and was pleased that "such artificial assistance has now been withdrawn".⁶⁾

The construction of the Lusitania and Mauretania sprang from a special contract dating from 1903, by which the British Government guaranteed to the Cunard Line for twenty years an annual mail contract of £68,000 and an annual Admiralty grant of £150,000, together with a loan of £2,600,000 at $2\frac{3}{4}$ per cent to make possible the construction of these two ships.⁷⁾ This constituted the only instance of a direct public loan advanced to a British shipping company by the British Government.⁸⁾ It is not yet possible to say what will be the final form and extent of the British Government guarantee for the construction of the new Cunarder. The Cunard Line at present receives £100,000 per annum for carrying mails.⁹⁾

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- 1) "Shipping and Shipbuilding Subsidies", Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1932, pages 194-195.
 - 2) Idem, pages 257-258.
 - 3) Idem, page 256.
 - 4) Idem, pages 195-196.
 - 5) Idem, pages 258-259.
 - 6) Fairplay, February 23rd, 1933, page 459.
 - 7) "Merchant Shipping Industry", Calvin & Stuart, New York 1925, page 237.
 - 8) "Shipping and Shipbuilding Subsidies", Jesse E. Saugstad, U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1932, page 243.
 - 9) Idem, page 243.

According to the annual report of the Chamber of Shipping for 1932, the enormous disparity between the volume of traffic and the carrying capacity of shipping has been created largely through the intervention of Governments for political and not commercial reasons in shipbuilding or in the operation of shipping services. Their help, which they have given in various forms, and to an extent disproportionate to the commercial services rendered, has had the effect of introducing on the freight market at a period of declining trade, a great volume of tonnage which owes its existence solely to the fact that it is maintained free of taxation. Until such intervention of an anti-economic character is abandoned, it will continue to depress the freight market, to disorganise industry and to render unproductive subsidised and unsubsidised vessels alike. As the report points out, the International Chamber of Commerce has expressed the opinion that, so long as artificial assistance continues to be given, measures of rationalisation designed to adjust supply and demand will prove useless. For that reason, it asks that the question should be referred to the Monetary and Economic Conference.

CHAPTER VII.

ACTION BY SHIPOWNERS TO IMPROVE THE SITUATION.

In almost all countries possessing a merchant marine, shipowners have tried to remedy the ever-worsening situation in which they find themselves on account of the protracted crisis.

For the most part, it is the large shipping combines that have tried to find such remedies.

GREAT BRITAIN.¹⁾

In this country, the National Shipbuilders Security has been formed, of which practically all shipbuilding firms are members. Its aim is to circumscribe the problem of superfluous shipyards and their equipment by purchasing superfluous or old and out-of-date yards and restricting the use of means of production.

Further, in 1932, the Royal Mail Steam Packet Company initiated a reconstruction scheme consisting in the establishment of two operating areas (for the South-American and West-African lines), to which more than a hundred vessels are to be transferred. The principal aim of this organisation is to ensure for the companies thus grouped the best economic conditions for operating their shipping and to provide creditors with the surest guarantees. Other steps in the direction of concentration are also being taken.

FRANCE.¹⁾

Fourteen shipyards have formed a rationalisation company entitled "Consortium national des Constructions navales" for the purpose of organising the joint purchase of and placing bulk orders for certain products and of amassing for the industry as a whole stocks of various materials and, in particular, those necessary for urgent repair work. The Consortium also proposes to devise means of improving the organisation of technical departments with a view to dividing among the

1) U.S. Commerce Reports, August 22nd, 1932, page 308.

firms thus grouped the heavy costs of preparing designs and tenders. It will group orders from aboard and will arrange their distribution among shipbuilders. It will examine the question of temporarily or permanently reducing certain shipyards and buying up those which are in difficulties. Further, the "Chambre syndicale des constructeurs de navires et de machines marines" has made a study of the standardisation of material and equipment.

The Compagnie des Chargeurs réunis and the Compagnie Transatlantique have substituted for the friendly arrangement which has existed between them since 1928 a closer agreement directly affecting one million tons and indirectly 1,300,000 tons, or in all about 40 per cent of French tonnage.

1)

GERMANY.

The Norddeutscher Lloyd and the Hamburg-Amerika Linie which, in March 1930, pooled their interests for a period of fifty years, have succeeded in extending this arrangement to the Hamburg-Südamerika-Linie, whereby the groups thus formed, representing more than two million tons, control about two-thirds of the German merchant marine.

An agreement was recently concluded with the United States lines and, on December 12th, 1932, a pool was formed between the German and American lines for the North-Atlantic traffic.¹⁾

JAPAN.

The Nippon Yusen Kaisha and the Osaka Shosen Kaisha, which control the greater part of the Japanese merchant marine (1,600,000 tons), have formed an agreement to assure a certain co-ordination of their regular services, particularly in suppressing certain competing lines. Up to the present time, this co-ordination has only been effected on two lines (Puget Sound Line and South American East Coast Line).

UNITED STATES OF AMERICA.

In November 1931, the United States Lines were acquired by a new company, owned equally by the Roosevelt-International Mercantile Marine group and the Dollar-Dawson interests.²⁾ The combined fleet, operating some 180 steamships of 1,376,000 gross tons to virtually all parts of the world, may be said to constitute one of the five largest existing shipping groups.³⁾

ITALY.⁴⁾

In 1931, vast amalgamations took place, and the process continued in 1932. The Government revived the shipping subsidies and granted compensation to shipowners who eliminated tonnage likely to be unprofitable. Four groups were formed: the first, named "Italia",

1) Edmond Delage, Le Temps, February 5th, 1933.

2) Fairplay, November 26th, 1931.

3) Idem, October 22nd, 1931.

4) U.S. Commerce Reports, August 22nd, 1932, page 308.



combines the Navigazione Generale Italiana, the Lloyd Sabauda and the Cosulich Line under the auspices of the Commercial Bank of Italy. The second group, called the "Lloyd Triestino", is formed of the fleets and interests of the Lloyd Triestino, the Marittima Italiana and the Societa Italiana, Servizi Marittimi (Near and Far East services); the third group, entitled "Terrenia" (North Africa and Italian colonies), combines the Società di Navigazione Florio and the Compagnia Italiana Transatlantica Citra. The fourth group consists of the "Compagnia Adriatica di Navigazione" and comprises the Puglia, the Industria Marittima, the Costiera, the Nautica, the Zarattina and the San Marco (Adriatic and Italian islands of the Aegean sea). In addition to the subsidies granted to shipowners contracting to provide regular services between Italian ports or between Italian and foreign ports, new subsidies have been granted from January 1st, 1932, for a year to Italian merchant ships. They are calculated on the basis of the tonnage and age of the ships and the distances traversed.

NORWAY¹⁾

Serious difficulties have been experienced in Norway by owners of tankers. Norway occupies the third place among merchant fleets of this kind. With a view to preventing the disastrous competition which existed among owners of these vessels, they formed a central organisation with headquarters at Oslo, under the management of a board of seven directors. The tonnage belonging to the member firms will in future be fixed by the directors in accordance with the freight market. The earnings will be allocated on the principle of reciprocity.

AUSTRALIA.¹⁾

A joint organisation of producers of raw materials and foodstuffs on the one hand and shipowners on the other has been formed under the name of the "Australian Oversea Transport Association". Its aim is to rationalise tonnage and to reduce Government taxation of shipping, with a view to increasing freight rates. For this purpose, a national organisation has been set up to provide transport tonnage and prevent surplus shipping from being sent from Europe to Australia. The companies are trying to improve the methods of meeting tonnage demands and effecting a greater reduction of Government taxation.

CANADA.¹⁾

Canadian National Steamships, owned by the Government, has adopted a programme of economies which has, inter alia, effected a reduction in voyages. An agreement has also been reached between the Canadian Pacific Railway and the Canadian National Railways. It provides for co-operation between the two railway companies and the Canadian Pacific Steamships for purposes of advertising goods and passenger transport facilities and the provision of an accelerated service of Canadian ships operating in Atlantic and Pacific ports. A scheme is also under investigation by the shipping companies of the Great Lakes.

1) U.S. Commerce Reports, August 29th, 1932, p.348.

CHAPTER VIII.

VARIOUS PROPOSALS FOR INTERNATIONAL ACTION.

The general policy of States in promoting the development of their merchant shipping and the international character of navigation would seem to show that, to be effective, an agreement for the reduction of tonnage or the limitation of the number of ships should be international and should be as comprehensive as possible. The restrictions and limitations applied on a national scale - particularly in Italy, Japan and Germany - would seem likely to produce only very limited and inadequate results, as the volume of shipping they cover is small as compared with the existing world tonnage.

Nothing short of international action, comprising all the principal countries concerned in merchant shipping and shipbuilding seems likely to remedy the situation brought about by the existence of superfluous tonnage. Many plans have been proposed; one is due to the initiative of the Baltic and International Shipping Conference¹⁾, which referred it to the International Shipping Conference held in London.²⁾ This Conference, through a special committee, prepared a preliminary report, from which the sole conclusion to be drawn seems to be that it is very difficult to arrive at an agreement, but that negotiations are being carried on with a view to an international scheme for the breaking-up of old ships.³⁾

1. The first subject which was submitted by the Baltic Conference to the International Shipping Conference, and which it was decided to examine, provides for the scrapping of all ships 20 years old or more which the owners were prepared to part with for reasonable compensation. Ten million tons would be scrapped in the first year, and compensation would be paid from a fund formed from the proceeds of a port due to be levied for some years on all ships putting in at ports of the countries participating in the agreement.

2. A second scheme which was also submitted by the Baltic Conference to the International Shipping Conference, but which it was decided not to consider, provides only for the temporary laying-up of a number of ships, with or without compensation for owners consenting to withdraw their ships from service. A fund formed in the same way as that contemplated for the previous plan would be administered by an international committee, which would decide what ships to retain in service, according to the needs of the market.

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- 1) This Conference, with headquarters at Copenhagen, is an association of cargo-shipowners affiliated individually and belonging to some twenty nations. It also includes ship-brokers, insurance-brokers and shipowners' associations.
 - 2) The International Shipping Conference comprises representatives of shipowners' associations of various countries.
 - 3) The information regarding these various schemes is taken from a report submitted by M. P. Wohl, Director of Communications and Transport Services of the International Chamber of Commerce, to the Association des Grands Ports francais, dated November 9th, 1932.

3. Another project relates to the temporary laying-up of tramp steamers. The owners of such ships would undertake to withdraw from service a certain number of vessels of 2,000 tons or more. Shipowners providing a regular service would on their side undertake not to attempt to increase their bulk cargoes to the detriment of owners of tramp steamers. The scheme would not comprise compensation; it would be applied by an international committee, which would decide what tonnage to lay up and what part of the tonnage to exempt from the plan; it would also examine any complaints.

The plan was rejected by the International Shipping Conference.

4. The Baltic Conference also recommended a plan for laying-up half the German, Danish, Norwegian and Swedish tonnage used in normal times for the transport of timber from the ports of the Baltic and White Sea.

5. A very detailed plan was drawn up by M. Raoul Venture and was published in 1931. Its main features are as follows:

(a) The complete cessation of all shipbuilding not intended to replace obsolete shipping and the limitation of all shipbuilding throughout the world to one million tons a year;

(b) The breaking-up, over a period of ten years, of ships over 25 years old;

(c) Compensation for shipyards and for shipowners agreeing to scrap their ships. Shipowners would receive 75 francs per ton, in payments spread over ten years, and 5 per cent interest on the total compensation until payment was made in full. The necessary funds would be provided from the proceeds of a special due of 26 centimes per ton and 10 francs per passenger levied by shipowners on all maritime transport;

(d) The proceeds of this due would cover all costs, which are estimated at 201,187,500 francs, and would allow of the payment of compensation to personnel discharged from shipyards and workers thrown out of employment through the application of the scheme.

6. M. Kiep, Managing Director of the Hamburg-Amerika Line, also proposes the breaking-up of all ships 20-25 years old. To compensate the owners, he suggests the formation of a common fund, to which the shipowners of the different countries would pay a contribution proportionate to their old tonnage.

7. As regards the Baltic and the White Sea, M. Gustav E. Sandstrom, of Gothenburg, suggests that each country sharing in the traffic of these regions should appoint an independent person, not interested in shipping, who would be invested with dictatorial powers. These persons would reach agreement as to the total tonnage to be used for the traffic, its allocation among the owners of each country, transport conditions, etc.

8. M. A.C. Oidtmann, of the Armement Deppe, Antwerp, recommends the formation of a new international shipping association to act in conjunction with a special committee of the League of Nations. Each of the participating countries would undertake to maintain its tonnage at the existing level for ten years and, by an international

convention, comprising the necessary penalties, each participating country would require ships putting in at its ports to charge a minimum freight rate for the principal goods carried by the regular lines and for goods constituting the principal cargoes of tramps. Further, each country would forbid other shipowners, of whatever nationality, to organise services competing with established regular lines possessing a sufficiently large tonnage.

9. Dr. Schumacher, of the Schult Shipping Company, Flensburg, proposes the following plan:

(a) Conclusion of an agreement for the breaking-up of all ships with a tonnage of 8,000-10,000 and more than 20 years old.

(b) The plan only provides for the accession of the principal maritime countries and would be applied only to the main lines of traffic (Plate, Australia, North America, Black Sea and White Sea).

(c) The owners of ships 20-25 years old would receive 60 RM. compensation per gross ton broken up, while 40 RM. would be allowed for older ships.

(d) The total tonnage broken up would be 10,500,000 and the cost would be 500,000,000 RM.

(e) A common fund would be formed from contributions from each country at the rate of 14.34 RM. per gross ton of the ships remaining in service after the execution of the plan.

10. A plan drawn up by a group of Netherlands shipowners was communicated to the International Chamber of Commerce by Dr. Knottenbelt, President of the Sea Transport Committee of the International Chamber of Commerce. According to this plan, the construction of new ships would be prohibited in all European countries and in the United States of America for a period to be specified - e.g., five years. Exceptions to this rule would be allowed only where existing ships were broken up having a tonnage equivalent to that of the ships which it was proposed to build. The proportion between tonnage built and tonnage destroyed would be fixed every year with due reference to the general position. It was also suggested that all new construction should be prohibited for the first three years unless three times as much old tonnage was destroyed, so that under those conditions a shipowner, in order to build a new ship, would have himself either to buy some of the oldest tonnage or to obtain a building permit from the other shipowners able to dispose of old tonnage.

11. Mention should be made of M. de Raulin's idea regarding the limitation of the dimensions of liners, particularly as regards their size and speed.

12. Mr. Robert C. Lee, Vice-President of Moore & McCormack (American Scantic Line) suggested the formation of an international shipping cartel. The cartel should have power to apportion sailings and control building programmes and should be formed by joint action of groups of companies serving particular territories, which would receive and disburse funds, regulate sailings and rates, and co-ordinate the efforts of individual companies so as to maintain regular sailings, and lay up unnecessary tonnage. In giving each company a fair share of business, due regard should be had to the right of each nation to have sufficient tonnage for the carriage of half of its own trade and

for purposes of national defence. The coasting trade would be reserved to national vessels.¹⁾

CHAPTER IX.

MOVEMENT OF OPINION IN SHIPPING CIRCLES, ESPECIALLY IN THE UNITED KINGDOM.

According to information received by the International Chamber of Commerce, shipowners in the Netherlands, Scandinavia, Italy and Germany are prepared to discuss the bases of an agreement.

Mr. R.S. Dalglish, retiring President of the Chamber of Shipping, expressed the following opinion at the annual meeting held in February 1933: "We have just passed through the most difficult year that British shipping has ever experienced and the horizon is still dark with uncertainty".²⁾ The United Kingdom, it must be remembered, controls about 30 per cent of world tonnage, and the whole of the problems raised in the present notes are consequently of the utmost importance to British shipowners. Mr. W.J. McAlister, President of the Chamber of Shipping, stated, in a speech on February 16th, 1933, that shipowners, he was convinced, could do a great deal by themselves laying-up or scrapping surplus tonnage. In his view, considerable saving could be effected, on the regular lines operating between certain ports and in the hands of a small number of companies, by means of collaboration, but, in the matter of tramp freights, in which there is world competition, it seems extremely difficult to reach an agreement.

In the United Kingdom the fact that part of the maritime traffic between the Empire ports is in the hands of foreign vessels has been the cause of much complaint and the Chamber of Shipping, in a report which it issued at the end of 1932, directed the Government's attention to the question and recommended that, both before and during the Monetary and Economic Conference, the United Kingdom should endeavour to establish collaboration between as many as possible of the countries to be represented, with a view to restoring world trade by the suppression of obstacles to trade. Among the latter are noted especially tariff modifications applicable to goods carried by vessels flying the national flag and subsidies of all kinds.

In this connection, the report states as follows: "Subsidies to our shipping could form no permanent basis for the maintenance of our position as the greatest sea carriers of world trade, but, if the British Mercantile Marine is to continue as it now exists, it will be necessary for the United Kingdom to meet foreign State-aided shipping competition, if it be persisted in, by the grant of subsidies to British shipping pending the restoration of world trade".

The Chamber of Shipping even handed to the Government a confidential document suggesting legitimate measures of defence that might be employed by the United Kingdom should she be obliged to abandon her traditional policy of freedom of the seas and to resort to

1) From the Scandinavian Shipping Gazette, page 208, February 1st, 1933.

2) Fairplay, February 23rd, 1933.

measures of retaliation in defence of the British merchant marine. This forms the subject of an article in the South Wales Journal of Commerce (Cardiff) of December 5th, 1932.

Suggestions have appeared in the Press urging the Government to take measures to restrict the benefit of the preferential tariffs established at Ottawa to goods carried in vessels flying the British flag. It has also been proposed that subsidised vessels should be penalised by being obliged to pay double dues in all Empire ports.

The Economiste français of February 25th, 1933, notes that the Liverpool Shipowners' Association, in its annual report, states that the serious unemployment from which British shipping is suffering is due, not only to the general depression, but also to foreign competition in the form of subsidies granted to shipbuilding or to the Merchant Marine. It even suggests that measures might be taken to prohibit entry into British ports in the case of vessels coming from countries which resort to this kind of dumping.

In the draft annotated agenda established by the Preparatory Commission of Experts for the Monetary and Economic Conference, it is stated that the Experts agree with the meeting of shipowners held at the end of last year at the International Chamber of Commerce that "it is impossible to return to sound conditions in the shipping industry so long as the uneconomic policy of Government subsidies continues. This policy of excessive intervention requires to be checked by agreement between the Governments."

The circles concerned and the Press which reflects their ideas have taken due account of the foregoing statement. The situation has grown so serious that one may well wonder whether some further aggravation is not to be expected. In point of fact, there is reason to fear lest the policy at present followed in certain countries may involve measures of retaliation in other countries which might claim to have been driven to them under pressure from their shipowners and industrialists.¹⁾

1) Extract from The Times, February 18th, 1933:

"At the annual dinner of the Chamber of Shipping of the United Kingdom, held on February 17th, 1933, Mr. Walter Runciman, President of the Board of Trade and himself a large shipowner, made, in part, the following remarks:

"If the line of policy adopted by many countries is to be pursued without intermission and British lines and British individuals endangered by State-supported competitors, we shall have to take a new survey of the problems of the Mercantile Marine. We cannot afford to see our greatest industry wiped out. I should be one of the last to advise entering upon a fiscal or subsidy war, but I have no hesitation in saying that the feeling in this country would be behind any Government which protected (I do not mean in the technical sense, I mean in the broader sense) the Mercantile Marine of this country, in which we have a predominant influence, from unfair competition which in itself might endanger the whole of our mercantile fabric."

It seems essential, then, to neglect no possible opportunity of remedying a state of affairs which involves repercussions prejudicial alike to the Merchant Marine, shipbuilding, seamen and workers in shipbuilding yards.

The remedy, it would seem, should be sought chiefly in a larger reduction of the tonnage afloat, more particularly by the scrapping of the older (and hence, as a rule, less profitable) vessels, an improvement in the utilisation of vessels, a reduction of the number of sailings on regular lines, and perhaps even the suppression of certain competitive lines operating at a loss.

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