



THE FUTURE



OF OREGON



MARITIME



INDUSTRIES



Proceedings of the Conference
Sponsored by
Oregon State University
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May 23-24, 1973

Proceedings

The Future of Oregon Maritime Industries

A Conference Sponsored by
Oregon State University Extension Service
Marine Advisory Program

Portland, Oregon
May 23-24, 1973



Oregon State University Extension Service
Marine Advisory Program
Corvallis 97331

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INTRODUCTION

Edward J. Condon

Extension Oceanographer, Oregon State University, Corvallis



Nationally and in our own state, maritime industries have experienced a gradual decline in tonnage and in economic position; the causes are multiple and complex.

Oregon State University Extension Service's Marine Advisory Program sponsored this conference to evaluate the future of these key industries. The conference had four basic objectives:

1. To bring into sharper focus the causes for the industry's decline.
2. To take a first step toward forming an alliance of the several components of the maritime industry.
3. To impress the Federal Government and elected representatives with the difficulties that handicap the industry.
4. To inform the public about the extent to which oceanborne commerce affects everyday living.

The conference was held in Portland, Oregon on May 23-24, 1973, as an integral part of Portland's observance of National Maritime Week.

Monetary constraints precluded the printing of verbatim transcripts of the many topics so ably covered by well qualified speakers. However, we believe the condensed and highlighted texts printed herein will give the reader a fair summary of the main points each speaker desired to emphasize.

One of the fruits of a conference such as this is the many excellent recommendations that were reached with consensus of attendees (some after rather heated, but healthy discussions). A summary of the recommendations appears on page 3. The thread of thoughts leading to the recommendations may be found by perusing the sections covering workshop results.

It almost goes without saying that this conference could not have come to pass without the generosity, assistance, patience, and counsel of many people. To those good people (too numerous to list here), the Marine Advisory Program staff extends its appreciation.

You are invited to comment on these proceedings and to submit topics for discussion at the 1974 conference on Oregon's maritime industries. Every attempt will be made to cover as broad a scope as possible.

The following topics have already been requested:

1. Is the proliferation of committees by federal, state, and local governments to study and recommend on transportation needs and problems necessary or of any benefit to the American public or American industry?
2. What comments, thoughts, and reservations do major American exporters and importers hold relative to shipping in American-flag vessels?
3. What is the maritime industries' view on the issue of deep/super ports on the West Coast of the United States?

Send your comments to: Edward J. Condon, Extension Oceanographer, School of Oceanography, Oregon State University, Corvallis, Oregon 97331.

Additional copies of these proceedings may be obtained from the same address; single copies are \$1.50 each.

SUMMARY OF CONFERENCE RECOMMENDATIONS

Improving the Economic Position of Oregon's Building and Repair Yards (Workshop A, page 33)

- A-1 The Port of Portland should continue and increase the rate of improvements in port facilities for shipbuilding and repair, and should keep these facilities the "best."
- A-2 Contractors must improve contact with higher-level officials and demonstrate the merits of investments in improved overhaul facilities as against investments in new piers, container facilities, docks, etc.
- A-3 Contractors and port officials must get the message across to the people of the area, about the merit and economic view of having and maintaining the "best" port facilities.
- A-4 Contractors must search out and plan for new business, and must solicit new coastal tanker repair business.
- A-5 Contractors must work for change in the "home port" rule of the Chief of Naval Operations, so that Navy ships may once again be overhauled and repaired away from their home ports; they should solicit backing for this change among labor, the public, and the rest of the industry.

Maritime Regulatory Agencies, Industry Problems, Solutions (Workshop B, page 35)

- B-1 The public must reach a compromise between commerce and recreation within Oregon. Ships are larger and faster, causing wave action as they move the 90 miles from Portland to the ocean. Speed is needed to keep the ship productive, yet that same speed causes complaints to the US Coast Guard by sportsmen and other recreation-minded members of the public.
- B-2 Sound policymaking on any particular problem (environmental, recreational, or industrial) should be made by the entire population, not just by a small segment of the public. Industry and government should not only do a better job of informing the public about economic considerations in these matters, but should also follow through by sending representatives to public policymaking meetings.
- B-3 Exchange of ideas and understanding (through conferences and workshops) is beneficial in promoting better relationships among segments of the maritime world and may lead to the regaining of the tonnage that the maritime industries must have for future economic growth.

Labor and Management Goals and Responsibilities (Workshop C, page 37)

- C-1 A national commitment is needed—by government, industry, and labor—to reestablish this country as a bonafide maritime nation and to increase the American-flag ship's share of import-export trade from its present deplorable level of 6 percent to the goal of 30 percent or more of all tonnage entering or leaving our ports. This commitment then would serve to make US ships more competitive with other maritime nations, and the resultant increase in numbers of US ships would alleviate some of labor's problems of maintaining employment.
- C-2 Maritime industries should continue and expand the rapport which has recently evolved from the National Maritime Council.
- C-3 American-flag lines management must be more innovative in capturing a greater share of cargoes now carried by ships of third nations.
- C-4 The American shipper and the American public should be made aware of the advantages of shipping products on American bottoms.
- C-5 Younger members of both management and labor should work more diligently toward understanding each others' viewpoints, so that common purposes, goals, and responsibilities can be defined.
- C-6 Oregon State University should be urged to hold more conferences for the maritime industry; however, future conferences should cover a broader spectrum: labor, management, shippers, truckers, and additional government agencies (both federal and state).

Maritime Industries and the Environment (Workshop D, page 39)

- D-1 More active involvement is needed, by industries and by individual citizens, during debate on proposed harbor development regulations, rather than after the regulations are adopted. Perhaps workshops like this conference would provide better forums for discussion of proposed regulations if held in advance of formal hearings.
- D-2 Harbor development plans that lead to zoning and implementation should be similar to the Yaquina Bay Task Force approach in: including the watershed as well as the water area; being initiated locally but involving related state and federal agencies throughout the process; involving local and, if appropriate, state citizens at all stages (to make the resulting plan "our" plan rather than "their" plan); considering all pertinent environmental and economic concerns; and being flexible enough to change when new information or situations develop.
- D-3 As all the desired data will never be available, planning decisions must be made on the basis of the best information—even if incomplete—subject to revision, with attendant costs, if new data make change mandatory.

- D-4 All citizens should understand the cost of keeping the environment clean. No one is against a clean environment. Sewage, however, may be a nutrient rather than a pollutant; seafood-processing wastes may be a food rather than a pollutant. Regulations must be flexible to make the best use of these available energy sources.
- D-5 Regulations which affect dumping of oily and other noxious wastes and treated sewage effluent from vessels should be studied to determine their full economic and environmental effect on the nation, including: the positive economic effect of cleaner harbors and rivers; the effect on shipping rates and decrease in service from foreign-flag ships; the costs of exporting pollution—permitting manufacture to occur elsewhere to keep pollutant levels lower here.

Intermodal Transportation Systems and US Trade Policy (Workshop E, page 41)

- E-1 Place high priority on providing appropriate means by which the US transportation units (rail, motor, water, NVOCC), might function as an effective, efficient, integrated (well coordinated and flexible) transportation system.
- E-2 Define more explicitly the jurisdiction of various transportation agencies, particularly as to intermodal shipments.
- E-3 Provide for increased flexibility in rate structuring to permit the timely establishment of tariffs appropriate to a particular intermodal system and the participants therein.
- E-4 Provide improved means of quoting through rates involving joint carriers.
- E-5 Improve intermodal rate and regulatory structure to minimize multiple filing of rates and multiple licensing of carriers involved in intermodal shipments.
- E-6 Redefine certain key terms in current transportation-related acts and regulations, such as "bulk," "package," "container," etc., as they apply (or might apply) to intermodal shipping, with particular reference to current and developing practices, worldwide.
- E-7 Redefine the individual liabilities of participants in intermodal shipments and standardize the liability limits and regulations among intermodal participants.
- E-8 Require adequate bonding of nonvehicle operating transportation firms (NVOCC's) to assure their ability to meet potential liability obligations incurred as a participant in intermodal shipping.
- E-9 Define expressly "intermodal carriers" for purposes of regulation, rate-making, and establishment of carrier liabilities and responsibilities.
- E-10 Provide adequate definition of what constitutes "restraint of trade" in rate negotiations and quotations, and in carrier relationships in intermodal shipping.

- E-11 Encourage increased pressure on bilateral trade agreements with foreign countries, with more emphasis on parity of trade: if we buy from them, they buy from us, and vice versa.
- E-12 Encourage a faster shift to the metric system for goods exported from the US; domestic trade may well continue "as is," but to remain competitive worldwide, the US should make a faster shift to the metric system.
- E-13 Be more aggressive in efforts to educate the shipping public concerning factors essential to: effective development of increased shipping volume or improved procedures; arranging credit or financing for "out of town" or (especially) international shipments; insuring shipments; arranging effectively for satisfactory shipping terms; distributing general information concerning the various elements, procedures, regulations, and rate structuring of the transportation industry.

Government and the Jones Act (Workshop F, page 43)

- F-1 The Interstate Commerce Commission should make every effort to foster coastal shipping by American vessels as directed by the Transportation Act of 1940.
- F-2 An exemption to the Jones Act should be considered for shipping Alaskan lumber to the US domestic market.



Presentations



WELCOME

Dr. Robert W. MacVicar
President, Oregon State University, Corvallis



The coefficient of friction for a cargo moving through water is less than that for a cargo moving over land or moving through the air. This simple principle of physics seems to guarantee the future importance of maritime commerce. When we couple this principle with the world shortage of fossil fuels, we conclude that man must use the most economic means, not only in a dollar value but also in fuel value, of transporting his goods.

Ton-mile costs may soon be expressed in B.t.u.'s or some other energy term rather than dollars.

American economic dependence on the import of raw materials makes it imperative that this nation maintain a strong merchant marine.

Waterborne trade is a "no-option solution" to the above problems, and this country and the world must look at its essentiality.

In terms of energy expenditure, maritime industries will become even more important in the future. Shippers, operators, and labor leaders must do some speculation and planning now for a future when fossil fuels will be much scarcer than they are today.

THE EVER-INCREASING NEED FOR A STRONG, VIABLE US MARITIME FLEET

Thomas J. Patterson, Jr.

Western Regional Director, US Maritime Administration, Portland



I want to thank all of my friends in the Columbia River industry, and Oregon State University's Sea Grant Marine Advisory Program, for asking me to be here today. This conference is important to the future of the Oregon maritime industries. I know the part that you can play in world trade developments during the next decade.

Now that we are seeing the beginnings of expanded export trade opportunities with Japan, Russia, and China, Pacific Northwest agricultural products for export should play an increasing role in this trade, and the Columbia-Snake Waterway will provide added emphasis to waterborne commerce in moving products from the eastern portions of Oregon and Washington, as well as from northwestern Idaho. The future of Oregon's waterborne commerce appears to be bright. Portland's Rivergate Industrial District will provide a modern facility to move inbound cargoes to inland points and to move exports to world markets.

Revitalization of the US merchant marine is the subject closest to the heart of the Maritime Administration. We are always encouraged to see industry conferences with goals such as you have set.

In reading over the statement of conference objectives, I was struck with the similarities between the goals of this conference and those of Maritime Administration (MARAD).

The first of these stated conference objectives, "To bring into sharper focus the causes for the industry's decline," has been found by our agency to be essential to solving problems which have plagued the maritime industry in the past. All of our programs are geared to this industry. Keeping in touch with the needs of the US merchant marine is vital to us.

I see that conference organizers have a pretty clear notion about the causes for the industry's past decline. The second objective, "To take a first step toward forming an alliance of the several components of the maritime industry," indicates that your conference planners perceive fragmentation and poor communication within the industry to be a prime cause. I could not agree more.

Many of you are aware that there is now in existence an organization known as the National Maritime Council, conceived in MARAD's western region three years ago. It is made up of representatives of seagoing labor, management, and government.

Two participants in your conference, Robert Benedict, president of American Mail Line, and Harry Jorgensen, president of the Marine Firemen's Union, are charter members of the National Maritime Council and leaders in its activities on the West Coast. Bob Benedict is chairman of the council's western group; Harry Jorgensen is a member of the executive committee.

MARAD is the Federal Government member of this organization—providing the catalyst—and acts as its secretariat.

Realizing that if the various segments of the industry did not unite to discuss solutions to mutual problems, there would shortly be no US merchant marine worth talking about, the labor, management, and government segments of the maritime industry have united in the National Maritime Council to identify problems and work out solutions.

Aware that without cargo, ships cannot sail, council representatives have traveled throughout the western states to such cities as Denver, Boise, Salt Lake City, Phoenix, and Fresno, carrying directly to shippers and potential shippers the National Maritime Council's message: The industry has united to prevent the costly work stoppages of the past, and shipping American can profit the shipper—profit through exporting his product and through the benefit to him of a strengthened economy which results when his cargo is carried by US-flag ships.

Council members also tell shippers about the strict ship-safety laws which protect cargo in transit, about the operating efficiency of American ships and crews, and about the way the US merchant marine serves as a vital link in our national defense system.

These shipper forums open dialog between all parties involved in international trade. They provide an opportunity for the shipper to meet people from all segments of the trade: representatives of steamship conferences, intermodal experts, state marketing and commerce departments, foreign trading representatives such as Japan External Trading Organization (JETRO), and government agencies such as the Federal Maritime Commission, the Department of Agriculture, Eximbank, and the Federal Credit Insurance Agency. The objective of these presentations is to listen to the shippers' needs and requests.

National Maritime Council members also explain to shippers that an increase in exports is vitally necessary if we are to adjust the presently unhealthy balance of payments. The situation is aggravated by an energy problem. The United States produces 12 percent of the world's energy resources and consumes 80 percent of the world's output. This means that we have to import immense quantities of petroleum products, which further drives up our deficit figure.

At present only 5.3 percent of our nation's international trade is shipped in US-flag carriers. Economists say that if half of our world trade were carried in our own ships, as is the case with countries such as Japan, our trade deficit would drop from the current \$5.9 billion figure to about \$1.4 billion. So the strength of the US merchant marine is vital to our economy.

A thriving international trade is good for our nation in other ways, too. World trade creates bonds between nations. Trading partners need one another.

On a politically unsettled globe, the more peaceful trading partners we have, the stronger and more stable our outlook for the future.

The third objective of this conference, "To impress the Federal Government and elected representatives with the difficulties that handicap the industry," is one we can all address ourselves to.

As I have already mentioned, the Maritime Administration attempts to maintain close contacts with the industry; my Pacific Northwest area representative, Captain Frank Huxtable, and Bob Manahan, Office of Market Development representative (whose office is located in Seattle), are always ready to talk with you about industry problems.

The National Maritime Council has become aware of the vital importance of public support for the US merchant marine.

The fourth stated objective of this conference, "To inform the public about the extent to which oceanborne commerce affects everyday living," is a goal shared with the National Maritime Council. This is a most urgent need throughout our nation, and we spend a lot of time on it.

National Maritime Council members talk to the public through the press and the electronic media, explaining how the US merchant marine affects all of us every day, and how its decline would affect us adversely.

Prominent shippers join the council as shipper advisers, and I would like to suggest that some of you shippers here today might consider this.

Again I emphasize the vital importance of the shippers' role in the National Maritime Council activities. You may have begun to think that I am saying, "You don't need to work at any of these objectives because the Maritime Administration and the National Maritime Council are already taking care of them." That is certainly not what I wish to convey. These issues need to be solved by all of us working and talking together.

The speakers here today, experts in the maritime industry, will cover everything from new technology to port development, from maritime labor to maritime management. It is not every day that all of the segments of the industry from one area get together with common objectives.

It is a very good beginning. I am looking forward to working with all of you to find answers to some of the problems which the American maritime industry is faced with, and to carrying through practical solutions.

In closing, I call this to your attention: We must recognize past problems in order to strengthen the American maritime industry for the future. We must maintain our technological excellence and firm, direct, responsible labor relations, with good communications at all levels. This, I believe, is the key to solving the industry's problems and maintaining a strong, viable US merchant marine. The future of Oregon maritime industries is tied to international trade and an efficient transportation system. Thank you.

MARITIME INDUSTRIES AND THE ENVIRONMENT

Captain Martin West

Columbia River Bar Pilot; Commissioner, Port of Astoria



Those people in our society who promote environmental and ecological causes have made the economics of the maritime world extremely difficult.

Restrictions placed on dredging and dredge spoil dumping have increased in recent years, to the point where it is difficult now to maintain the channels to the ports and harbors as we know them today. To make any changes or improvements to a port or harbor is almost impossible because of the new restrictions created in the name of ecology and environment.

Many of the restrictions are valid and needed; some are questionable. But these restrictions have seemingly been placed on the maritime world without maritime people having any voice as to how the restrictions should be implemented or enforced.

The time has come to carefully weigh ecological and environmental constraints against the economics involved in forcing the maritime world to live within those constraints. A balance of ecology, environment, and economy must be reached.

Captain Martin West substituted for Captain Ken McAlpin, Columbia River Bar Pilots Association, who was called away suddenly.

PRIVATE SHIPBUILDING AND REPAIR PROBLEMS (I)

Art Farr

Corporate Vice President, Northwest Marine Iron Works, Portland



The ship repair and conversion industry in Portland is unique, both on the Pacific Coast and throughout the United States.

[Mr. Farr outlined the history of shipbuilding and repair in the Portland area and the story of how the Port of Portland came to build the Swan Island ship repair facility.]

In the 1960's and the 1970's, the shipyard became the focal point of large conversions for government agencies and private operators. The area became well known for its expertise in the conversion of the most sophisticated tracking vessels and other similar vessels and has now gained a reputation as one of the most competitive and competent ship repair and conversion yards in the country.

Because of a gradual decrease in the size of our merchant marine, the contractors had become dependent on the largesse of the Navy allocation of vessels for competitive bidding in the 13th Naval District. Most of these vessels were based in San Diego and were both combatant and auxiliary vessels of COMPHIBPAC (Commander Amphibious Forces Pacific). This workload formed the necessary backlog needed to maintain an adequate work force and to support the facility.

On November 1, 1970 a Navy directive ordered a change in ship overhaul bid solicitation areas, stipulating that the new concept of "home port" areas would be used in the allocation of vessels for competitive bidding to the various naval districts on the Pacific Coast and elsewhere.

The new reasoning was not necessarily valid or with a rationale; in my opinion, it was a pitch to cut the Portland area and its ship repair industry out of the picture. This is obvious from the fact that the Portland areas were not listed under the "home port" locations.

The procedures outlined in the CNO Memorandum and the "home port" listing by area location could mean the end of our industry in Oregon, an industry that has contributed greatly to the Navy in a wide dispersal of its capabilities.

The "home porting" rule in San Diego is often breached by sending the vessels to Long Beach, San Pedro, or the San Francisco Bay area, both naval and private shipyards.

We in our area have not been permitted to bid on these vessels, nor have they been offered for solicitation to bid north of San Francisco. If San Diego home-ported vessels can go to Long Beach, San Pedro, or the San Francisco area, why can't a vessel home-ported in this naval district go to Portland?

Every effort has been made with our Oregon congressional delegation to eliminate this inequity that does not protect taxpayer dollars, especially when the present administration supposedly has great interest in economic savings that will reduce the budget. So far, I regret to say, we have been unsuccessful. With the reduction in vessels in the American merchant marine, the number of vessels available for bid solicitation or negotiation has diminished a great deal—and with that, the necessary backlog we require; that is the reason we must have this inequity removed.

Given the opportunity, the private sector can construct, convert, alter, repair, and overhaul naval vessels of any type; the Navy has only to define its needs and to take advantage of the proven lower cost potentials available in commercial shipyards. The savings to the taxpayer will be at least millions annually.

In closing, let me answer the important question, what does the Port of Portland shipyard and its contractors do for this area? The industry generates over \$50 million annually to the economy of this area, without considering many other facets of the total economic contribution: the various services to the vessels down to the laundry man, the ship suppliers, the marine-oriented services, tow boats, pilotage, fuel oil, etc.; the crew expenditures ashore to clothing stores, restaurants, liquor stores, and other pleasure places. We must also take into consideration the fact that at least 50 percent of the ship repair work generated and diverted to this area does not involve loading or unloading.

We are an extremely competitive group—and, as I phrased it, "unique"—but much still remains to be done. In spite of recent reductions in available work in the industry, I am very optimistic about the future of ship repair in this area, if we will be patient. I am also pleased that Gunderson has revived the shipbuilding potential of our great port. Meanwhile, the ship repair yard, efficiently managed, continues to pay its way and produce the payrolls that help our economy.

(Note: The complete text of Mr. Farr's talk is available on request from: Edward J. Condon, Extension Oceanographer, School of Oceanography, Oregon State University, Corvallis, Oregon 97331.)

PRIVATE SHIPBUILDING AND REPAIR PROBLEMS (II)

Bruce Hobbs

President, Albina Engine and Machine Works, Portland



I will attempt to give you my views on what it will take to improve the ship repair business in Portland.

First, we need to increase the number of American-flag vessels loading and discharging cargo in the Columbia River area. Less than 10 percent of all ships calling on this area are American-flag. We obtain very little repair work from foreign-flag ships.

Second, we have to give the shipowner some incentive to come to Portland for repair work. Portland contractors substantially underbid the California and Washington shipyards; many times, they still do not get the job, because of the time a ship will lose traveling from the Columbia bar to Portland and back (approximately two days). And as the Portland contractors have to bid much lower than the other yards, their margin of profit is reduced on these jobs; over the past three years, it has been very difficult to obtain work even at a break-even price, and on many jobs we do not even absorb overhead.

Why do we take these low margin jobs? Each one of us is attempting to hold our work force together so that we will be able to do the job if and when business does pick up in the area.

Third, in my opinion, the Swan Island facility must be increased in size to accommodate the larger ships in the future:

- a. Construct one new drydock to handle larger ships. Even now, there are some ships operating on this coast that the largest drydock at Swan Island cannot handle; therefore, California yards do not have any competition from Portland.
- b. Increase the capacity of the slop (ballast water) disposal plant. The present facility is limited to a maximum capacity of 15,579 barrels. One of the large oil companies always has an item in their bids to dispose of 50,000 barrels of slop. Portland contractors never get these jobs, as there is no facility in the area that can dispose of that quantity of slop. The port has been working to increase these facilities. A year ago, we had no capacity at all.
- c. Install one additional pier for mooring ships for topside work. As you probably know, ship repair work comes in bunches. At times, all the facilities are vacant; at other

times, there is not enough space to accommodate the available work. In most instances, the customer will take his ship to some other shipyard if we cannot do the work during the time period that fits his schedule.

I assure you that we are controlling our operating costs so that we can pass on to our customers the lowest price possible.

ROLE OF TUGS AND BARGES IN OCEAN COMMERCE, NOW AND IN THE FUTURE

Lewis H. Johnson

President, Pacific Navigation Company, Seattle



My talk will be confined to only one part of our business, the use of tugs and barges on the Pacific Coast, and in Alaskan and Southeast Asian waters, instead of self-propelled vessels, to transport cargo during an ocean voyage between two or more points. I will not cover: river operations, harbor or protected water operations, ocean towage and salvage, or offshore oil support.

What has been the role of tugs and barges in ocean commerce since World War II?

- A. Coastwise lumber and petroleum, and Puget Sound/Alaska general and contractors' cargoes, have been the focal points of growth.
- B. A summary of basic equipment used in ocean commerce since World War II would be as follows:
 - 1. Until 1958: tugs, Miki's, ATA's, Cutters; barges, BLC's, LST's, flat decks 750 to 1,500 d.w.t.
 - 2. 1958 to 1962: tugs, Sea Witch 2,000 hp.; house and container barges; petroleum barges (10,000, 40,000, 60,000 bbls.); flat decks 5,000 d.w.t.
 - 3. 1962 to 1966: hatch barges of 6,000 to 8,000 d.w.t. (Olsen barges); Hydro-Train (Clair Engle 1963), Canadian self-dumping log carriers.
 - 4. 1966 to 1970: fleet of new tugs (2,000, 3,000, 5,000 hp.); fleet of new barges (flat deck and house, 5,000 to 12,500 d.w.t.); petroleum barges (75,000 to 150,000 bbls.). This period was a "golden age"—an estimated \$100 million equipment-building program was completed in less than three years, without the use of subsidies.

What is the role of tugs and barges in ocean commerce today?

- A. Pacific Coast operations: tugs of 2,000 to 5,000 hp. towing barges of 5,000 to 12,500 d.w.t., on successive voyages of 600

to 3,000 miles one way in coastwise, Hawaii, Alaska and British Columbia log trades. Representative cargoes include: logs, lumber, newsprint, shakes, linerboard, paper, limerock, containers, rail cars, liquid fertilizer, petroleum, pipe, oil field supplies.

- B. Southeast Asia operations: tugs 1,000 to 2,000 hp.; barges 500 to 3,000 d.w.t. Representative cargoes include: logs, gravel, offshore oil supplies.
- C. Some items which have contributed to making tugs and barges competitive in ocean commerce are:
 - 1. Tug united with single barge.
 - 2. Construction costs lower (specialty yards, more liberal standards) vis-a-vis ships.
 - 3. Operational costs lower (manning, cargo-handling savings) vis-a-vis ships.
 - 4. Effective range extended: 3,000 miles at an average speed of 10 knots.
 - 5. Supplement rather than substitute for self-propelled vessels on voyages of more than 3,000 miles, except where shallow draft is required (e.g., the Arctic).

What the role of tugs and barges in ocean commerce may be in the future (five years hence)

- A. Increase in size and power: tugs 8,000 to 10,000 hp.; barges 20,000 to 30,000 d.w.t. Constraints: cargo lots tendered (except petroleum); cost per ton-mile (when will mounting tug/barge costs intersect with those of new ships, e.g., Chevron tankers—gas turbines, reduced manning, and increased speed?).
- B. Technological improvements: open-ocean pushing (25 percent increase in efficiency), bunker C diesel engines, gas turbines, shipshaped bows, controllable skegs. Constraints: Coast Guard requirements; relatively slow speed; union splintering.
- C. Developing trades: feeder system (ship size and sophisticated cargo-handling limit ports of call). Constraints: trucks and railroads.
- D. Arctic resupply. Constraints: seasonal; high risk.
- E. Focal points of growth: bulk fuels (petroleum, coke, gas); chemicals, fertilizers; forestry products; raw-material-producing areas lacking port facilities and serviced by

relatively short voyages (the Orient and Alaska). Constraints:
cost impact of controls, procedures, and additional capital
investment arising from ecology-linked requirements.

IMPACT OF DEEP-DRAFT SHIPS ON COLUMBIA AND COASTAL PORTS
AS RELATED TO CHANNEL AND FACILITY COSTS

Adam Heineman, Chief, Navigation Division
Portland District, US Army Corps of Engineers, Portland



Several months ago, when I was contacted regarding my participation in today's program, it seemed that the subject suggested was appropriate and firm answers would be easy to come by. The more I investigated, the more I found that there are so many variables involved in relating channel depths, size of vessels, and vessel drafts that few conclusions can be reached other than that which is obvious from the historical growth in the size of vessels.

In discussing deep-draft vessels today, it should be clear that we are not speaking of the super vessels but rather of those which can operate in channels providing 30 to 40 feet on the inside channels with 40 to 50 feet available on the ocean bars. In this area we would include Coos Bay, Yaquina Bay, and the Columbia River.

As you know, the Corps of Engineers at the present time has under way a study to determine the possible locations for deepwater ports primarily related to movement of petroleum products. In this case the study is considering 70-foot draft vessels. The study will not attempt to select any particular location; it is a survey of possible locations only. Testimony has been submitted suggesting consideration of the lower Columbia River; another possibility is to construct an offshore island some place along the Oregon coast.

Providing 70 feet across the Columbia River entrance would be a major undertaking. The same is true of the offshore island suggested by Umpqua Navigation Company; they are apparently involved in the construction of an island off the New Jersey coast as a part of a nuclear power plant facility. Experience gained at that location will undoubtedly provide valuable input for the ultimate solution.

At this point, it would not be wise to speculate on the final location of one or more deepwater ports on the Pacific Coast that will be determined as a part of national transportation policy decisions. Obviously, the final answer is several years away.

In any event, the average size and draft of vessels are growing, and they are coming into the larger ports in this area. Over the past 20 years, records indicate continuous growth in draft of vessels transiting the Columbia River. The 40-foot channel was essentially completed only this year; however, vessels began exceeding the 36-foot design draft for the channel almost from the time construction began in 1964.

To give you an idea of the magnitude of our dredging program on the Columbia River, we remove about 12.5 million cubic yards annually from the entrance bar and river channel. The freshet builds shoals in about 30 locations, with infill as much as 15 feet. Fortunately, the majority of the bars are not that bad. We dredge to a depth of 45 feet, providing a cushion for the next season's infill.

The annual cost attributed to project maintenance for structures and other features is small in comparison with the maintenance dredging required. We have developed a series of charts indicating the tonnage and our dredging costs per ton during a ten-year period; 1971 is the latest date on which tonnage figures have been produced. The cost per ton of cargo for the Columbia River channel, when corrected for escalation, gradually declined.

Our second largest tonnage port is Coos Bay. In this case, the effect on our facility costs is dramatic; there has been more than a 100 percent increase in the tonnages moved during the past ten years. Cost per ton has shown a gradual reduction as tonnage increased.

No one can talk about dredging in this day and age without mentioning the difficulties being encountered regarding protection of the environment. We are working closely with the resource agencies in developing improved methods for accomplishing our mission in a manner that minimizes adverse effects on the environment; wherever possible, we attempt to carry out our operations in a manner that provides improvements.

Probably the greatest opportunity for this is the Columbia River, where we are working with a relatively clean granular material. Our disposal program, wherever possible, provides for construction of areas which can be developed for recreation, such as beaches or parks, or for birdnesting areas, such as those which have been developed in the lower Columbia River.

Beyond that, we make an effort to place the material above high water. Finding places above high water is increasingly difficult, particularly in the highly industrialized areas of Portland/Vancouver and Longview/Rainier. New methods to accomplish the work will be required in the future.

We are considering various alternatives and will investigate several as a part of our environmental impact statement covering the maintenance program for the Columbia River channel. We still have a ways to go in developing improved methods to carry out our dredging mission, but we are fortunate to have the cooperation of not only the dredging industry representatives, but all of the resource agency staffs in coming up with solutions.

I was disappointed that I was not able to provide firmer data on the impact of the deeper-draft vessels on our facility costs. The savings to the shipper through use of larger vessels does not appear to have an adverse impact on our costs. I am sure that the larger vessels are here to stay, and the vessel owners will use whatever depth we are able to provide in the channels.

In summary, the spectacular growth in tonnage, technology, new vessel construction, studies for deepening our channels, deep ports, the energy crisis, and the need for an integrated national transportation system all combine to guarantee a rosy future for marine transportation. Patrick Henry once

claimed that the only way to judge the future is by the past. The lives of all citizens will be made easier and more productive by transportation systems in which the waterways are more effectively used, not only for the bulk shipments, but also for growing movements of packaged commodities. The benefits will not only be in actual transportation savings but in increased safety and speed.

This conference should go a long way in focusing the attention of the public on the importance of water transportation to the economy of the Northwest, and the Oregon State University staff is to be complimented for bringing us together today.

(Note: Copies of charts prepared by Mr. Heineman, describing some of the points outlined in this paper, are available on request from: Edward J. Condon, Extension Oceanographer, School of Oceanography, Oregon State University, Corvallis, Oregon 97331.)

PORT AUTHORITY, NOW AND IN THE FUTURE--COMPLEMENTARY, NOT COMPETITIVE

Tom Guerin

Consultant, Ports and Harbors, Portland



Contrary to the title assigned for my talk, ports and port bodies must by their very nature be intensely competitive. The determination that they must be competitive is found in their very reason for being and in the manner of their financing. The ports are created by acts of cities, port districts, counties, or other political regions. The purpose is always the greatest enhancement of business volumes in and through the creating locality. They are financed initially, and in most cases on a continuing basis, by general-obligation bond issues of the creating locality.

Basically, the ports discharge their obligation of the utmost economic enhancement to their respective public owners through developing progressively larger volumes of ocean cargoes and the attraction of industry to their industrial areas. There are collateral areas in many cases, such as airports, and the element of competition is present. The striving among the ports for the available cargoes, etc., creates a world of competition as intensive as any other.

MARITIME INDUSTRIES: LABOR'S VIEW

Fred Huntsinger, Coast Committeeman
International Longshoremen's and Warehousemen's Union, San Francisco



The purpose of my discussion is to present the views of longshore labor in reference to the maritime industry in the state of Oregon and to suggest methods to improve and enhance that vital enterprise. There is no segment of the laboring population in this state more keenly aware of the necessity of maintaining and expanding maritime commerce in this country by seeking a balanced and free trade, unencumbered by artificial controls and less-than-artful currency value manipulations.

The ILWU takes more than passing notice of the criticisms laid upon it as a result of a long and bitter strike against its employers in 1971 and 1972; we wonder what has happened to the members of the intellectual community, who have commented in the past on the twenty-three years of labor peace on the West Coast achieved by the longshore work force's acceptance of a mechanized and modernized industry, and to the commercial community, which has pocketed the expanded profit as a result of such acceptance.

The comments stating the fact of twenty-three years of coastwide labor peace are made without rancor—they are made to draw attention to another fact, that labor is a critical factor in maritime economy; the ILWU has long been aware of its importance.

Another factor—economic controls—has appeared on the American scene in the past two years, and it has greatly altered traditionally free collective bargaining; the specter of continuing controls will haunt negotiations as long as they exist. So-called labor-management relations experts made their way to our bargaining table to straighten the parties out in our recent unpleasantness, and they discovered their role had also been changed. So they failed. And the industry has to revert to its own form of grievance resolution in order to get men back to work and commerce flowing again.

The state of Oregon has enormous economic potential, blessed as it is with a broad highway to the sea, vast areas of undeveloped land, numerous transportation routes to the East, and a population that is becoming more aware of its importance to international trade. The port bodies of this state have always practiced greater economic conservatism than their commercial counterparts, but what they have built, they have built well; now they should be able to take advantage of their combined experience to practice a bolder approach if they intend to grow with the rest of the country. Make no mistake, gentlemen, if intentions here are to act as tolltakers, then all you will get is your toll.

Services to customer or shippers should include every possible innovation to make yourselves indispensable, and it goes without saying that every export possibility must be explored and encouraged. The modern maritime industry will not wait ten years for facilities for cargo-handling. They want them "yesterday"!

The container (which has not been all things to all shippers) is here to stay, but its impact on seagoing commerce will be greatly offset by newer methods and ships already designed and built for handling cargoes of both ordinary and specialty types. The ports would do well to prepare for them—and now.

Oregon can well afford an investment in the future of maritime trade, or it can accept the specter of commercial and industrial stagnation and decline. Longshore labor is determined to keep labor peace, and our employer counterparts are also working toward that goal.

With that assurance of a vital Oregon economy, there can be no limit to opportunity. Oregon can become great and remain beautiful.

MARITIME INDUSTRIES: MANAGEMENT'S VIEW

Robert E. Benedict

President, American Mail Line, Ltd., Seattle



The future, of course, is what we are concerned about. I have been encouraged with the directions in which the industry is moving in a cooperative, rather than in an adversary, situation.

The longshore situation is not the same as the offshore situation. Probably the one thread of commonality has to do with one of the fundamental problems, job security. On the longshore side, even though trade has grown tremendously, technology has made tremendous inroads on the requirements for workers and for labor hours. But the cooperative experience of the twenty-three-year period up to 1971/72 suggests that there are ways to sort out the problems for the future on the waterfront. These ways should be constructive and innovative; they should not involve any steps backward, because one of the difficulties we now have in all aspects of the maritime industry is that the employer frequently does not have the opportunity to work consistently with the same employees over any length of time.

I am greatly encouraged in the offshore area, and do not believe that we are likely to see any substantial work stoppages. Additionally, I am very encouraged and quite enthusiastic about the directions of common approaches and cooperative efforts. Tom Patterson has already discussed the National Maritime Council. The ILWU has a different philosophy to some extent regarding participation in this kind of group, but they could make a real contribution to the NMC if they had some form of relationship with it. I should think they might find a way to do this without really endangering their fundamental philosophy.

There is a kind of new atmosphere growing in the merchant marine. The industry is resurging. We have new ships, new technology. The real growth has got to come in bulk carriers. There is no question that the number of ships will continue to decline, apart from the bulk carriers under US flag, and there is no question that the new ships are bigger and more productive and that they require fewer people. We come right back again to the fundamental problem, which is job security for men who have been in the industry for a long time—who are part of the industry. This is one area where innovation could be brought in, and not necessarily from among ourselves, maybe from the outside; maybe some of the people in social sciences and the academic world would have some new insights on dealing with this problem.

We went through negotiations last year with the offshore unions, and with the exception of the aberrations we had with one of the unions (that was a very

costly one, by the way), everything went along quite well; contracts were renegotiated; there were no work stoppages; and everything was in good shape. However, we have to recognize that we have not really faced some of the crunch issues which again stem from that same fundamental problem, job security.

Crunch issues are, then: manning levels, work rules, the separations of departments, the fact that you cannot effectively utilize the people you have on the ships. These are problems that need solutions.

The unions have made some very great strides in trying to support the introduction of new ships; they have accepted some very reduced manning of ships that have been converted; they have gone a long way to meet this requirement, but there is still a long way to go. If a new ship can be built today and manned with twenty-five to twenty-eight men, and it will be competing with a ship that is manned with forty to forty-five men, there is a problem.

Unions have basically taken the position that for new tonnage, they will man at a much lower level than for the existing ships. They have the problem of a certain number of people for whom they are responsible and for whom they have got to have jobs. We understand the problem, and they understand the problem, but the problem is not getting resolved. It will take time.

So there is no point in saying everything is great—because it is not. The critical issue is that we now can sit down and talk about these things without being in an adversary position. We are communicating without necessarily doing it over the bargaining table. There is a growing desire on everyone's part to examine the issues and find solutions for them.

The economics of the merchant marine are in many ways inexorable. There is no question that there is a tremendous investment involved nowadays, and it is also clear that shippers, and therefore the general public, are not necessarily benefitting from all of this. Rates are going up, there are problems of utilization, there are problems of costs. But the fact is that apart from the bulk carriers, steamship companies, even those that are building modern ships and introducing them, are not doing much in the way of earning profits.

The profit record of the industry over the last several years has been very poor indeed. It is curious to see this much expansion and development going on in the face of a pretty lousy profit situation. Some of these problems will have to be dealt with outside of the area of industry management.

For example, we have a very tough, competitive situation in the Pacific, which (left to its own course) will probably see the natural events of bankruptcies or mergers. It has become quite clear that not everybody is going to survive in this trade; therefore, the factors that impinge on costs and on competitiveness (as does the whole interface between labor and management) are of critical importance. For example, if a company can save a million dollars through manning reductions, it is going to be in a much better position when it faces its competition.

From a management point of view, I would say that the most critical aspect is the relationship of the company to its employees. The most important area of need and the greatest opportunity is in the relationship between management

and labor. We will find the solutions to these very difficult problems because the will is there to do it—and the people are working on it—and the people are talking—and this is reason to be not only encouraged, but enthusiastic about the future of maritime industries.



Workshops



WORKSHOP A: IMPROVING THE ECONOMIC POSITION OF OREGON'S BUILDING AND REPAIR YARDS

Moderator: Art Farr

Recorder: Fred Smith

Panelists: Bill Galbraith, Bruce Hobbs, Ellsworth Ingraham, Dick Kennedy, John Lipney, Carl Propp, Bill Wild

The panel identified the prime problem as the decrease in volume of business caused by the drastic drop in Navy work and by the cyclical nature of the remaining work. Panelists also discussed why Portland yards could be more competitive, citing these comparative advantages: cooperative approach to problems and improvements, continued good labor relations, and arrangements with the Port of Portland.

The Port provides a cooperative means of making the huge capital outlays necessary for efficient facilities (drydock, buildings, land). This would be difficult for individual companies; it is attempted in other ports, but nowhere else is there the success found in Portland.

These additional points were stressed by individual panel members:

Kennedy and Galbraith: There is always a critical problem of obtaining trained people on a cyclical work basis.

Lipney: This may be an opportunity for Portland Community College students to supplement the skilled work force with semiskilled employees when needed.

Wild and Hobbs: The Port of Portland and the Oregon public must be informed that shipbuilding and repair has greater economic impact on a community than equal dollars in shipping and other port facilities.

Propp: I recommend additional use of the port finance committee as a vehicle for continued teamwork on these matters and for better contact with port officials.

Recommendations:

- A-1 The Port of Portland should continue and increase the rate of improvements in port facilities for shipbuilding and repair, and should keep these facilities the "best."
- A-2 Contractors must improve contact with higher-level port officials and demonstrate the merits of investments in improved overhaul facilities as against investments in new piers, container facilities, docks, etc.
- A-3 Contractors and port officials must get the message across to the people of the area, about the merit and economic value of having and maintaining the "best" port facilities.
- A-4 Contractors must search out and plan for new business, and must solicit new coastal tanker repair business.

- A-5 Contractors must work for change in the "home port" rule of the Chief of Naval Operations, so that Navy ships may once again be overhauled and repaired away from their home ports; they should solicit backing for this change among labor, the public, and the rest of the industry.

WORKSHOP B: MARITIME REGULATORY AGENCIES, INDUSTRY PROBLEMS, SOLUTIONS

Moderator: Walter Gadsby

Recorder: Al Plummer

Panelists: Jim Bakarich, Tom Guerin, Dick Lawrence, Dave Radcliffe, Len Unterein

The panel discussed inspection of grain in small river-barges (LASH) and 20-ton containers. Plummer pointed out that:

1. This can be done at the point of origin and at such places as Pasco, Washington, and can be tendered for export without further inspection.
2. Grain can be shipped without inspection if the contract does not mention a certain quality, such as "US No. 2 White Oats" or "Race-Horse Oats."
3. If grain is graded for export, the container must be examined for cleanliness (freedom from debris and foreign material), insect infestation, water in the bilges, etc.
4. If mercuric compounds or green hides had been carried in the container before, the container must be inspected visually; if there is no odor, it would be cleared for loading.

Radcliffe (of US Customs) made the following points:

1. Customs attempts to minimize the time for inspection, but the time of day (usually at night) causes delay. Four-hour overtime is used but not abused. (Bakarich informed the group that the US Immigration Service did a limited amount of customs inspection at the airport. Cross-utilization of Customs and Immigration personnel occurs only to a limited extent, simply because of a lack of adequate cross-trained personnel, which could mean, e.g., Immigration looking for narcotics and Customs looking for illegal entry.)
2. Customs will soon allow an entry clearance to be made at Astoria, Longview, or Portland, whichever is the first port of entry. Presently, each port of entry must have its own clearance (if a ship stops at each of these ports, Customs must reclear at each stop). The new system will have one clearance for all Columbia River ports.

Recommendations:

- B-1 The public must reach a compromise between commerce and recreation within Oregon. Ships are larger and faster, causing wave action as they move the ninety miles from Portland to the ocean. Speed is needed to keep the ship productive, yet that same speed causes complaints to the US Coast Guard by sportsmen and other recreation-minded members of the public.

- B-2 Sound policymaking on any particular problem (environmental, recreational, or industrial) should be made by the entire population, not just by a small segment of the public. Industry and government should not only do a better job of informing the public about economic considerations in these matters, but should also follow through by sending representatives to public policymaking meetings.
- B-3 Exchange of ideas and understanding (through conferences and workshops) is beneficial in promoting better relationships among segments of the maritime world and may lead to the regaining of the tonnage that the maritime industries must have for future economic growth.

WORKSHOP C: LABOR AND MANAGEMENT GOALS AND RESPONSIBILITIES

Moderator: Charles Jackson

Recorder: Bill Davidson

Panelists: Harry Jorgensen, Dennis Lindsay, Peter Norwood, Hal Romaine, William Rosene, Dick Wise

Concern with and awareness of Oregon maritime problems has given labor-management relations a new look. Working communication has been established. This has brought about some appreciation of each others' responsibilities and challenges. American steamship companies continue to face disadvantages against carriers registered under flags of convenience. Steamship management sees union manning levels as a high-cost factor. At the same time, management is for the first time examining the social responsibility of the employer to those employees who have built the industry.

Meanwhile, labor unions are faced with the support of large employee-benefit programs in the face of inflation and dwindling employment. They have resorted to rotational hiring, which management opposes; at the same time, unions have taken steps toward reducing manning levels. The unions are now calling on management to be more innovative in capturing a greater share of cargoes now carried by ships of third nations.

It was the workshop's consensus that without a national commitment to establish this country as a bona fide maritime nation, the hoped-for increase in employment opportunities and tonnage on American bottoms is not going to happen. For the first time, with programs such as those by the National Maritime Council, labor and management are calling together on shippers, to point out the advantages of shipping American.

One of the areas of uncertainty is the effect of the youthful element on both management and union leadership. Steamship management admits that younger members on its side have shown a lack of understanding for what the two sides have accomplished, and have slowed bargaining sessions; labor leadership finds itself negotiating what it regards as acceptable settlements, only to have younger voting blocks refute their leadership in favor of strike action. And both sides face a sizeable turnover in senior leadership in the next two to five years.

In summary, any resolution of the remaining, fundamental differences between maritime management and labor hangs on the viability of US maritime commerce. Management is working to capture a greater volume of traffic for American bottoms so it can reduce its rates; labor needs a larger American fleet to maintain its employment. Both sides are cooperating in efforts to foster more favorable maritime policies by the Departments of Defense, State, and Agriculture, and more favorable support by the American public. They see the long-range interests of national economy—from protection of foreign investments to maintenance of the domestic standard of living—as depending on the health of American maritime industry.

Recommendations:

- C-1 A national commitment is needed—by government, industry, and labor—to reestablish this country as a bona fide maritime nation and to increase the American-flag ship's share of import-export trade from its present deplorable level of 6 percent to the goal of 30 percent or more of all tonnage entering or leaving our ports. This commitment then would serve to make US ships more competitive with other maritime nations, and the resultant increase in numbers of US ships would alleviate some of labor's problems of maintaining employment.
- C-2 Maritime industries should continue and expand the rapport which has recently evolved from the National Maritime Council.
- C-3 American-flag lines management must be more innovative in capturing a greater share of cargoes now carried by ships of third nations.
- C-4 The American shipper and the American public should be made aware of the advantages of shipping products on American bottoms.
- C-5 Younger members of both management and labor should work more diligently toward understanding each others' viewpoints, so that common purposes, goals, and responsibilities can be defined.
- C-6 Oregon State University should be urged to hold more conferences for the maritime industry; however, future conferences should cover a broader spectrum: labor, management, shippers, truckers, and additional government agencies (both federal and state).

WORKSHOP D: MARINE INDUSTRIES AND THE ENVIRONMENT

Moderator: Jon Jacobson

Recorder: Bill Wick

Panelists: Roy Brockschink, Wilbur Craig, Ken Faris, Charles Gray, Adam Heineman, Richard Malm, Niels Neilsen, Peter Swan, Martin West, Jim Willman

The panel focused on marine transportation as the industry, and on water as the environment.

Harbor Development (industrial and environmental confrontations): Harbor improvements in Oregon seem to be at a standstill because of environmental concerns. While awaiting answers to environmental impacts of development, Oregon is suffering economic damage. A major concern was how to get back on middle ground, recognizing that neither rampant technology nor complete protection of resources is the answer. The lack of citizen participation during debates on proposed regulations is a problem. Once a regulation is in force, the screams are loud and long. It was recognized, however, that strict regulations have led to innovative uses of formerly discarded products.

Ship Dumping: Discussion centered on regulations pertaining to oily wastes and human sewage generated aboard ships. While recognizing the need for strict compliance against dumping noxious substances (such as oils), the group sincerely questioned the regulations which prohibit returning secondary-treated sewage effluent to the ocean. The cost of shoreside hookups to port commissions and harbor boards may be out of reach. Does anyone know what Oregon is buying with the increased costs of pollution prevention?

Recommendations:

- D-1 More active involvement is needed, by industries and by individual citizens, during debate on proposed harbor development regulations, rather than after the regulations are adopted. Perhaps workshops like this conference would provide better forums for discussion of proposed regulations if held in advance of formal hearings.
- D-2 Harbor development plans that lead to zoning and implementation should be similar to the Yaquina Bay Task Force approach: including the watershed as well as the water area; being initiated locally but involving related state and federal agencies throughout the process; involving local and, if appropriate, state citizens at all stages (to make the resulting plan "our" plan, rather than "their" plan); considering all pertinent environmental and economic concerns; and being flexible enough to change when new information or situations develop.
- D-3 As all the desired data will never be available, planning decisions must be made on the basis of the best information—even if incomplete—subject to revision, with attendant costs, if new data make changes mandatory.
- D-4 All citizens should understand the cost of keeping the environment clean. No one is against a clean environment. Sewage, however, may be a nutrient rather than a pollutant; seafood-processing wastes may be a food rather than a pollutant. Regulations must be flexible to make the best use of these available energy sources.

- D-5 Regulations which affect dumping of oily and other noxious wastes and treated sewage effluent from vessels should be studied to determine their full economic and environmental effect on the nation, including: the positive economic effect of cleaner harbors and rivers; the effect on shipping rates and decrease in service from foreign-flag ships; the costs of exporting pollution—permitting manufacture to occur elsewhere to keep pollutant levels lower here.

WORKSHOP E: INTERMODAL TRANSPORTATION SYSTEMS AND US TRADE POLICY

Moderator: Robert Mundell

Recorder: Clinton Reeder

Panelists: Bob DuBay, Ron Corkrey, Ralph Muehlner, Bob Sunkel, Richard Thornton

Panel members concentrated primarily on the issues of generally mutual concern in intermodal shipping. The consensus was rather strong that the US needs very much to make adjustments essential to permitting the rail, motor, water, and nonvehicle operating transportation firms (NVOCC's) to operate more smoothly, efficiently, and effectively as a system. The participants accepted the view that no one element of the transportation system could perform well without close working cooperation with the other elements. There seemed to be general agreement that the US transportation system was handicapped by a regulatory system developed in an earlier era, still having many strengths, but needing change by mutual agreement among regulatory agencies and/or by legislation to fit better the needs of modern and future commerce.

Workshop participants were concerned about the complexity of the rate-regulatory system; they felt that many firms, especially smaller ones, do not pursue trade opportunities at times because of the complexity of "learning how to ship"—rules, rates, who regulates what, etc. The discussion frequently centered on how the system might be made less complex, especially as to rate structuring and quotation, and jurisdiction of regulatory agencies.

There seemed to be consensus that immediate attention to the US transportation system is particularly essential to America's retention of (and improvement in) its world trade position, and also essential to improving the effectiveness and efficiency of trade among various domestic markets. Participants felt that trade will balance; the question is whether the nation can achieve balance through improved export volume (requiring a more efficient and effective transportation system) or through decreased imports (which the US could likely handle with an "obsolete transportation system"). Discussion participants did not prefer the latter alternative; they want the transportation system improved!

US Trade Policy: The discussion can be summed up by saying, "The US cannot expect to pursue a free-trade policy unless other countries do, too"—especially those with which we have a significant volume of trade. Concern was voiced frequently that the US improve its world competitive position; as expected, concern for US currency stability was significant also.

There was some discussion of a new bill in Congress, HR 739, which would possibly accomplish one or more of the recommendations below, depending on how it is modified before passage (if passed). Most participants were not conversant with the bill, and opinion was divided among those who were.

Education: There seemed to be agreement that if potential shippers knew and understood the transportation system better, trade volume could be expected to increase, and the system could be expected to function more effectively.

Recommendations:

- E-1 Place high priority on providing appropriate means by which the US transportation units (rail, motor, water, NVOCC) might function as an effective, efficient, integrated (well coordinated and flexible) transportation system.
- E-2 Define more explicitly the jurisdiction of various transportation agencies, particularly as to intermodal shipments.
- E-3 Provide for increased flexibility in rate structuring to permit the timely establishment of tariffs appropriate to a particular intermodal system and the participants therein.
- E-4 Provide improved means of quoting through rates involving joint carriers.
- E-5 Improve intermodal rate and regulatory structure to minimize multiple filing of rates and multiple licensing of carriers involved in intermodal shipments.
- E-6 Redefine certain key terms in current transportation-related acts and regulations such as "bulk," "package," "container," etc., as they apply (or might apply) to intermodal shipping, with particular reference to current and developing practices (worldwide).
- E-7 Redefine the individual liabilities of participants in intermodal shipments and standardize the liability limits and regulations among intermodal participants.
- E-8 Require adequate bonding of nonvehicle operating transportation firms (NVOCC's) to assure their ability to meet potential liability obligations incurred as a participant in intermodal shipping.
- E-9 Define expressly "intermodal carriers" for purposes of regulation, rate-making, and establishment of carrier liabilities and responsibilities.
- E-10 Provide adequate definition of what constitutes "restraint of trade" in rate negotiations and quotations, and in carrier relationships in intermodal shipping.
- E-11 Encourage increased pressure on bilateral trade agreements with foreign countries, with more emphasis on parity of trade: if we buy from them, they buy from us, and vice versa.
- E-12 Encourage a faster shift to the metric system for goods exported from the US; domestic trade may well continue "as is," but to remain competitive worldwide, the US should make a faster shift to the metric system.
- E-13 Be more aggressive in efforts to educate the shipping public concerning factors essential to: effective development of increased shipping volume or improved procedures; arranging credit or financing for "out of town" or (especially) international shipments; insuring shipments; arranging effectively for satisfactory shipping terms; distributing general information concerning the various elements, procedures, regulations, and rate structuring of the transportation industry.

WORKSHOP F: GOVERNMENT AND THE JONES ACT

Moderator: Philip B. Schary

Recorder: Bob McMahon

Panelists: Stan Bishoprick, Jim Dooley, Tom Guerin, Alex Parks, E. R. Phillips

The Jones Act has created an economic disadvantage to some American shippers. However, it provides positive benefits in the balance of US payments for invisible exports (i.e., for shipping services that would otherwise be earned by foreign-flag operations), in the preservation of employment for American seamen and shipyards, and finally in providing a base for expansion of shipping to meet the needs of national emergencies.

Between 1950 and 1970, the Jones Act cost American shipping operators about \$1 billion in extra vessel-construction charges, because of the requirement to use only domestically constructed, US-registered vessels. It has cost approximately \$2 billion during the same period in additional operating costs that would not have been paid if foreign-flag vessels had been used. Although the Jones Act has effectively preserved certain trades for US flag operations, it has not been able to prevent the decline in coastal shipping.

This last is the result of three forces: competition from the Canadian lumber producers shipping on foreign-flag vessels from British Columbia to the East Coast; the railroads' practice of setting rates that are competitive with domestic water movements; and the tax advantages of foreign-flag registry.

The direct cost disadvantages of US shipping on some specific routes, however, may be overcome with the change in ocean shipping technology, specifically the introduction of integrated tug-barge operations. While voyage costs by barge movement may be higher, the costs of loading and discharging of cargoes are substantially lower, making possible a lower total trip cost than that incurred by conventional vessels.

The degree of protection provided by the Jones Act may be necessary to preserve the American shipyard industry in the short run, although with rising costs of foreign yards and new technology, it may not be necessary in the future. It may be also necessary to preserve American shipping against complete disruption because of foreign strikes or national emergencies, although some members of the panel voiced disagreement with this conclusion.

Some specific exemptions from the provisions of the Jones Act might be possible, taking certain trades out of its provisions to make them more competitive. The West Coast-Alaska trade, for one, might be considered, in order to make Alaskan lumber more competitive in the US domestic market.

A major share of the failure of the Jones Act to stem the decline in coastal shipping may be laid to the actions of the Interstate Commerce Commission, which has not recognized the inherent advantages of ocean transportation, as it was directed to do under the preamble to the Transportation Act of 1940. The commission has been consistently oriented to land, rather than water, transportation; for example, no commission member has ever been appointed from the maritime industry.

The Jones Act preserves for American shipping a right to protection against foreign competition which has been in existence as long as the Republic. While the act cannot be justified on strict cost-competitive grounds, its other values cannot be denied (the preservation of a national merchant marine; the necessity to control the terms under which American trade is conducted).

Recommendations:

- F-1 The Interstate Commerce Commission should make every effort to foster coastal shipping by American vessels as directed by the Transportation Act of 1940.
- F-2 An exemption to the Jones Act should be considered for shipping Alaskan lumber to the US domestic market.

ATTENDEES

Adams, Craig, Manager, World Trade and Transportation Division, Portland Chamber of Commerce

Bakarich, Jim, US Immigration Service, Portland

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