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BEFORE THE
SUBCOMMITTEE ON MERCHANT MARINE
OF THE
HOUSE OF REPRESENTATIVES
COMMITTEE ON MERCHANT MARINE AND FISHERIES

HEARING ON H.R. 7940

A BILL TO PROVIDE FOR MINIMUM RATE PROVISIONS BY
NONNATIONAL CARRIERS IN THE FOREIGN COMMERCE OF THE
UNITED STATES, AND FOR OTHER PURPOSES -

STATEMENT

IN BEHALF OF

GEORGIA-PACIFIC CORPORATION

Dated: July 22, 1975

Lee F. Bettinger
Manager, Ocean Freighting
Georgia-Pacific Corporation
900 S.W. Fifth Avenue
Portland, Oregon 97204

TESTIMONY OF LEE BETTINGER

My name is Lee Bettinger. I am "Manager, Ocean Freighting," of Georgia-Pacific Corp., 900 S.W. Fifth Ave., Portland, Oregon 97204. In my position I deal primarily with the export shipping of pulp and paper from our mills and the chartering of vessels to carry salt from the Bahamas to the company's mill at Bellingham, Washington. I've been employed by Georgia-Pacific for thirteen years. For the first nine years, I worked with a former subsidiary, Monarch Steamship Corp., as Operations Manager, Vice-President and General Manager. For the last four years I have held my present position. Prior to joining Georgia-Pacific, I was employed for two years by Sea Charter Co. as traffic manager and by International Shipping Corp. and Coastwise Line. During this time I have acted as agent for both conference and non-conference carriers. I have booked cargo with both conference and non-conference carriers. Most of the cargo I have dealt with has been forest products.

Georgia-Pacific is a manufacturer of lumber, plywood, paper, pulpboard, converted paper products, woodpulp, chemicals, gypsum products, as well as other building and forest products. We employ approximately 34,000 people and have 194 manufacturing plants, with 10 more scheduled to come on stream during 1975. Additionally we maintain over 130 wholesale distribution warehouses throughout the Continental United States. Our net sales for

1974 were in excess of two billion dollars. Included in these net sales figures is over \$200,000,000 in total export sales and sales of some \$40,000,000 of imported building materials such as plywood, veneer, lumber, etc.

Georgia-Pacific is one of the nation's 10 largest producers of pulp and paper, having produced 1,911,200 tons in 1974. Our mills produced approximately 660,000 tons of market paper grade woodpulp i. e. approximately 19% of the total U.S. industry production of 3,492,000 tons. Georgia-Pacific exported 252,000 tons of this paper grade woodpulp in 1974, about 15% of the total U.S. exports and with the completion of expansion project at our Port Hudson, Louisiana pulp mill in early 1977 we will have increased our market woodpulp production by 210,000 tons, all of which we expect to put into the export market. Our export sales of plywood and lumber contributed about \$48,000,000 to the total export sales.

The woodpulp for export is produced in mills at Woodland, Maine; Port Hudson, Louisiana and Bellingham, Washington with Woodland production being exported through St. John, New Brunswick; the Port Hudson production through Baton Rouge, Louisiana, and the Bellingham production shipping either from Bellingham or Vancouver/Squamish, B.C. We export newsprint from our Woodland, Maine mill through the Port of St. John, New Brunswick; milk carton stock and other paper products from our Crossett complex through U.S. Gulf ports; linerboard from our Toledo, Oregon mill through the Ports of Newport and Portland, Oregon. Lumber and plywood we export thru most Pacific Northwest ports as well as Gulf and South Atlantic Ports.

Our imports of plywood, veneer and core stock originate mainly in Southeast Asia, the Orient and Brazil; they enter the United States through ports on all three coasts.

A very large share of our woodpulp and paper exports moves on third flag carriers. By far the greatest part of our import tonnage arrives on third flag vessels. Again lumber is one of our products which moves mostly by third flag carriers.

We do not discriminate against National Flag Carriers; we treat them equally as long as they offer competitive rates and service.

Georgia-Pacific is strongly opposed to passage of H.R. 7940. This bill would be extremely damaging to this country's foreign trade and to the Forest Products industry in particular. I would like to explain why.

General Objections:

We of Georgia-Pacific object to H.R. 7940 first because many of our exports are shipped on conference vessels. The export of forestry products is only possible at reasonable levels of ocean rates. The independent third flag competition is the only real check on exorbitant levels of conference rates. H.R. 7940, if passed, will have the primary effect of substantially reducing, if not eliminating, non-conference rate competition. Almost all non-conference carriers are "third flag" carriers. This legislation will strongly tend to either run them out of U.S. trades altogether, or force them to join the conference rate cartels. H.R. 7940 will put us and other U.S. exporters totally at the mercy of the rates unilaterally set by steamship conferences. If this nation wants our exports to continue and to grow, the House of Representatives should not pass this bill.

We object to H.R. 7940 secondly because we also use and are dependent upon third flag independent non-conference carrier service and independent non-conference rates to enable us to compete in foreign import and export markets. This legislation will curtail or eliminate independent rates to and from the United States and, by destroying that rate competition, will in all likelihood destroy independent service as well. Of course, our foreign competitors will continue enjoying third flag service.

We object to H.R. 7940 because at the same time that it eliminates competitive checks on ocean cartel ratemaking, it provides no regulatory or other controls whatsoever on the levels of the conference rates. There are no controls over conference rate levels under present law.

We object to H.R. 7940 fourthly because it's like using a shotgun blast to do the work of a single pellet. Proponents say it is necessary in order to deal with communist flag competition in ocean trades. Instead of addressing itself to the problem, however, it seeks to curtail or eliminate all third flag competition--which is virtually all the independent non-conference competition there is.

Finally, we object to H.R. 7940 because we believe in free enterprise and competition. The effects of H.R. 7940 are necessarily and demonstrably highly anticompetitive and contrary to American free enterprise principles.

Specific Objections to H.R. 7940:

1. The misleading argument that H.R. 7940 is merely aimed at Russian and Polish flag competition.

Much of the publicity released as a justification for H.R. 7940 suggests that the bill is aimed solely at vessels owned by Communist governments which allegedly charge predatory rates. If this is the basis for H.R. 7940, it should be amended to apply solely to that threat. H.R. 7940 will wipe out or severely curtail virtually all non-conference independent competition, not just Communist flag competition. Gentlemen, when competition by independent third flag lines flying friendly or neutral flags disappears, so will U.S./foreign trade in forest industry products.

At Georgia-Pacific we ship much of our cargo on independent non-conference vessels flying Norwegian, Liberian, English, German, Turkish and other friendly flags. Our shipping via Russian flag vessels has been quite limited from the United States. Georgia-Pacific's importation and exportation depends in great part on third flag rates and third flag service provided by independent non-conference carriers flying flags of NATO and other U.S. allies, or neutral countries. There is no excuse for making H.R. 7940 applicable to privately operated third flag carriers.

If "National" flag ocean carriers really need protection from alleged predatory rates of government-owned East-bloc carriers, it would be easy to deal with that problem directly without wiping out all the third flag independent, non-conference competition. If H.R. 7940 were really aimed at controlling possible predatory practices of the Communist flag fleet, it

could simply state something like the following:

"No common carrier by water in foreign commerce which has been determined by the Commission to be owned by a foreign government or agency of same, shall charge any rate which is below the lowest rate charged by any privately owned common carrier in the same trade."

It appears, however, that the proponents of H.R. 7940 are not just interested in the Communist flag fleet. They want to eliminate virtually all non-conference independent competition. H.R. 7940 will do just that. It will leave the U.S. exporters and importers at the total mercy of the conference rate cartels.

2. The rate suspension features of H.R. 7940 will shield conference rate cartels from outside competition and raise conference rates to a point where U.S. forest products companies cannot compete in the world markets.

It is essential to understand that H.R. 7940's impact is not on "third flag carriers" generally. The bill's impact is on non-conference carriers, most of which are third flag. Third flag carriers who are members or become members of ocean conference rate groups are unaffected by H.R. 7940, no matter how low or how high the conference rates are. This occurs because conference members charge identical rates on most items so that third flag members of conferences have the same rates as national flag rates.

H.R. 7940's impact is to eliminate or drastically curtail independent non-conference rate competition. It does so mainly by giving the Federal Mari-

time Commission virtually unlimited power to suspend existing or new independent third flag rates. In outbound trades from the U. S. West Coast, virtually all non-conference independent competition comes from third flag carriers. To provide for suspension of third flag rates as H. R. 7940 does, is to suppress virtually all non-conference rate competition.

Forest products are generally low-rated cargo which conference carriers are only interested in carrying when better paying cargo is not available. When other cargo is available, rates on these products go up to levels not allowing us to ship with conference carriers and still make our sales in foreign markets. Also, when better paying cargo is available, conference vessels often refuse to carry our cargo.

You might sense that we feel conferences are not responsive to the needs of the trade. You may be inclined to agree with us that the conference rates are often needlessly high to protect less efficient conference carriers while giving to the efficient member high profits in times of plentiful cargo; conversely, a needless rate disadvantage in times of limited cargo. It seems apparent to me that Sea-Land Service, Inc. and ourselves are in agreement; I quote the first two paragraphs of a letter from Mr. Henry L. Gilbertson, Vice President of Sea-Land's transpacific service - this letter is dated June 20, 1975 and addressed "Dear Sea-Land Customer:"

"Sea-Land Service has tendered its resignation to the Transpacific Freight Conference and the New York Freight Bureau to become effective August 20, 1975. It is our plan to operate thereafter as an independent carrier in the trades from Hong Kong and Taiwan to the United States.

"It has been our strong conviction for the past two years that the conference has not been responsive to either the needs of the trade or those of its carriers. As a natural consequence, the market available to conference carriers has dropped off at a significantly higher rate than overall trade volume. We have concluded that continued conference membership can only work to the detriment of our customers and Sea-Land."

Apparently other carriers must feel as Sea-Land does as indicated in an article from the New York Journal of Commerce printed in the July 1, 1975 Shipping News, parts of which are quoted here:

"All but a handful of transpacific ocean carriers have resigned from two Far East conferences governing cargo rates from Hong Kong and Taiwan to United States ports, a San Francisco spokesman for the two conferences said late last week.

"The resignations leave only five carriers in the two conferences, with 12 carriers having submitted their resignations to be effective in late August, the spokesman said."

"Carriers remaining in the two conferences, the spokesman said, are: Knutsen Line, Shipping Corporation of India, Scindia Steam Navigation Co., States Steamship Co., and Y.S. Line.

"In addition to Sea-Land, American President Lines, Barber-Blue Sea Line, Japan Line, K-Line, Lykes Bros. Steamship Co., Maersk Line,

Mitsui O.S.K. Line, NYK Line, Phoenix Line, Showa and United States Line have resigned.

"Carriers who have submitted their resignations, told the New York Journal of Commerce they had tried to get conference members to agree to set rates which would match the independents. But, they said, the interests of the various members are so diverse that agreement has been almost impossible."

"The official said business last year was good but this year the carriers report that competition to get cargo is fierce and that both conference and nonconference lines are cutting rates or offering rebates to attract cargo.

"Officials said discontent within the conference had been brewing since last spring in Hawaii when the members voted against a move to set rates comparable to nonconference operators.

"One American carrier expressed doubt that the conference can be held together saying, "We should have settled what we wanted to settle in the owners meeting in Honolulu."

"He said the arguments that ensue over rate changes are "unbelievable." He said agreements are hard to reach in part because members operate different types of ships and stand to gain or lose on any rate change.

"Two American carriers, Pacific Far East Line with LASH ships and American Export Line with breakbulk ships are not conference members in part because they say they cannot set competitive rates under the

conference system.

"An AEL official said his line has been willing to join the conference but only with the proviso that it get equal access to cargo with that equality built into the tariffs.

"The carriers who have resigned have not said what their new rates might be, but they said they do not expect they will have to equally match nonconference rates because they consider their service and equipment superior to nonconference carriers."

"The falling out of conference member lines is similar to a confrontation the members had in late 1973. At that time Sea-Land followed by other American carriers resigned because they could not get more rate flexibility."

Business Week, June 30, 1975 states in an article entitled "The Rate War with Russia," "Meanwhile, early this month, Pacific Far East Line, Inc., voicing indignation at the "unethical rebating and failure of fellow American carriers to challenge third-flag foreign competition," resigned from the Eastbound Trans-Pacific Freight Conference of Japan and Korea. John I. Alioto, president of the San Francisco shipping company, explains that withdrawal from the conference will enable PFEL to compete with FESCO and other nonconference carriers."

Considering the state of the aforementioned conferences, it would seem that the American public should be giving thanks that the third flag carriers are allowed to operate at free market rates; rates dictated by the carriers' costs.

H.R. 7940 will remove the one competitive check of conference rates. Any time an independent rate would fall below the level of the lowest corresponding rate of any national flag (i.e. conference) carrier, the independent rate would be subject to suspension by the Federal Maritime Commission. This would be true even though the independent rate remained the same and the conference or national flag rate was raised. The independent rate might remain suspended indefinitely while litigation went on over whether the independent rate was "compensatory."

Obviously, suspension of rates makes it virtually impossible for independent lines to charge any rates below the conference or national flag rates. By the time the litigation over one rate is completed, the next rate suspension and litigation begins. Every feature of H. R. 7940 is an anti-competitive feature designed to suppress non-conference rate competition. By this I include (a) rate suspension, (b) use of a vague and meaningless "commercial cost" standard and (c) putting the burden of proof on the independent carrier to justify his rate.

Let me give you an example of exactly how H. R. 7940 will work. Suppose the conference and the independent rate on woodpulp is \$50 per ton for competitive reasons, but the conference then raises its own rate to \$100 per ton. The non-conference third flag rate is now below the level of "any" national flag carrier in the trade. At this point, the conference will allege to the FMC that the third flag rate is "non-compensatory." The FMC then has the power to suspend the third flag independent rate indefinitely pending litigation over whether the

independent rate is compensatory, under the 'vague, meaningless' "commercial costs" standard in the bill. The suspension of its rates alone plainly destroys the independent carrier's ability to engage in rate competition.

By the process of suspension and litigation, independent rate competition will be eliminated. It doesn't matter much whether the independent rates are finally proven compensatory or not. If independent rates are suspended pending litigation, the suspension itself destroys the rate competition. The rate suspension features of the bill are grossly anticompetitive. They are not justified. They will seriously impair U. S. trade.

The rate suspension features of H. R. 7940 are intolerable. Suppose our company has made a sale to a foreign buyer based on a long-existing third flag ocean rate. Suddenly that rate is suspended or "rejected" by the FMC on complaint by the conference. Where does that leave us with our foreign buyer? Either the sale is lost and the foreign buyer purchases the product in Scandinavia or Canada or we absorb the increased freight costs. During a poor market the customer might accept our cancelling his order, and he probably wouldn't want to come back to a U. S. source which has proven unreliable. During a short market you can be quite sure the customer would not allow us out of our sales contract and we could very easily be selling a large volume at a loss. U. S. exporters simply cannot do business in world markets if rates of ocean carriers they use are subject to suspension or rejection. We could only attempt to do business based on conference rates, which are not subject to suspension. But this bill will insure that conference rates can be too high to do the business anyway, because it will eliminate the only competition which the conference has.

Under H. R. 7940, not only are independent third flag rates subject to suspension for short periods of time, they are subject to suspension indefinitely while litigation goes on over whether they are "compensatory on a commercial cost basis." Since no one I have talked to has the faintest idea what that "commercial cost basis" means, it is obvious that independent third flag lines will be buried under the costs and delays of litigation. What are U. S. exporters supposed to do for a rate or service while the litigation goes on? Do you imagine the customers will be sympathetic? "Use the conference" is the answer that H. R. 7940 gives us.

How can any enterprise carry on a business when its new or its existing rates or prices are subject to suspension? Obviously, it cannot. That is why I say that H. R. 7940 will either force the independent carriers into the conference cartel or force them out of business in the U. S. trade.

Georgia-Pacific and many other forest products companies compete in highly competitive world markets with foreign producers of the same products. Without independent third flag competition, I seriously doubt that we can compete. If you wish to cripple U. S. exports and yes, imports too, I can't think of a much better way to do it than to pass this bill. Our Canadian and Scandinavian forest products competitors must certainly like H. R. 7940 because it will be a wonderful aid to them in taking over our markets.

Once again I find I'm not alone in this view - I quote one paragraph of a speech made at the 26th Annual Institute on Foreign Transportation and Port Operations, May 7, 1975, by Commissioner George H. Hearn of the FMC.

Mr. Hearn stated "Finally, independent carriers, third-flag or national-flag, often provide necessary services without which some U. S. exports might not move because the conference lines do not offer such services. The mere fact of a carrier's non-conference status sometimes creates this situation. The independent line may specialize in certain types of cargo using specially designed ships, providing a service not feasible in terms of conference economics."

I trust the unemployed and presently employed workers in the U. S. forest products industry, as well as the U. S. longshoremen and others in the United States who derive their livelihood from our industry will be able to appreciate the sacrifices the bill is calling upon them to make for the "national flag" ocean carriers.

The only way that the disastrous effects of H. R. 7940 that I have just outlined can be avoided is to remove in their entirety from this bill its "rejection" and "suspension" features.

Even without the rate suspension features of H. R. 7940, the bill still has glaring defects. Unless the presently meaningless cost standard used in H. R. 7940 is carefully and narrowly defined in the bill, it will result in unending and wasteful litigation before the FMC. Further, if the standard is to apply to third flag carriers, it should apply to all carriers. If it is wrong for third flag carriers to fall below certain cost standards on particular rates, why is it right for national flag carriers or conference members to do so? This discrimination on the basis of flag seems most unfair.

H.R. 7940 has yet other defects. It puts the burden of proof on the third flag independent carrier to prove that its rates meet the meaningless "commercial cost" standard. How can anyone prove to a government agency that he is innocent of wrongdoing? This burden of proof puts third flag carriers totally under the thumb of and subject to possible whims of the FMC. Instead of proving a violation of law, all the FMC has to do is to sit back and say "we aren't satisfied with your proof of your innocence." This is simply an impossible burden for a carrier to bear. It is designed to and will eliminate third flag independent rate competition. It seems reasonable that the proponents of H. R. 7940 did not intend that an independent third flag carrier's rates could be no lower than the highest national flag rate. I ask that you look at the use of the word "any" on lines 10 and 18 of page 2, subject bill. If literally read this would be the case. To me, the use of the word "any" makes this seem ambiguous.

I would suggest that if the intent is to limit the third flag carriers lowest rate to the lowest conference or lowest national flag rate, then delete "any" from lines 10 and 18 of page 2 and change the word "carrier" to "carriers" on these same lines

3. The Shipping Act presently provides that the Federal Maritime Commission has the authority to disapprove any rate which, after hearing, it finds to be so low as to be detrimental to the commerce of the United States.

If in fact some ocean carriers, be they national flag (conference) or independent third flag, are charging unreasonably low predatory rates, and if we are to believe that this is detrimental to the commerce of the United States,

then apparently the FMC is not enforcing the law provided. The Shipping Act, 1916 (46 USC 817) (b) (5) reads"

"The commission shall disapprove any rate or charge filed by a common carrier by water in the foreign commerce of the United States or conference of carriers which, after hearing, it finds to be so unreasonably high or low as to be detrimental to the Commerce of the United States."

This provision does give the Federal Maritime Commission not only the authority but the instruction to disapprove the very rates that supposedly prompted this bill.

Further, August 8, 1975 FMC General Order No. 33 is to become effective. Section 506.9 of this order confers upon the FMC additional power to cope with unreasonably low rates far beyond the powers set forth in H.R.7940. With the effectiveness of this general order why is H.R. 7940 needed? The FMC has all the necessary powers to cope with any improper rate practices.

I appreciate the opportunity to express our views and respectfully urge that H. R. 7940 not be passed.

KINGSPPOINT CORPORATION

104 HARBOR DRIVE • JERSEY CITY, N. J. 07305

July 21, 1975

(201) 432-7707-8

BEFORE THE MERCHANT MARINE SUBCOMMITTEE
OF THE
HOUSE MERCHANT MARINE & FISHERIES COMMITTEE
ON H.R. 7940

Mr. Chairman, Members of the Committee: May I introduce myself to this Honorable gathering.

My name is Samuel B. Kong.

I am Controller and Import Manager of Kingspoint Corporation of New Jersey. I am also an active Panel member of the American Arbitration Association and member of Jaycees International.

Gentlemen, very briefly, I wish to express my sincere gratitude to this distinguished Sub-Committee for affording me the opportunity of appearing before you and giving testimony on what I believe to be the merits of H.R. 7940.

Mr. Chairman, Sir -- I see grave Economic, Social and Political ripples reaching the shore-line of these great United States and eroding our very existence --- our very independence --- our very precious Democratic way of life --- if we were to turn our backs on the principles that H.R. 7940 seek to represent.

Let me say without any pretensions, that my love for Democracy and the need for a virtually strong U.S. economy, compel me to categorically state here and now, that I whole-heartedly support H.R. 7940. I do not give my support because I oppose Free International Trade, but rather, because I believe in fair competition. I do not seek to promote the establishment of a monopolistic U.S. Flag Ship system, but instead, I strive to protect our Free Enterprise system. I do not oppose the friendly gesture of a hand shake in space but I cherish our system which recognizes that every man, woman or child is FREE --- FREE to pursue his or her goal to the best of his ability. I am not opposed to detenté, but instead, I uncompromisingly resist any attempt to prostitute our Democratic ideals in the process of trying to achieve detenté. Most of all Mr. Chairman, I cherish --- and I am sure we all do --- my inalienable right to speak out in favor of, or against, any Economic, Social or Political injustice that may exist, or appear to be imminent.

H.R. 7940 must not fail to become law if we are to succeed in our National goal of speeding up the process of restoring good health to our ailing economy and indeed, the economies of the rest of the Free World. For indeed whenever the United States Economy is vibrant and healthy there has always been and always will be great hope for the rest of the world. H.R. 7940 must not be shrugged aside, if we are to live up to the fundamental obligation of providing job opportunities for every able-bodied American and adopted American such as I am. H.R. 7940 has earned the support of so many well thinking persons in numerous industries including the U.S. Shipping Industry, importers and exporters in various industries, politicians, Unions and Social Workers; not because we spurn any effort to promote International Trade, but because we collectively seek to preserve our right to operate in an atmosphere of friendly International Trade which is properly regulated so that no one would be unfairly handicapped and be faced with the only two choices of either violating Maritime regulations or initiating bankruptcy proceedings. All we ask Mr. Chairman, is that we be given a fair shake. That we be afforded the opportunity to compete on even grounds. In other words, give us the opportunity to meet competition that is just. I am aware Mr. Chairman, that H.R. 7940 seeks to ensure that the Soviet Government is not given license to engage in "modern day plundering" on the high seas and consequently disrupt our Economy. I submit, Mr. Chairman, that FESCO is more a Political Investment by the Soviet Union than an attempt to merely expand into International Trade. We are aware of the bountiful harvest of foreign currency that the Soviet Government stand to reap by merely entering into this industry in the Free World. But let us not forget all the Political and Intelligence gains that we would legally afford the Soviets if we continue to permit these people to penetrate our markets and destroy our own industries.

Mr. Chairman, as an importer -- and I am sure that every other importer and businessman would agree --- I welcome the opportunity to reduce operating costs, whether they be in the form of ocean freight, air freight, or other. However, let us look beyond the immediate savings that an importer would be able to make if H.R. 7940 were to be denied passage. Fundamental Economics would indicate to me, that permitting the Soviets or any other Third Flag Ship to offer rates that are unrealistic and predatory of the carrier --- rates that are designed primarily to achieve a political goal and aimed at creating undue hardship for legitimate carriers --- then Mr. Chairman, the picture takes on a different perspective. What are the consequences that the United States and other free nations would have to face? These consequences Mr. Chairman, I would refer to as

the "ripples" that have reached the shore-line! As an importer who has just benefitted from the savings that such rates have provided me, I am now faced with higher taxes from Federal, State and Municipal sources, because the general Economy has just changed. There are now thousands of former United States steamship employees and employees from related industries out of jobs. Their vessels have run a-ground; they have come home to stay! What happens? Do we turn our backs on them, or would our governmental agencies be forced to provide food, clothing, shelter, education, medical care and other essential services for them? The answer is yes, Mr. Chairman, we do; all of us have to meet the challenge and bear the burden. How does the Government earn revenue to provide these essential services for these people? Simple. Our Government then turns to me the Importer, you the legislator and every other employed inhabitant in this land, to provide the money. Yes Mr. Chairman, there would be higher taxes. As a businessman, my real problems would now begin. Unemployment is now ravishing our land. Supplies have now, by leaps and bounds, exceeded demand since disposable income has become very restricted in size. The consumer can no longer afford to purchase. Warehouses are bulging with inventory that industries cannot dispose of unless we are prepared to "dump". So dumping becomes the answer and corporate balance sheets become a nightmare. Mr. Chairman, is this the situation that hard working Americans deserve to be faced with?

Gentlemen, I urge in closing, that we look beyond the immediate future and think our problems through to the very end. After we have done this, your vote in Congress, the Senate and the White House can only be "Ayes" in support of H.R. 7940.

To summarize what I have just stated Mr. Chairman, I cherish our freedom --- I favor Democracy --- I support Free Enterprise --- I love America. Do not permit anyone to set us up for the kill.

Again, Gentlemen, thank you very much for this opportunity.

STATEMENT ON BEHALF OF

JAYSON S. RICE

(DIRECTOR OF DISTRIBUTION, BORDEN INC. INTERNATIONAL)

IN SUPPORT OF SENATE BILL S.868 BEFORE THE MERCHANT
MARINE SUBCOMMITTEE OF THE HOUSE MERCHANT MARINE
AND FISHERIES COMMITTEE, CONGRESS OF THE UNITED STATES

My name is Jayson S. Rice. I am the Director of Distribution of Borden Inc. International, a major United States manufacturer and exporter of Food and Chemical Products. My presence here today is prompted in a professional sense by the vested interest of the Borden Company, in the existence of a sound and economically viable Merchant Marine, capable of providing quality and reliable service at costs which can be depended upon to maintain their proper proportionality relative to our overall operating expenses. In a personal sense, I am here because, as an American I share your commitment to the preservation of America's place in the World Maritime Industry.

My purpose in appearing before this Subcommittee is to express the support of Borden Inc. International for Senate Bill 868 in its specifics, and in a broader sense to articulate the commitment of my firm to the underlying principles which the Bill seeks to promote, namely competitive practices in the industry which are fair and in the best interest of the future well being not only of the Carriers but of U.S. Importers and Exporters as well.

In the last fiscal year, I carried the responsibility for directly overseeing the exportation of somewhere in the neighborhood of 75 million dollars worth of Borden Products. Our target for the current fiscal year is considerably higher. Clearly, my concern must always be first and foremost with the availability of reliable Carrier service to support the intricate logistics involved in an operation of this size. Secondly, I would not be a good businessman if I were not concerned with minimizing my costs. In this connection however, I have long ago accepted the fact that the proper objective in Ocean Rate Making policy is not low rates which in the short run benefit the shipper or high rates which in the short run benefit the Carrier but rather realistic rates which enable the one to carry on his business and the other to survive.

Which brings us to the practices which have made it necessary for Senator Inouye to table this Bill. I don't propose to outline point by point, the instances in our history where unfair trading practices have led to monopolistic situations disrupting the competitive balance in given industries and leaving whole segments of the industry at the mercy of opportunists. I say only that it is our opinion that such predatory practices if permitted to continue will inevitably compromise the position of the American Merchant Marine and ultimately cede control of the important business of transportation of American goods to people whose interests and commitments are not necessarily aligned with America's.

In our opinion, there is something inherently insidious in the offering of services at rates that are not compensatory. Where such practices are evident, it is incumbent upon us to look closely at the motives of the proponents. Having made this examination, we have concluded that these motives are carefully designed to disrupt the economic balance of our Ocean Transportation Industry. As an exporter, our relationship to the Carrier Industry is a symbiotic one. Their survival is intricately interwoven with our survival which should explain our support for and commitment to any well thought out legislative measure designed to forestall this disruption.

For these reasons, I feel I have no other alternative but to urge the Congress of the United States to act expediently to amend the Shipping Act of 1916 in accordance with the proposals tabled by Senator Inouye in his Bill S.868.

Thank you.



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STATEMENT OF MICHAEL E. WELCH
CUSTOMS AND TRAFFIC MANAGER
MIDLAND INTERNATIONAL CORPORATION
NORTH KANSAS CITY, MO.

BEFORE THE MERCHANT MARINE SUBCOMMITTEE OF THE HOUSE
MERCHANT MARINE AND FISHERIES COMMITTEE H. R. 7940

Mr. Chairman, Members of the Committee, my name is Michael E. Welch, Customs and Traffic Manager for Midland International Corporation, a company headquartered in North Kansas City, Missouri.

Midland International is a company selling a wide range of consumer goods in four distinct areas of international commerce amounting to \$75,000,000 annually:

Sporting Goods Industry
Automotive Accessories Industry
Two-Way Radio Communications Industry
Consumer Entertainment Industry

We are vitally concerned with all of our different divisions in today's competitive society. Most of our industry is so competitive that the difference of a few cents in selling price of the product can make the difference between getting the business or not.

We must do everything possible to control the dollars we spend while taking into consideration the quality of the products and services we receive.

We have attached for your reference Exhibit A which is to my knowledge the most current compilation of tariffs, showing the differences in the total ocean freight rates of national, independent, and non-national carriers, both conference and non-conference. This shows the comparison

in gross dollars per 40 cubic feet and also the net cost of 1 cubic foot. The exhibit illustrates the gross difference between a national carrier and the lowest non-national carrier.

In addition, we would like to bring to your attention Exhibit B, which illustrates the difference between shipping costs and rates actually paid for specific products as a percentage figure.

For the 12" Black/White Television, the conference ocean freight rate is 6.8% of our landed cost. However, the non-national rate is 5.8% of our landed cost. You will see by the chart attached that this one percentage point difference is equivalent to an increase in the tariff of 17.24% or a difference of 1.8% of our total product cost. This 1.8% could easily be the gross profit after taxes for this particular line of merchandise.

It is of further interest to note that if our corporation's freight bill was reduced by an average of 17.08%, we would realize a savings in freight costs over a 12-month period of \$375,000 to \$400,000. This would not only benefit the company, but would ultimately result in savings to the consumer in the way of reduced prices.

We have some opposition to Third Flag Carriers as a general rule because we don't feel the real inter-relationship of free trade was

meant to be construed in this manner. The basic idea of trade was predicated on one country taking its goods from its shores to another trading nation and returning with cargo from that nation home again. The Third Flag Carrier obviously is not moving cargo within the spirit of the free trade concept.

While we have established how important the present price is, we do not want to lose sight of the fact that it is equally important that we look at other criteria in the selection of our ocean carriers. We are concerned as to the availability of a selection of various ocean carrier operators in the future.

In our experience, we have found national flag operators provide high-quality, dependable service on a consistent schedule with an attractive frequency of sailing, all of which are necessary for efficient inventory turn.

It is our understanding that this legislation would mean non-national flag operators could charge no lower than the lowest flag operators unless and until they justify the rate as compensatory.

If this legislation were inacted, it would help create more stability in the make up of this vital industry. We are concerned that if rate policies are allowed to float too drastically and are not compensatory on a

commercial basis, we will lose our choice of operators and our option to choose.

We would like to see legislation which would stop price undercutting by non-national carriers. Obviously, if it continues at the present pace, there will be no freedom of choice in the future. This is necessary to maintain the present competitive character of this vital industry.

To demonstrate our long continuous concern of these matters, I am attaching a copy of a letter to Helen Bentley, Chairman of the Federal Maritime Commission (Exhibit C), which includes the rate differences previously mentioned.

We certainly appreciate being able to make this statement to the Subcommittee.

Midland International Corporation urges the committee to favorably report this necessary legislation.

JAPAN & KOREA

EXHIBIT A

COST PER MEASUREMENT/TON
COST PER CUBIC FOOT

<u>ON OCP RATES</u>	<u>CONFERENCE</u> (11-15-74)	<u>SEA- TRAIN</u> (1-1-75)	<u>OOCL</u> (1-23-75)	<u>FESCO</u> (2-10-75)	<u>% of Difference Between Conf. & Fesco Rates</u>
Item 3610-00 Tape recorders, tape players, radios, and phonographs	64.58 1.61	55.00 1.38	54.84 1.36	54.30 1.36	18%
Item 5920-05 Sporting goods, games and equipment. Value not exceeding 600	66.63 1.67	56.00 1.40	56.68 1.47	57.35 1.43	17%
Item 5920-10 Sporting goods, games and equipment. Value exceeding 600	91.23 2.28	77.00 1.93	79.44 1.99	76.63 1.92	19%
Item 3615-00 Speaker systems in cabinets, speaker in cabinets	59.45 1.49	50.00 1.25	48.94 1.22	49.74 1.24	20%
Item 4160-00 Electrical goods, supplies, and parts, n.o.s.	67.65 1.69	57.00 1.43	56.89 1.42	56.84 1.42	19%
Item 4110-00 TV receiving sets, with or w/o clocks. Closed circuit video monitors	60.98 1.51	51.00 1.28	50.74 1.27	50.75 1.27	19%
Item 5380-05 Bicycle chains/1,000 lbs.	74.83 1.87	63.00 1.58	65.60 1.64	62.93 1.57	19%
Item 5380-10 Bicycle rims	57.40 1.44	48.00 1.20	50.74 1.27	48.21 1.21	19%
Item 5380-20 Bicycle tires, tubes and rim strips	61.50 1.54	52.00 1.30	54.33 1.36	51.77 1.29	19%
Item 5980-05 Hand tools, non-electric value not exceeding 750	66.63 1.67	56.00 1.40	58.68 1.47	54.30 1.36	23%
Item 5980-10 Hand tools, non-electric value exceeding 750	83.03 2.08	70.00 1.75	72.52 1.81	66.48 1.66	25%

FREIGHT COMPARISON

<u>*American</u> <u>**Non-National</u>	<u>Freight</u> <u>as % of</u> <u>Landed Cost</u>	<u>Difference</u> <u>as %</u>	<u>Difference from</u> <u>Non-National as</u> <u>% of Total Cost</u>	<u>Difference</u> <u>in \$</u>
12" B/W T.V. (15-012B) (Taiwan)	* <u>6.8%</u> ** 5.8%	+17.24%	1.8%	\$.9983
19" Color T.V. (15-259) (Japan)	* <u>6.9%</u> ** 5.9%	+16.92%	1.1%	\$2.304

Average Difference between 17.24% and 16.92% = 17.08%

EXHIBIT C

December 27, 1974
MW-761-74

The Honorable Helen D. Bentley
Chairman, Federal Maritime Commission
Washington, D. C. 20573

OCEAN RATE STUDY
COPY ATTACHED

Dear Madam:

Please take careful notice of the drastic differences in the net ocean freight rates for these items which we import. It is becoming virtually impossible for me to maintain and support usage of U. S. flag ocean carriers from Japan and Korea because of the drastic differences in the rates between the conference and non-conference carriers.

I have been desperately trying to justify use of American flag ships, and conference carriers due to their dependability, frequency of sailing and general smoothness in operation. But in this tight economy, when a company is doing everything it can just to survive, how can a man with the responsibilities I have to my company justify not using non-conference carriers. As an American citizen I resent the Russians being able to haul freight in this trade route with no charge for bunker fuel oil. This causes the main difference in the spread of rates. I spend \$3,000,000 annually in ocean freight and the loss of foreign exchange will also have a great impact on the economy.

It appears to me that if something isn't done before long to straighten this out, there will be no conference carriers left.

Very truly yours,



Michael E. Welch
Customs & Traffic Manager

MEW:dy
Attach.

cc: Senator Daniel K. Inouye
Congresswoman Lenore K. Sullivan
Mr. Philip Gilbert
Senator Stuart Symington
Senator Thomas F. Eagleton
Representative Richard Bolling
Representative William J. Randall
Senator Robert Dole
Representative Jerry Litton



Y & S CANDIES INC.

45 Cardinal Drive, Westfield, New Jersey 07091 · Telephone 201/654-4100

July 17, 1975

My name is Edward R. Rossi, Distribution Manager of Y & S Candies Inc. manufacturers of Licorice Candy. As of June, 1974, we became the exclusive distributor in the United States of Bassetts All Sorts Licorice Candy manufactured in England.

We also import from Italy, a Y & S product called "Helps" which is a licorice pellet that soothes the throat.

We purchase our Bassetts All Sorts F.O.B. England and have instructed the forwarding agent for Bassetts that U.S. Flag ships are to receive 50% of our imports.

We were in support of bill S868 in principal but unable to appear. We now support bill H.R. 7940.

Y & S Candies is a member of the North Atlantic Westbound Freight Association. The ocean transportation freight rate represents approximately 7.5% of the landed cost of Bassetts product.

The frequency of service and the needs, as importers, has been very satisfactory. Our product is stored in a public warehouse and we have been able to maintain a two months supply which has kept our warehouse expense at a minimum.

All our shipments have been received in excellent condition, in fact, not one shortage or damaged claim has been filed against the steamship lines. This indicates the quality of service rendered.

Cost savings is always prevalent in our mind, but, we also are realistic to see a short-term savings and a long-term loss by eliminating competition.

It is for these reasons, Mr. Chairman, that I came here to support bill H.R. 7940.

I thank you for the opportunity to appear before you.

STATEMENT OF BONAVENTURE E. VON PARIS
BEFORE THE MERCHANT MARINE SUBCOMMITTEE
OF
THE HOUSE MERCHANT MARINE & FISHERIES COMMITTEE
ON H.R. 7940

Mr. Chairman and Members of the Committee, I want to thank you for hearing me today in connection with me and my company's support of H.R. 7940.

My name is Bonaventure E. Von Paris and I am Chairman of the Board of B. Von Paris & Sons of Baltimore, Maryland. My company is, among other things, an international export packer and agent. In international commerce, we are involved in the movement of 1.5 million pounds of household goods on an annual basis.

In the transportation industry, household goods is known as "talking freight." That is to say, there is a high level of human interest involved in connection with the movement of household goods. Accordingly, while we - like all businessmen - are naturally interested in obtaining low rates, rate levels are not the sole criteria for selection of a carrier. Equally important in the equation

is the quality of service provided by the carrier; including such things as frequency and regularity of service, reliability, good communications, and minimization of damages and claims. It has been our experience that, by and large, the highest quality of service provided in the trade is that of the national flag operators, who are fully committed to service in the trade on a long term basis. That is why I am here today testifying in support of H.R. 7940.

It is my understanding that this bill will prohibit third flag operators in a trade from reducing rates below the lowest rate of the national flag operators in that trade, unless the third flag operator can establish that its reduced rates are compensatory. We believe that this bill will be in furtherance of rate stability. Based on our experience, we believe the only way to insure that there will not be a deterioration of service in the long run is through stable rates. We believe this bill will help create an economic climate in which the operators in the trade on a long term basis can continue their operations on a sound basis.

Thank you for your attention.

STATEMENT OF SOL DAVIS
BEFORE THE MERCHANT MARINE SUBCOMMITTEE
OF THE
HOUSE MERCHANT MARINE AND FISHERY
COMMITTEE
H.R. 7940

* * * * *

Mr. Chairman, Members of the Committee:

I am pleased to have been given the opportunity to express my opinion on H.R. 7940.

My name is Sol Davis. I am Executive Vice President of Scope Imports, Inc. Our principal office is in Houston, Texas, with sales offices throughout the country which gives us national distribution of our products.

Our business consists totally of imported clothing mostly from the Orient.

Due to the nature of our business it is most important that in addition to low-cost service we obtain the most reliable and efficient service.

It is also important that personal relationship and telephone communication be attainable to answer questions on various

situations that arise daily which must be resolved instantly.

This must be available to us locally as well as overseas.

It is imperative that the carriers maintain a competitive relationship for better service and better rates and keep within their scheduled sailings on a continuous basis rather than on a hit-and-miss basis.

In the past we have seen national carriers eliminated from certain trade routes by non-competitive rate structures, and with their disappearance found the service lacking and rates drastically increased by the others. This must be avoided, especially in the area of the Far East where our Government has spent so many millions of dollars to build a workable trade relationship.

Our business specializes in delivering quality merchandise at promotional prices for the lower and middle-income family. We always look to find the most savings in all phases of our operation which naturally includes the freight costs. However, the ratio of the freight to our total selling price is approximately five percent (5%) and therefore a freight adjustment of our costs is of lesser importance to the overall existence of our national carriers. We pride ourselves in giving service to our customers and expect the same from the ocean carriers with whom we deal. A small adjustment experienced over the last five years has not appreciably affected our price structure, but at the same time has made a considerable difference to the carriers, thereby allowing them to sustain a viable transportation system.

We always expect fair and reasonable rates but feel this can be maintained through proper regulation as proposed in H.R. 7940, and still continue the service required by our customers while upholding our system of free enterprise, the basis of our country's foundation.

In our relationships with our sources of supply we are fully aware of the cost of producing a product or service and providing for sufficient return for investment. We have been made aware of the situation between national and third flag carriers which is similar yet does not allow for our form of free enterprise and fair competition.

For these reasons I am here today, and because I realize that the transportation facilities we are discussing are very important in our long-term interest. One should not be influenced by today's offers of good service and competitive rates from third-flag carriers.

Thank you.

STATEMENT ON BEHALF OF
OVIE JESSEN
BEFORE THE MERCHANT MARINE SUB-COMMITTEE

My name is Ovie Jessen, and I am Traffic Manager of Inn Keepers Supply Company. Our firm is a division of Holiday Inns, Inc. and, as such, handles furnishings, fixtures, and equipment for Holiday Inns and the motel/hotel industry.

Our support of H. R. 7940 is based upon the fact that we feel it is imperative to maintain stability, quality of service, regularity of service, and the profit motive in steamship operations. While we are very conscious of the cost aspect, I wish to emphasize that our firm considers service to be of equal importance. The fact that Delta Steamship Lines is a subsidiary of Holiday Inns, Inc. makes our firm very much interested in matters relating to the well-being of U. S. flag-line operators.

Holiday Inns, Inc. presently has 178 motels located in 55 foreign countries. Reference inns are now open and operating or are under construction. We are also furnishing competitive motels/hotels in these areas. An example of this is the Durbar Hotel in Kaduna, Nigeria. To date, 44 containers have been shipped with approximately 25 more to be shipped to complete the interior installation. The new Durbar Hotel in Kaduna will open in November, 1975, timed for the festivities

of the 2nd World Black and African Festival of Arts and Culture. It is not economically feasible to airfreight this merchandise, therefore, it is vital that the steamship schedule be accurate and dependable. Since hotel guests are booked in advance based upon the projected opening date, plus the fact that the hotel cannot open without the merchandise, any change in sailing schedules can truly be an emergency.

It is my feeling that it is incumbent upon industrial traffic managers to attempt to further our national interest at every opportunity. Our astute use of U. S. Flag-line and legitimate foreign flag carriers will encourage this policy. Our firm has always checked a carrier quite thoroughly before entrusting significant tonnage to their care. We must look at all aspects of our policies, to determine where that policy will lead in the foreseeable future. It cannot be assumed that the other person will assume these burdens. It is our responsibility, and ours alone, to insure that proper legislation is enacted to foster a viable, aggressive, financially sound, strong merchant marine. This is precisely why we support passage of H. R. 7940. Thank you for your attention.

ADORENCE COMPANY, INC. • IMPORTERS

PRINCIPAL OFFICES AND WAREHOUSE: 40 ENTERPRISE AVENUE • SECAUCUS, NEW JERSEY 07094
SHOWROOMS: 1370 BROADWAY • NEW YORK, N.Y. 10018
N.J. TEL. (201) 865-5730 • N.Y. TEL. (212) 244-8490

S T A T E M E N T

The Honorable Thomas M. Downing, of Virginia, Chairman
Sub-Committee, Merchant Marine
2135 Rayburn House Office Building
Washington D.C. 20515

Mr. Chairman, my name is Bernard Klein and I am Import Manager of Adorence Company, Secaucus, New Jersey. We move upwards of 1,000 containers yearly from the Far East to this country. Our main and only commodity is ladies' wearing apparel.

It is my primary concern to make sure that we get our product from the maker to these shores for ultimate consumption by the quickest, the most economical and the safest way possible.

I realize that cheaper ocean cargo rates would be to our best advantage at the present time. However, if it sacrifices other means just for lower rates, it would be ludicrous. Furthermore, if lowering the rates would mean driving competition out would also be not in our best interest, since we would be paying for it in the future.

In view of the fact that our orders are placed well in advance, we have to concern ourselves with what will be tomorrow. Competition is a by-word for us domestically and also in the means of carrying our goods.

It is our sincere hope that clear heads see what's happening and if the provisions of H.R.7940 want to keep this country out of chaos and continue to have keen competition as a by-word, we strongly urge its passage.

TO THE CHAIRMAN OF THE MERCHANT MARINE AND FISHERIES COMMITTEE:

MR. CHAIRMAN, MY NAME IS WILLIAM DATRE. I AM CORPORATE TRAFFIC MANAGER OF THE RONSON CORPORATION OF WOODBRIDGE, NEW JERSEY. I AM HERE TODAY IN SUPPORT OF H.R. 7940.

A PRIME OBJECTIVE OF ANY DISTRIBUTION EXECUTIVE IS TO LAND HIS COMPANY'S GOODS AT DESTINATION FOR THE LOWEST COST. HOWEVER, IN MAKING THIS COST DECISION, THERE ARE OTHER FACTORS INVOLVED WHICH DO NOT HAVE DOLLARS AND CENTS SIGNS ATTACHED TO THEM BUT, NEVERTHELESS, WEIGH HEAVILY. I REFER TO FREQUENCY AND DEPENDABILITY OF SERVICE. LOWER RATES DO NOT NECESSARILY MEAN LOWER COST. NOT RECEIVING MERCHANDISE ON TIME CAN MEAN LOST SALES.

RONSON IS A MANUFACTURER OF CIGARETTE LIGHTERS, SMALL APPLIANCES, LIGHTER FUEL, FLINTS AND WICKS. MANY OF OUR CIGARETTE LIGHTERS ARE IMPORTED FROM EUROPE AND THE FAR EAST. IN ORDER TO REMAIN COMPETITIVE IN U. S. MARKETS, WE MUST BE ASSURED OF TIME DELIVERY, AVAILABILITY OF SERVICE AND CARRIER PERSONNEL WHO ARE ATTUNED TO OUR NEEDS AND TRAINED TO HELP SOLVE OUR PROBLEMS. BECAUSE OF THESE REQUIREMENTS, WE HAVE USED NATIONAL FLAG CARRIERS.

FOR AMERICAN BUSINESS TO CONTINUE TO PROSPER, IT IS VITAL THAT OUR TRANSPORTATION SYSTEM BE VIABLE. THERE IS NO DOUBT THAT WITHIN THE UNITED STATES OUR TRANSPORTATION NETWORK IS THE FINEST IN THE WORLD. HOWEVER, IT SEEMS THAT OUR MERCHANT MARINE IS BEING ALLOWED TO ATROPHY BECAUSE OF, IN MY OPINION, UNFAIR COMPETITION OF THIRD NATION CARRIERS.

cont'd - page 2

IT IS MY VIEW THAT WE NEED H.R. 7940 (1) TO INSURE A VIABLE,
STRONG MERCHANT FLEET.... (2) TO GIVE AMERICAN FLAG CARRIERS A FAIR
CHANCE TO COMPETE IN U. S. FOREIGN TRADE.... (3) TO PROMOTE RATE
STABILITY AND (4) ALLOW OUR MERCHANT MARINE TO REGAIN ITS PRE-EM
INENT POSITION.

I THEREFORE URGE PASSAGE OF THIS MUCH NEEDED LEGISLATION.

THANK YOU FOR YOUR KIND ATTENTION.



sian designs inc

July 22, 1975

My name is Patrick O'Kelley and I am the Executive Vice-President of O-Asian designs inc. O-Asian is one of the largest Importers of Wicker and Woven rattan furniture in the United States. All of our products are manufactured in the Far East. In spite of the fact that ours is a high cube, light weight cargo where ocean freight averages 40% of our FOB cost and approximately 30% of our landed cost, I am hear to lend our support in favor of the 3rd Flag Bill #S.868/HR794.

Because our cargo is high cube and light weight, Rattan Furniture is not considered a desirable cargo by most Steamship carriers. In times where there is a large demand for cargo space from all types of commodities, we have, in the past, experienced a good deal of difficulty in getting the necessary cargo space to meet our demands. Our cargo has, in many cases, been "bumped" off of a particular shipment which has caused delays in getting our product to the Market. It is vitally important to us that there continues to be many different carriers in service between the Far East and the United States which will enable us to book the necessary cargo space to meet our Market demands. We are very much in favor of free and open competition and while the current rate practices of some carriers are most favorable to an industry in which ocean freight represents 30% of our landed costs, we are most concerned that such practices will have the long run adverse effect of driving many of the US Flag fleet carriers out of the Far East trade routes. This would leave Importers, such as ourselves, at the mercy of a relative few carriers who could accept or reject our cargo as they saw fit and even worse, could establish prohibitive freight rates that our Industry could not absorb.

I feel very strongly that the 3rd Flag Bill #S.868/HR794 is the vehicle which will provide for continued free and open competition for all Carriers.

Mr. Chairman, Members of the Committe, I thank you for the opportunity of appearing today.

F. Patrick O'Kelley
Executive Vice-President
O-Asian designs inc

HOME OFFICE: 8821 AVIATION BOULEVARD • INGLEWOOD, CALIFORNIA 90301
(213) 641-3723 CABLE ADDRESS: OASIANS
EASTERN DIVISION: FOOT OF E. MONTAGUE AVE. • NO. CHARLESTON P. O. BOX 5271
CHARLESTON, SOUTH CAROLINA 29406



My name is Paul Hayman and I am the President of Hayman and Lindenberg, Inc., an importer of artificial flowers for the past 50 years.

We fully realize that cheaper ocean cargo rates would accrue to our advantage in these days of ever rising costs. We also realize for these reduced rates to be lasting, they must be the result of a reduction of operating expense by the steamship lines. If the rate reductions are for political expedience only or for the purpose of driving much of the present competition out of business, we know that at some future date we will pay for today's bargains by tomorrow's outrageous prices.

We assume that like many other importers of manufactured goods, it is necessary to place orders with a long lead time. At the time of placing our orders, we simultaneously endeavor to sell the product which necessitates our establishing a fixed price. Fixed prices are based on fixed costs. Inasmuch as ocean freight on our merchandise varies between 20 and 50% of the first cost of product, the possibility of chaotic rates makes it impossible for us to arrive at costs as ocean freight is a large part of our costs.

We feel that we are the benefactors of vigorous and competitive steamship lines on the seas. We find that we are now reaping the advantages of this competition, I should say, a profitable competition. With the advent of containerization and high speed ships, we find that traveling time has been cut immeasurably, goods arrive without any damage or pilferage, and movement at the ports has been greatly improved. We feel sure that many of these improvements would not have come to fruition if a condition

people, we find that we can cope with anything except chaos.

I feel that you would be doing a service to the American importer if the provisions of HR 7940 were to be put into effect.

Paul Hayman