

# Guam Has Duty To U.S. Flag Carriers

A Pacific Far East Lines official was surprised that some people on Guam are talking about repealing the Jones Act which restricts shipping from the U.S. mainland to Guam to U.S. flag vessels.

Speaking before the Propeller Club, Port of Guam, Wednesday evening, George J. Gmelch said, "If Guam considers itself a part of the United States, it has a responsibility to support American flag vessels and not allow foreign ships to trade between U.S. ports."

The Jones Act precludes foreign flag ships from carrying cargo or passengers between U.S. Ports, explained Gmelch.

Reports by the anti-Jones Act faction, said Gmelch, infer that the proposed freight rate increase of carriers to Guam would rise food costs.

"There has been no increase in freight rates from the Pacific coast to Guam since 1961, yet prices of food and other items have spiraled since then. You are paying the price now and shipping rates have not yet gone up," said Gmelch.

"The cost of ship operations has increased, both fuel cost and wages have gone up, so funds must come from increased revenues.

"The only exception to the Jones Act is in the Virgin Islands, once a Danish possession. When the islands were transferred to the U.S. a string was attached that Danish flag vessels could trade between U.S. and Virgin Island ports," he said.

"There have been waivers of the Jones Act, in certain places where totally inadequate or no service is provided by U.S. flag vessels. This is not true from the mainland U.S. to Guam. There is more space than cargo to fill ships in the Pacific routes," he said.

"In the aftermath of the Vietnam crisis, there are far too many ships in the Pacific trade and not cargo to support them. The result is chaos, with lines

fighting and scraping for every ounce of cargo they can get. This leads to malpractice and rebate practices.

"Five years ago, Japan had an open rate war because of shipping lines fighting among themselves. This resulted in 1958 of consolidation of the Japanese flag fleet into five or six major carriers.

"American shippers can take a lesson from Japan in that respect. American lines are in a cut throat business, fighting each other. They have to find an answer. All cannot survive in the Pacific trade today," Gmelch said.

Asked about a possible merger of the three lines operating in Guam, Gmelch said "No, I do not foresee it but I do not rule out the possibility of a working agreement between at least two operators and each line permitted to keep its own identity."

Once PFEL was the only regular carrier from the Pacific coast to Guam. Expansion on the island has justified additional service and the people are entitled to it," he said.

"We understand and recognize this. Room in the Pacific trade for three operators is questionable and needs rationalization of service. Competition is healthy but can be destructive if not under reasonable controls.

"Last year PFEL attempted to bring about maximum utilization of its Pacific fleet and provide better service to meet the needs of the shipping public. We desired to use LASH vessels in the Guam trade to bring construction equipment which does not lend itself to containerization."

LASH (lighter on board ship) is a self-sustaining ship with cranes to handle both barges and containers, he explained.

The application to use LASH vessels in the Guam trade "was violently opposed by the other two American lines in the

service," said Gmelch. "Officials of the lines said to me they could not stand the competition of LASH or the improved service. It would render their service ineffective.

"PFEL would not consider applying again for LASH service to Guam unless the other two carriers withdrew their objections. The prospects for this under today's atmosphere are not very good," he said.

"PFEL operates six LASH vessels in the Far East and Australia," he said. "The system could be used in the Trust Territory if there were enough cargo to justify the cost of operating the 26,000-ton vessels at \$16,000 a day. It is physically and legally possible for PFEL to provide LASH service to the Trust Territory."

The future of American shipbuilding looks bright, he said.

"For the first time since World War II, the U.S. shipbuilding industry is booming and thriving. Since the Merchant Marine Act of 1970, ship building contracts, under subsidy, amount to \$1.7 billion with 37 new vessels and conversion of 16 freighters to containerships. 24 of the 37 vessels are bulk carriers, six LNG carriers and two are oil and bulk ore carriers.

"Sixteen tankers as large as 256,000 dead weight tons are being built to answer the energy crisis and meet needs which will double by 1980. Ten million barrels of petroleum products a day will be imported by the U.S. in 1980.

"The largest backlog in U.S. shipbuilding history was in May when, being constructed or ordered, were 90 vessels totaling 5.1 million dead-weight-tons.

"The containership situation is not so bright. There is fear of over-capacity in trade areas, such as happened in the Atlantic a few years ago. The lucrative Pacific trade routes were invaded by operators not here five or 10 years ago.