

**SALE OF EX-GERMAN SHIPS, HEARING
BEFORE COMMITTEE ON THE MERCHANT
MARINE AND
FISHERIES, HOUSE OF REPRESENTATIVES,
66TH CONGRESS, 2ND SESSION, FRIDAY,
FEBRUARY 20, 1920**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649306626

Sale of Ex-German Ships, Hearing Before Committee on the Merchant Marine and Fisheries,
House of Representatives, 66th Congress, 2nd Session, Friday, February 20, 1920 by Various

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

VARIOUS

**SALE OF EX-GERMAN SHIPS, HEARING
BEFORE COMMITTEE ON THE MERCHANT
MARINE AND
FISHERIES, HOUSE OF REPRESENTATIVES,
66TH CONGRESS, 2ND SESSION, FRIDAY,
FEBRUARY 20, 1920**

SALE OF EX-GERMAN SHIPS

HEARINGS

BEFORE THE

U. S. Congress. House.

COMMITTEE ON THE
MERCHANT MARINE AND FISHERIES,

57
1252

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

FRIDAY, FEBRUARY 20, 1920



WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

~~10570~~
~~5494~~
1920

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES,

SIXTY-SIXTH CONGRESS.

WILLIAM S. GREENE, Massachusetts, *Chairman.*

GEORGE W. EDMONDS, Pennsylvania.	RUFUS HARDY, Texas.
FREDERICK W. ROWE, New York.	EDWARD W. SAUNDERS, Virginia.
FRANK D. SCOTT, Michigan.	PETER J. DOOLING, New York.
WALLACE H. WHITE, Jr., Maine.	LADISLAS LAZARO, Louisiana.
FREDERICK R. LEHLBACH, New Jersey.	DAVID H. KINCHELOE, Kentucky.
SHERMAN E. BURROUGHS, New Hampshire.	WILLIAM B. BANKHEAD, Alabama.
CHARLES F. CURRY, California.	W. C. WRIGHT, Georgia.
EDWIN D. RICKETTS, Ohio.	EWIN L. DAVIS, Tennessee.
CARL R. CHINDBLOM, Illinois.	
FRANK CROWTHER, New York.	
CLIFFORD E. RANDALL, Wisconsin.	
WILLIAM N. ANDREWS, Maryland.	

RENE G. DE TONNANCOUR, *Clerk.*

6-5 2.1.15

SALE OF EX-GERMAN SHIPS.

COMMITTEE ON THE
MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Friday, February 20, 1920.

The committee met at 10.30 o'clock a. m., Hon. William S. Greene (chairman), presiding.

The CHAIRMAN. Judge, if you are ready, we will be glad to have you give us as much information as you can on the subject of the sale of the ex-German ships.

STATEMENT OF HON. JOHN BARTON PAYNE, CHAIRMAN UNITED STATES SHIPPING BOARD.

Mr. PAYNE. Mr. Chairman, the subject of the sale of the ex-German ships, and the reconditioning and the cost, became the subject of discussion by the board some months ago. As the figures began to come in showing the very large cost to recondition (and by that I mean to convert them from troop ships, as they are now, to passenger ships) the board gave consideration to the question as to whether following the policy of Congress that the merchant ships of all sorts should pass to private ownership did not require us to sell the ships. Accordingly, on the 26th of December, we made this formal announcement which was published throughout the country:

BOARD HAS UNDER CONSIDERATION THE SALE OF THE EX-GERMAN PASSENGER SHIPS.

The board has under consideration the sale of the ex-German passenger ships, all classes, all sizes, and would be glad to receive proposals and suggestions from persons, firms, or corporations, with the stipulation that the ships shall be run under the American flag; proposals to indicate the line or service in which the ships are to be operated.

On the 2d or 3d of January, I am not sure which date of the month it actually went out, we sent out this formal notice to 1,200 persons on one list, including all of the shipping interests of the United States, all operators, all owners, and all persons who had at any time written in to the board about ships, of whom a list is kept, and to every chamber of commerce in the United States, 1,200; also, to a separate list of 750, to all of the newspaper associations of the United States and to the leading newspapers of the United States:

Proposals will be received by the United States Shipping Board, Washington, D. C., up to and including January 20, 1920, for the purchase of any and all of the passenger ships, a list of which is attached, said proposal to be accompanied by a certified check for 2½ per cent of the total amount bid. Bids to be either lump sum per ship or per gross ton basis. The following information should accompany all bids:

1. Trade or service in which ship will be placed if bid is accepted.
2. Such assurances as may be possible that service will be permanent.
3. The amount of United States tonnage now owned by the bidder.

4. The percentage of foreign ownership or interest in partnership, company, or corporation bidding.

5. Foreign interest in bid, if any.

6. Particular fitness of bidder for proposed service.

All bids to be based on taking title of ship as is, it being understood and agreed that any commitments of the Shipping Board involving operation, repairs, or alterations will be subject to further negotiation. Bidders will state definite terms upon which payment or payments will be made, it being understood that a bill of sale will not be delivered until at least 25 per cent of the total purchase price shall have been paid. In the event the bid is accepted by the board and the board stands ready and willing to deliver bill of sale and the bidder is in default, the Shipping Board shall retain deposit of 24 per cent as liquidated damages. The board reserves the right to reject any and all bids. All bids should be addressed to chairman, United States Shipping Board, Washington, D. C., and marked "Proposals for purchase passenger ships." Action may be expected at first meeting of the Shipping Board after January 20.

In a sense that bidding (this was the private attitude of the board) was to find out whether we could sell the ships for a fair price. The bids were returned on the 20th. We opened the bids and called a meeting of the board. Before the meeting of the board, however, I wrote to the President this letter:

JANUARY 24, 1920.

Subject: Sale of ex-German passenger ships.

DEAR MR. PRESIDENT: The above involves very important questions. Some 30 of these ships used by the Army as transports are in the possession of the Shipping Board.

That is not exactly true; a few of them are still in possession of the War Department. To recondition them into passenger ships will involve an expenditure possibly of \$40,000,000 or \$50,000,000. It has seemed to us that in view of the national prohibition policy, if operated by the Shipping Board, we could not sell liquor thereon, and if we did not, it is doubtful whether we can operate them without a loss, in competition with ships of foreign countries having the privilege of selling liquor. Indeed, the question of operating passenger ships by the Shipping Board is in any case problematical.

After considering the matter, we decided to invite bids to determine whether we could sell to private persons at approximately a fair price. We accordingly advertised. The bids are now in, it being understood that if sold the vessels are to be operated under the American flag and in routes designated by the Shipping Board. This seemed necessary to enable us to establish services to countries where such a service is of first importance—South America, for instance. The bids do not represent, even approximately, what the ships would now cost to build and run from about \$50 to \$264 per ton, and the bids represent a large sum.

My personal view is (the bids are just in and have been tabulated and will be discussed by the board next Tuesday or Wednesday) that it will be wise to sell the ships; that we can get more for them now than at any future time and much more than if the board undertakes to establish the different lines and operate them; but, before taking any action, we very much desire to have your views.

In the advertised list there are six, the *President Grant*, *Mercury*, *Powhatan*, *Susquehanna*, *Madawaska*, and *Artemis*, which, by virtue of the memorandum submitted to you on August 25, 1919, by the United States Navy Department, War Department, Shipping Board, and Department of Commerce, it was provided should then be turned over by the War Department to the Shipping Board and held as an Army transport reserve.

My view is that these ships should also be sold. If an emergency should arise to make it necessary for the War Department to have these ships, they would be under the American flag and, even though in private ownership, would be subject to the control of the President and the Congress. Besides, the Shipping Board is building for the Army 11 new troop ships. I suggest, therefore, that it would be a mistake to require the Shipping Board to keep these ships permanently in its service, if it is decided to sell the other passenger ships.

Will you be good enough to indicate to us your views in premises.

The President sent word that he would await the action of the board. Following that—

Mr. WHITE. Was that message from the President communicated in writing?

Mr. PAYNE. It was an informal message. Following that the board met and we discussed the subject quite fully. We felt we had not ascertained with sufficient definiteness what it would cost to recondition the ships or what the ships were worth in their present condition, and it was decided to have our different divisions dealing with those questions advise us what it would cost to recondition the ships, based upon contracts actually in hand or estimates received, and also what the ships were worth, based on new ships built now and depreciated. We therefore adjourned our meeting until the following week, at which time there was submitted to us these facts: That we had actual bids on the reconditioning of six ships, to wit, the *Aeolus*, \$2,279,100, or \$223.40 per gross ton; *Huron*, \$1,919,093, or \$178.70 per gross ton; *Susquehanna*, \$382,000, or \$38.50 per gross ton; *Callao*, \$861,400, or \$104.70 per gross ton; *De Kalb*, \$3,815,100, or \$433.60 per gross ton; *Moccasin*, \$530,000, or \$123 per gross ton. The *Moccasin*, by the way, is finished and in service.

Mr. KINCHELOE. Was that to recondition those ships, you say?

Mr. PAYNE. Yes.

Mr. KINCHELOE. The cost?

Mr. PAYNE. Yes. And these figures are actual; not estimates. I mean by that we have advertised for bids, and the Navy Department has competed with the outsiders on these prices. I ought to say about the *De Kalb*, where the amount is \$3,815,100, there was a fire in that ship, so that she is worse than any of the others.

Mr. BURROUGHS. Did you state from whom you obtained those figures for the reconditioning?

Mr. PAYNE. Our repair division.

Mr. HARDY. One ship you said was already in service?

Mr. PAYNE. The *Moccasin*. We have finished her and she has been to South America and back.

Mr. ROWE. But you took bids, or your department did?

Mr. PAYNE. All of those are actual bids.

Mr. ROWE. More than one bidder?

Mr. PAYNE. Oh, yes; and the Navy Department bid with the others for the work.

Mr. CHINDBLOM. Did the Navy Department get any of the work?

Mr. PAYNE. On one boat.

Mr. HARDY. What did the *Moccasin* cost you actually?

Mr. PAYNE. \$530,000.

Mr. HARDY. How much was that per ton?

Mr. PAYNE. \$123. The reproduction cost of those ships, as our people estimated it, was \$105,028,445. Depreciated according to the ages of the respective ships, at 5 per cent, leaves a present value on the 20 ships on which this estimate was made of \$30,738,764. The reason we made the estimate on 20 rather than on the 30 was because we have individual bids only on the 20.

Mr. CHINDBLOM. Did I understand the reproduction cost of the 20 ships was \$105,000,000?

Mr. PAYNE. Right. The board thereupon discussed the matter fully. There was a difference of opinion in the board, but we unanimously passed this resolution:

Resolved, That the Ship Sales Division be, and is hereby, authorized to sell the ex-German passenger ships subject to the approval of the board as to each ship.

This resolution was submitted to the President, and he wrote on it: Action of the board approved.

Mr. WHITE. May I ask you, before you leave this branch of the matter, whether you can give us any figures as to the ages of these several ships?

Mr. PAYNE. Every one. The average age is 16 years. Now, it is pointed out—Mr. Stevens perhaps will demonstrate that, because he has views on that subject—that depreciating at 5 per cent is not a fair basis because, where the ship is 20 years old or more, that brings it to a value of nothing whatever; while, as a matter of fact, we have substantial bids on ships that old. I have the ages here of the particular ships.

Those ships were taken over by the Government by the joint resolution of the Congress, and in that joint resolution it was provided that the Navy Department should appoint an appraisal board. I have it here.

The Secretary of the Navy be, and is hereby, authorized and directed to appoint, subject to the approval of the President, a Board of Survey, whose duty it shall be to ascertain the actual value of the vessel, its equipment, appurtenances, and all property contained therein at the time of its taking, and to make a written report of their findings to the Secretary of the Navy, who shall preserve such report with the records of his department. These findings shall be considered as competent evidence in all proceedings on any claim for compensation.

The Navy appraisal was made, and it represents a sum substantially less than the bids which we received.

We received one bid of \$28,000,000 for the 30 ships, which we rejected.

Mr. CHINDBLOM. Was that on the 20th of January?

Mr. PAYNE. I am talking now about the 20th. We received individual or group bids on 20 of the ships, of \$28,744,020. The resolution which I have read, which the board passed unanimously on the 2d of February, brought about the auction sale. That seemed to us the best way to find out whether we could get a better price for them. It may be because the controversy got into the press, which I do not know, but the fact is all bids at the auction sale, with an exception here and there, were less favorable than the bids submitted on the 20th of January. The auction bids on 15 vessels, excluding the *Leviathan*, were \$20,400,000. Some of these were better bids than we had had; some not so good. The sealed bids on 20 boats, including the *Leviathan*, were \$28,000,000. The Navy valuation on 19 boats—they seem to have skipped a ship here and there, so that we have not the exact number—which includes the *Leviathan*, was \$20,180,000.

Mr. WHITE. What was the date of the Navy appraisal?

Mr. PAYNE. Following our taking them over, which was when we went into the war.

Mr. WHITE. So it was something more than a year ago?

Mr. PAYNE. Yes.

Mr. ROWE. Nearer two years ago?

Mr. PAYNE. Probably about two years ago, or a little less. It was probably immediately after we went into the war. These ships were taken over under the joint resolution of May 12, 1917, and, while I have not the date, I presume it was very soon after that.

Mr. BURROUGHS. That is pretty nearly three years ago.

Mr. PAYNE. That is right.

Mr. WHITE. Was the Navy appraisal made after the ships had been converted into the form of transports?

Mr. PAYNE. No, sir.

Mr. WHITE. Or in their condition as passenger ships?

Mr. PAYNE. While I have no personal knowledge of that subject and must not be considered as speaking of personal knowledge, my impression is that they were made before there had been any substantial change.

Mr. HARDY. Evidently it was made with a view of a settlement in case of claim for the taking over of those ships and must have been made upon the condition of the ship exactly as when it was taken over.

Mr. PAYNE. That is my understanding.

Mr. KINCHELOE. Right at that point, would you mind inserting in your hearing the ages of those ships, and also what is the average life of a ship of that character, if you know?

Mr. PAYNE. Please do not ask me that. The ages of the ships were: The *Aeolus*, 21 years; *America*, 15; *Amphion*, 21; *Antigone*, 20; *Artemis*, 18; *Black Arrow*, 16; *Callao*, 8; *De Kalb*, 16; *Eten*, 13; *George Washington*, 12; *Martha Washington*, 12; *Madavaska*, 13; *Moccasin*, 17; *Mount Vernon*, 14; *Leviathan*, 6; *Nansemond*, 24; *Orion*, 18; *Pocahontas*, 20; *President Grant*, 13; *Princess Matoika*, 20; *Susquehanna*, 21; *Von Steuben*, 19.

Mr. DAVIS. Just a question there: At the time the estimates were made by the Navy Department and before these ships had been converted into troop ships, was it not a fact that they had a higher market value than after they were converted into troop ships? In other words, for peace time service they are naturally more valuable in condition for passenger ships than troop ships?

Mr. PAYNE. Yes. Would you mind leaving that until I get this story before you?

Mr. DAVIS. Certainly. I did not know you were going to come to it.

Mr. PAYNE. I wanted just to give you the history. Besides what I have said as to the facts we then had before us when we passed this resolution, we thought it would be wise to have an estimate of the most capable experts we have in the country so we passed this resolution:

Commissioner Donald suggested that Messrs. Frank S. Martin and J. Howland Gardner be consulted in regard to the valuation of these ships and Commissioner Scott concurred in this suggestion. Thereupon, upon motion of Commissioner Donald, seconded by Commissioner Scott, and duly carried, the following resolution was adopted:

"Resolved, That a committee of appraisal, consisting of Frank S. Martin and J. Howland Gardner, be appointed to appraise the value of the ex-German ships: that the expenses shall not exceed \$100 a day to each man and that Commissioner Scott be authorized to arrange to sit with them in making the appraisals."

Commissioners Donald and Stevens suggested they would also like to sit with this committee, and the chairman concurred in this suggestion.

I think Commissioner Stevens makes some point about who sat in. I never heard who was sitting in, so I have no information on that subject; but the report under date of the 12th was returned to me and here it is, giving the individual estimates on each of these ships as is, and I would just as leave not put this in the record if it is all the same.