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SHIPBUILDERS COUNCIL OF AMERICA 01173

Minutes
Board of Directors Meeting

A regular meeting of the Board of Directors of the Shipbuilders Council of America was held at the Watergate Hotel, Washington, DC on June 14, 1978 at 10:00 AM.

Edwin M. Hood, Chairman of the Board and President presided. Present were:

B. B. Cook, Jr.	DeLaval Turbine, Inc.
Ralph W. Cousins	Tenneco/Newport News Shipbuilding
Wilfred J. Eggington	Rohr Marine, Inc.
John T. Gilbride	Todd Shipyards Corp.
William Gorvine (representing P. T. Veliotis)	General Dynamics Corp., Electric Boat Division
Edwin Hartzman	Ogden/Avondale Shipyards, Inc.
Robert B. Hedges	Combustion Engineering, Inc.
Peter S. Hepp	Sun Shipbuilding & Dry Dock Co.
David H. Klinges	Bethlehem Steel Corp.
Robert L. Massa	Coastal Drydock & Repair Corp.
Riley O'Brien (representing E. C. Forbes)	The American Ship Building Co.
E. L. Pickler, Jr. (representing J. L. Roper, III)	Norfolk Shipbuilding & Drydock Corp.
Ralph E. Ryan	Seatrain Shipbuilding Corp.
Roger A. Simmons (representing G. G. Whipple)	Lockheed Shipbuilding & Construction Co.
John F. Sullivan, Jr.	Bath Iron Works Corp.
John V. Walsh	Sperry Marine Systems Division, Sperry Rand Corp.

Guests

Albert L. Bossier, Jr.	Ogden/Avondale Shipyards, Inc.
R. C. M. Calvert*	Tenneco/Newport News Shipbuilding
John A. Chantrey, Jr.	Ogden/Avondale Shipyards, Inc.
James W. Charrier, Jr.*	Ogden Transportation Corp.
David T. Cianelli*	Bethlehem Steel Corp.
Richard W. Cook	Lockheed Corp.
Robert J. Farrington	Todd Shipyards Corp.
R. A. Fiorelli*	Bethlehem Steel Corp.
E. David Foreman, Jr.*	Ogden/Avondale Shipyards, Inc.
Allan C. Glaser	Seatrain Shipbuilding Corp.
James Harvie	Bath Iron Works Corp.
Donald E. Kidder*	General Dynamics Corp.
Gerald A. Livingston*	Ogden/Avondale Shipyards, Inc.
Stewart E. Niles, Esq.	Jones, Walker, Poitevent, Carrere and Denegre

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yard problems has been strongly supported by this Board of Directors and you will receive a more detailed report on this topic later in the meeting.

"Further in regard to political strategy, we have established rapport with the Southern Governors' Conference which has, in turn, named a Task Force on Shipbuilding, under the Chairmanship of Governor John N. Dalton of Virginia. More than 50 percent of the coming downturn in employment will occur in the South, and it is planned that the Southern Governors will submit a specific recommendation for corrective measures directly to President Carter in September.

"The Council has, in addition, been engaged in a variety of other endeavors, as will be seen from the attached listing of actions, other than meetings, since the start of 1978. It is hoped that you will find time to review this compilation as a means of better comprehending the diversity of activities which must be pursued to carry out the purposes of the Council.

"Finally, it should be noted that the Council's SHIPYARD WEEKLY has again received an award for 'overall excellence.' A favorable reaction to this publication has been steadily multiplying in recent years, and more and more it is being cited as an authoritative source for information pertaining to the U.S. shipbuilding/shiprepairing industry."

EXECUTIVE COMMITTEE

The President reported that the Executive Committee had met earlier in the day to discuss guidelines for preparation of the 1979 budget and other business. He indicated that the Committee had directed him to submit his proposed Budget for the coming year to the Executive Committee, as well as to the Finance Committee, by August 15, 1978 to enable consideration prior to the September meeting of the Board.

The Executive Committee recommended to the Board that the Council fund a $125,000 proposal from Data Resources, Inc. (DRI) to collect the necessary data to construct and/or modify econometric models to provide the Council with information and analyses on the impact of various maritime policy alternatives on the economy. Both the Commercial Shipbuilding Committee and the Naval Shipbuilding Committee view this project, a study of "The Economic Impact of the U.S. Shipbuilding and Ship Operating Industries", as a baseline for justification for any meaningful shipbuilding program to improve the present outlook.

Upon discussion of the study objectives and the qualifications of DRI, the Board of Directors unanimously approved underwriting the proposal which is to be funded by means of

a special assessment on shipyard members in proportion to annual dues. This special assessment is to cover the DRI project and the previously approved study of workers' compensation costs under the Longshoremen's and Harbor Workers' Compensation Act, now nearing completion by the consulting actuarial firm of Tillinghast, Nelson and Warren, Inc.

FINANCE COMMITTEE

The President, reporting for Mr. Hartzman, advised that the Committee, at a meeting earlier in the day, had reviewed (1) the financial statement for the first five months of 1978, noting that extenditures are within budget, (2) the Investment portfolio managed by Loomis, Sayles & Company, Inc., concluding that performance was satisfactory under current market conditions; and (3) Bylaw requirements to establish a semi-annual assessment for the second half of 1978.

On motion, duly made and seconded, the Board unanimously approved the report of the Finance Committee and reaffirmed the existing semi-annual assessment rate for the remainder of 1978 as follows:

> BE IT RESOLVED, That, pursuant to Sections 3 and 4 of Article VI of the Bylaws a semi-annual assessment on each REGULAR member of $5.00 per employee is levied as shown by the Member's report of employment for the six-month period January 1, 1978 to June 30, 1978, to cover dues for the period July 1, 1978 to December 31, 1978.

On motion, duly made and seconded, the financial statement for the period ending May 31, 1978, as recommended by the Finance Committee, was also unanimously approved.

COMMERCIAL SHIPBUILDING COMMITTEE

At the Shipbuilding Roundtable Dinner on the prior evening (June 13, 1978), the President reported on details of a proposed program developed over the last several months by the Commercial Shipbuilding Committee. This proposed program is comprised of 22 program elements and supporting "national needs" studies which are to form the underpinning needed to justify any substantive new program designed to improve the outlook for commercial shipbuilding. The three basic "national needs" were identified as follows:

I. The Relationship of Shipbuilding/Shiprepairing to National Security (Harbridge House Study)

II. The Relationship of Shipbuilding/Shiprepairing to the National Economy (Data Resources, Inc. Econometric Model)

III. The Relationship of Shipbuilding/Shiprepairing to Manpower Needs and Social Advancement Programs (Data Resources, Inc. Econometric Model)

Additionally, a cost impact study will be made by the Council to provide a partial answer to why shipyard prices are higher in the U.S.

The Board approved contracting with Data Resources, Inc. (DRI) for the proposed study to address the economic and social impact issues. DRI will link their macroeconomic model to new input-output tables on the shipbuilding, shipping and supplier industries to forecast national, regional and state-by-state economic benefits in terms of:

- Gross National Product
- Balance of Payments
- Employment
- Social Costs of Unemployment
- Taxes
- Investment

The relationship of shipbuilding/shiprepairing to national security is to be addressed by Harbridge House, Inc., a consulting firm contracted by the U.S. Maritime Committee in a separate effort to review that adequacy of the shipyard mobilization base, including supplier industries, and the availability of a trained labor force, under all economic and strategic contingencies.

NAVAL SHIPBUILDING COMMITTEE

The President provided a brief presentation of the objectives and activities of Naval Shipbuilding Committee, in his capacity as Chairman of that Committee. He noted that the Committee had evaluated those critical issues in the Navy/industry relationship that deserve particular attention in an attempt to improve the environment under which the task of constructing and repairing naval ships is accomplished. The Committee has prepared an "improvement" program made up of specific issues, each with plans of action aimed at improving the naval shipbuilding environment. Program elements below were described by the President:

I Industrial Base Maintenance
II Decision Making Practices
III Administration Requirements
IV Risk Distribution
V Estimating and Scheduling
VI Technical Management
VII Workforce Utilization
VIII Cost Reduction
IX Shipbuilding Image

It was noted that each of the action plans described has been assigned to individual members of the Naval Shipbuilding Committee and are underway. A complete progress report will be presented to the Board at the September meeting.

The President thereupon introduced a Committee recomendation that the Council support the establishment of a "Naval Shipbuilding Commission" as proposed by the Senate Committee on Armed Services in the FY 79 Military Authorization Bill. The Committee feels that the "Commission" could provide a timely and visible forum for presentation of Council's positions and recommendations relative to naval shipbuilding problems. The Board unanimously concurred.

WORKERS' COMPENSATION COMMITTEE

Mr. Chantrey, Chairman, reported that on April 18, 1978, the Council had testified for three and one-half hours before the Subcommittee on Compensation, Health and Safety of the House Committee on Education and Labor. This comprehensive testimony was well received. Chairman Joseph M. Gaydos (D-PA) remarked that Council's presentation was one of the best the Committee had received during the current series of "oversight" hearings.

Mr. Chantrey went on to say that informed sources indicate that a single issue amendment clarifying jurisdiction and coverage under the Longshoremen's and Harbor Workers' Compensation Act at the waters edge might be favorably considered by the Subcommittee this year if sufficient Congressional support can be demonstrated. He recommended that the Board approve an intensive lobbying campaign to be initiated immediately by the Chief Executives of member shipyards, and to be essentially completed by June 30, 1978. Several members of the Board questioned if the lobbying effort could be successful without first obtaining a "no opposition" position from organized labor. It was the consensus that while opposition from organized labor could be a valid concern, there was not enough time to pursue this matter with the many voices of shipyard labor. Therefore, the Board endorsed Mr. Chantrey's recommendation. The President then offered to act as the focal point of the lobbying campaign which is to be administered from Council's offices in Washington, DC.

Mr. Cook suggested additionally that the Council write Senator John C. Stennis (D-MS) Chairman of the Subcommittee on Defense of the Senate Committee on Appropriations and request that he solicit the position of the Navy on this matter. The President agreed to transmit a letter forthwith.

ALLIED INDUSTRIES COMMITTEE

The President stated that the Allied Industries Commit-

tee had held a meeting on May 17, 1978, and that the minutes were included in the report to the Board. He added that at 2:30 p.m. he would be testifying before the House Committee on Merchant Marine and Fisheries in favor of a strengthened Buy-American Bill (HR-8204) which would require Jones Act ship construction to have procurement regulations similar to those applicable to construction differential subsidy (CDS) ships.

LEGISLATIVE DEVELOPMENTS

Mr. Pasco reported that as a result of rulings by the U.S. Customs Service and the U.S. Coast Guard, it became evident that owners of existing American-flag tankers could have retrofit work to meet new tanker safety standards performed in foreign yards without payment of duty and without loss of coastwise privileges derived from the Jones Act. These conflicting rulings of Customs and Coast Guard were of special significance with regard to the installation of segregated ballast tanks, crude oil washing systems and inert gas systems. The Council succeeded in having introduced and adopted by the Subcommittee on Coast Guard of the House Committee on Merchant Marine and Fisheries, an amendment to the House version of S-682, the Tanker Safety bill which requires that unless retrofit of the above mentioned items is accomplished in U.S. shipyards, the owner of the tanker vessel will not be able to operate in the domestic trades. This amendment was introduced by Congressman David C. Treen (R-LA), supported by Congressman Mario Biaggi (D-NY), Chairman of the Subcommittee, and was passed without any opposition.

During the Committee mark-up of HR-10729, the Maritime Authorization Bill, Congressman Paul N. McCloskey (R-CA) introduced several amendments, some of which would have affected the shipbuilding industry. One amendment would have denied CDS in the construction of LNG vessels, and this proposal was rejected by the Committee. However, the Committee did adopt an amendment offered by Mr. McCloskey which would have denied CDS to any vessel not participating in the Defense Department's Sealift Readiness Program. Since the latter program now applies only to liner vessels, the effect of this amendment would have been to deny CDS to LNG and other types of bulk carriers. Through the efforts of Congressman Paul S. Trible, Jr. (R-VA), the Bill was amended on the floor of the House to provide that the "offering" of a vessel by the owner for the Sealift Readiness Fleet was sufficient to retain eligibility for CDS. Mr. Trible's amendment was supported by Chairman John M. Murphy (D-NY), of the House Committee on Merchant Marine and Fisheries and concurred in by Mr. McCloskey; the problem was thus resolved. Mr. McCloskey offered a number of further amendments, including a second effort to deny CDS for LNG vessels, but all were defeated.

Mr. Pasco further reported that a bill, (HR-12959) to amend the definition of "Qualified Vessel" under Section 607 of the Merchant Marine Act, 1936 had been introduced by Congressman Murphy to permit the use of Capital Construction Funds for the construction of vessels for operation in U.S. domestic commerce. The expansion of this authorization would free a substantial amount of capital construction funds which are presently restricted to vessel construction for the foreign trade (with certain exceptions). Enactment of the pending legislation could very well stimulate new U.S. construction of domestic trade vessels.

On the matter of Coast Guard icebreakers, Mr. Pasco said that the Appropriations Subcommittee on Transportation, of the Senate Committee on Appropriations, chaired by Senator Birch Bayh (D-ID), held a hearing on the possibility of providing funds during the current fiscal year for the construction of a Coast Guard icebreaker to be used in the Great Lakes. The Council presented testimony to the Subcommittee supporting this proposal and taking the further position that in view of the fact that this vessel was to be built with Federal funds, construction should be required to be accomplished in the United States. The Wartsila yard of Helsinki, Finland, has been aggresively seeking this contract. It appears that the Council's action has dampened the "Build Abroad" idea, but the prospects of an appropriation this year are uncertain.

In a review of Deep Seabed Mining Legislation, Mr. Pasco stated that the Senate Committee on Energy and Natural Resources has reported S-2053 with a proviso that any recipient of Federal investment quarantees must build necessary mining, processing, and ore carrying vessels in the United States. This amendment to require American construction was sponsored by Senator J. Bennett Johnston (D-LA). This Bill has now been referred to the Senate Committee on Commerce, Science and Transportation. It was noted that the "Build American" feature is tied to a controversial investment guarantee provision which is opposed by the Administration and may be deleted by the latter Committee, in which event revival by a floor amendment may be necessary.

SHIPYARD CAUCUS

The President briefed the Board on progress made in the formation of a Congressional Shipyard Caucus. He announced that the Caucus will probably be co-chaired by Congresswoman Lindy Boggs (D-LA) and Congressman Paul S. Trible, Jr. (R-VA). A total of 41 Congressmen have already evidenced a willingness to join in this endeavor.

POLITICAL ACTION COMMITTEE

On March 15, 1978, the Board authorized the establish-

ment of a Political Action Committee (PAC). Before the PAC can be activated, Bylaws for this new entity must be adopted. On motion, duly made and seconded, the Board unanimously approved the PAC Bylaws prepared by Collier, Shannon, Rill, Edwards and Scott, Attorneys at Law transmitted by memorandum to all members of the Board on April 27, 1978.

ADDITION TO COUNCIL'S PURPOSES

In furtherance of a discussion at the March 15, 1978 meeting, the Board unanimously passed a resolution adding to the Council's purposes under Article II, Section 2 of the Bylaws this statement:

> "to preserve a balanced workforce and to promote employment opportunities for disadvantaged citizens"

AD HOC COMMITTEE ON ASBESTOSIS

Mr. Kesterman briefed the Board on recent events associated with Asbestosis suggesting a heightening of potential problems and liabilities for shipyards:

- The Asbestosis Questionnaire being circulated to present and former shipyard employees by the National Cancer Institute
- The rapid increase in workers compensation claims and negligence law suits affecting naval shipyards and, to a lesser extent, private shipyards
- The National Cancer Institute has hired Porter Novelli Marketing of Washington, DC to put together a public service campaign. Porter Novelli has in turn hired Bean/Kahn Films International, Inc. to provide television public service spot announcements. This firm has already filmed an asbestos ripout at Philadelphia (PA) Naval Shipyard with the approval of the Chief of Naval Information
- A study at Long Beach (CA) Naval Shipyard concluded that about one-third of its employees over the past 17 years have contracted asbestosis

The Board approved the establishment of a special Ad Hoc Committee on Asbestos/Asbestosis to bring the problem into focus, to exchange information on unfolding developments, and to assess possible methods for dealing with present and past employees, Government Agencies, the public and the media. Mr. Kesterman noted that Mr. David A. Lavalette of the General Dynamics Corporate Office, St. Louis, MO, has agreed to serve as Chairman of this Ad Hoc Committee.