

The Commonwealth of Massachusetts

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REPORT

OF THE

SPECIAL COMMISSION

TO

INVESTIGATE AND STUDY CERTAIN PROPOSED LEGISLATION PERTAINING TO THE INDUSTRIAL AND ECONOMIC DEVELOPMENT OF THE COMMONWEALTH AND RELATED MATTERS

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MAY 9, 1956

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## CHANGES IN INFORMATION AND COMMUNICATION TECHNOLOGY

### PROFESSOR

JOHN MCKEE

Information technology has become an important part of our everyday lives. It is changing the way we work and live, and it is having a significant impact on society. In this article, I will discuss some of the key developments in information technology and their implications for the future.

### INTRODUCTION

Information technology is a broad field that encompasses a wide range of technologies, including computers, networks, databases, and software. It is used in almost every aspect of modern life, from business and government to education and entertainment.

### THE HISTORY OF INFORMATION TECHNOLOGY

The history of information technology can be traced back to the early 1900s, with the development of the first electronic computers. However, it was not until the late 1960s and 1970s that personal computers became widely available, and it was during this period that the field really began to take off.

### THE FUTURE OF INFORMATION TECHNOLOGY

The future of information technology is likely to be dominated by artificial intelligence and machine learning. These technologies have already had a significant impact on many industries, and they are likely to continue to do so in the future. Other areas of focus include the development of more efficient and sustainable energy sources, and the creation of new materials and processes.

# The Commonwealth of Massachusetts

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## MEMBERSHIP OF THE COMMISSION.

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*Appointed by the President of the Senate.*

Sen. CHARLES J. INNES of Boston, *Chairman.*

Sen. JOSEPH F. GIBNEY of Webster.

*Appointed by the Speaker of the House.*

Rep. CORNELIUS F. KIERNAN of Lowell, *Vice-Chairman.*

Rep. STEPHEN T. CHMURA of Holyoke.

Rep. WILLIAM H. FINNEGAN of Everett.

Rep. BELDEN G. BLY, JR., of Saugus.

*Appointed by the Governor.*

FOSTER W. DOTY of Longmeadow.

# The Commonwealth of Massachusetts

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## RESOLVE REVIVING AND CONTINUING THE COMMISSION.

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### CHAPTER 18.

RESOLVE REVIVING AND CONTINUING THE SPECIAL COMMISSION ESTABLISHED TO STUDY CERTAIN MATTERS PERTAINING TO THE INDUSTRIAL AND ECONOMIC DEVELOPMENT AND PROSPERITY OF THE COMMONWEALTH.

*Resolved*, That the special commission established under chapter ninety-six of the resolves of nineteen hundred and fifty-five to investigate and study certain matters pertaining to the industrial and economic development and prosperity of the commonwealth is hereby revived and continued for the purpose of continuing its investigation and study relative to the matters referred to it. Said commission shall consult with appropriate officers and boards of municipalities and other state agencies, and may request assistance of such governmental agencies, local, state and federal, as will further the purposes herein set forth. Said commission shall be provided with quarters in the state house or elsewhere, may hold hearings, may require by summons the attendance and testimony of witnesses and the production of books and papers; may travel within and without the commonwealth and may expend for legal, clerical and other assistance, and for expenses the balance available in item 0256-12 of section two of chapter seven hundred and eighty-four of the acts of nineteen hundred and fifty-five. The said commission may report to the general court the results of its investigation and study from time to time, and it shall file its final report, together with drafts of legislation necessary to carry its recommendations into effect, if any, on or before the fourth Wednesday in March, nineteen hundred and fifty-six, by filing the same with the clerk of the house of representatives.

*Approved February 15, 1956.*

## The Commonwealth of Massachusetts

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### REPORT OF THE SPECIAL COMMISSION STUDYING THE ESTABLISHMENT OF A FOREIGN TRADE ZONE IN BOSTON.

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MAY 9, 1956.

*To the Honorable Senate and House of Representatives.*

The Special Commission created by chapter 96 of the Resolves of 1955 and revived and continued by chapter 18 of the Resolves of 1956, herewith transmits a partial report of the subject matter referred to it for study and investigation.

The following subjects have been dealt with in this report: the International Trade Zone, the International House, the International Mart and the Port of New Orleans.

Your Commission was unable to prepare at this time a report on Senate, Nos. 97 and 98 and House, Nos. 382, 1525, 1738, 1981, 1985, 2066, 2269, 2271, 2272 and 2273. All these bills pertain to matters which can effect the economy and prosperity of the Commonwealth.

A great deal of study in connection with these matters will be necessary before the Commission can report on these matters, and therefore it requests further time within which to make its final report. (See Appendix A.)

#### INTERNATIONAL TRADE ZONE.

The foreign-trade zone act of June 18, 1934, was passed as a means of expediting and encouraging foreign trade. Since that time foreign-trade zones have been established in New York, New Orleans, San Francisco, Los Angeles and Seattle, and Miami is studying the possibility of establishing a foreign-trade zone. Since Florida is strategically located with relation to the Caribbean and South American

export and import trade, it is logical to expect that some of her major port authorities will consider such a proposal. The Massachusetts Legislature has for years studied proposals for the establishment of a Foreign Trade Zone in the Port of Boston. The strategic location of this Port calls for a serious study of this proposal.

A foreign trade zone is an isolated, enclosed and policed area, under the supervision of a designated board of federal officials, operated as a public utility by a corporation in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for loading and unloading, for supplying fuel and ships' stores, for storing goods, and for reshipping them by land and water; an area within which goods may be landed, stored, manipulated, manufactured, exhibited and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all laws relating to public health, vessel inspection, postal service, labor conditions, immigration and, indeed, everything except customs.

An apt description would be "A neutral, stockaded area where a shipper can put down his load, catch his breath, and decide what to do next."

A foreign trade zone has five functions; they are:

*Storage.* — Customs-free storage.

*Transshipment.* — Important when goods, ultimately designed for some foreign country, are brought into the zone.

*Manipulation.* — Includes weighing, sampling, blending, cleaning, mixing, marking, grading, screening, roasting, leaching, maturing, reconditioning, repacking, grinding, ripening, tinting, labeling, polishing, trimming, cutting off fringes, testing for vitamin contents, sorting, camphorizing, gauging, analyzing, bagging, bottling, canning, crating, cutting, destroying, drying, dyeing, examining, filtering, fumigating, reconditioning, scouring, quarantining, quick freezing, etc.

*Processing.* — It is possible to process goods into a class subject to a lower rate of duty, e.g., separating stones from ring settings andreassembling them after entry.

*Manufacturing.* — The original foreign-trade zone act of 1934 did not permit manufacturing or exhibiting of foreign merchandise. In 1950 the act was amended (Boggs amendment) to permit these functions. Thus manufacturing is construed as a process which creates a new or different article having a distinctive name, character or use. All types of processing within the zone are permitted, with the exceptions of rectification of spirits, manufacturing of certain commodities which are subject to internal revenue taxation or supervision in customs territory, and the specific prohibition against manufacturing of watches and clocks. This latter exception does not affect assembly operations such as fitting imported watch movements to watch cases made in the United States.

A few examples of manufacturing within the foreign trade zone may be cited. Domestic ingredients are added to olive oil imported from Italy or Spain to make salad dressing, and the salad dressing is exported to world markets without ever having been subject to import duties or to customs red tape.

Sheet aluminum is imported from Great Britain and fabrication is carried on in the zone. Knockdown dwellings for the tropics are exported. Casein from Argentina is mixed with chemicals from the United States to make glue to export all over the world. Wine jugs from the Orient are combined with New Hampshire electrical fixtures and shades from Los Angeles to manufacture lamps. Sisal is imported, processed and either exported or brought into the United States in combination with United States materials. To unfinished cotton fish nets from Japan are added domestic rope, cork, floats and lead sinkers, and then the completed nets are exported.

Home and office furniture is manufactured within the zone from Mexican lumber. On the finished product is paid only the dutiable rate of uncut board feet of lumber, less waste, used in its production.

Exhibiting goods in a zone offers unlimited marketing opportunities. Importers of articles from abroad may set up their own showrooms within the foreign-trade zone for

purposes of conducting sales, giving demonstrations, taking orders and otherwise promoting a market for their goods. The importers are exempt from duty payment, taxes, bonds and "paper work" until entry into our customs territory is made.

There is a possibility of using a sub-zone for exhibition purposes. Port terminal facilities on the water fronts usually are too high cost to be used for storage, manipulation, manufacturing and exhibiting. In cities which do not have zones there is a possibility of establishing zones solely for the purposes of exhibition or for any one or more of the specialized purposes. Application must be made to the Foreign-Trade Zone Board, composed of the Secretary of Commerce, Treasury and the Army. (Whether permission will be granted to operate a sub-zone depends upon the findings of the Foreign-Trade Zone Board that it is in the public interest, and that it will not impose a burden on the parties of interest.)

#### *Advantages.*

Merchandise which fails to meet United States standards can be sorted out and either destroyed or be sent to nations with lower standards. A great saving can be made by not paying duty on unsaleable merchandise. Shrinkage also escapes duty costs. Goods like Brazil nuts, tobacco, and liquor lose weight through evaporation and seepage. In many instances this shrinkage amounts to as much as 25 per cent. Through the medium of the trade zone the duty on the shrinkage would not be paid. Importers can save on insurance costs, since only the value of the goods would be insured. Ports without a trade zone place the importer in a position whereby he must insure not only the cost of the goods but the cost of duty and taxes already paid. This is a big item, especially in items like liquor with its high duty and excise taxes. Handling and office expenses can be cut, since the buyer can sample and examine the goods in the zone.

A saving can be made by storing goods in the zone until they are sold. It is a cheap, quick way to keep an adequate

inventory for the United States and Latin American market, as no duties or excise taxes are paid while goods remain in the zone. You can also borrow against warehouse receipts issued for goods stored in the zone, without posting bond.

Here you save by shipping or storing goods under quota restrictions. Goods in excess of quota can be held until the next quota period.

In a trade zone a saving can be made on transshipments. No need of worrying about drawback, the 99 per cent refund paid by the Treasury Department when you re-export goods that you paid duty on.

Restrictions and paper work can be cut. Imported goods on which duty has been paid into the zone, along with domestic goods, could be combined with other items and be returned to United States Commerce duty free.

Goods can be auctioned in the trade zone before a duty or excise tax has been paid on them.

#### *Disadvantages.*

The operators of a foreign trade zone are required to bear the cost of customs personnel who are responsible for protecting revenue payable to the United States. The zone is policed to prevent smuggling and to enforce compliance with the law in regard to public health, immigration, fire, etc.

The customs expense is heavy and is partially an unnecessary burden. The cost to zone operators could be reduced if customs services in the zone were provided without charge by the government as is done at the other docks in the harbor outside the zone area. The police force is large, and that expense might be reducible.

#### *Financial Results.*

	1952.	1953.	1954.
New York, net income . . . .	\$137,021 71	\$36,228 55	\$100,491 72
New Orleans, net income . . . .	42,630 74	27,064 74	38,449 47
San Francisco, net loss . . . .	50,873 18	64,840 47	91,350 31
Los Angeles, net loss . . . .	99,107 85	66,435 81	71,241 38
Seattle, net loss . . . .	69,418 20	49,789 44	44,832 90

*Movement of Merchandise, 1954.*

	Received.	Forwarded.
New York:		
Quantity (long tons)	62,581	59,570
Value	\$54,476,689	\$54,541,523
New Orleans:		
Quantity (long tons)	27,488	25,574
Value	\$13,990,721	\$12,390,870
San Francisco:		
Quantity (long tons)	6,648	6,692
Value	\$6,320,721	\$7,597,496
Los Angeles:		
Quantity	5,191	7,731
Value	\$3,691,502	\$5,051,234
Seattle:		
Quantity	1,456	1,011
Value	\$533,783	\$530,766

In the case of the four zones that had deficits, the local grantees of the zones thought that their usefulness in other respects to their particular port areas and local business communities appeared to warrant their continued operation. The primary utility of a foreign trade zone is its value as an instrument for the creation of an additional volume of international trade. In the New Orleans zone a large mail-order house intends to use the zone as a depot for assembling and repacking of imported and domestic goods for reshipment to Latin-American branches.

On November 9, 1955, the United States Department of Commerce Foreign-Trade Zone conference took place in Room 5855, Commerce Building in Washington. Massachusetts was the only State not having a foreign trade zone represented at this conference. Rep. Stephen T. Chmura, a member of the Special Commission, together with Mr. James E. Hollis, Deputy Commissioner, Massachusetts Department of Commerce, attended this session. The foreign trade zones of New York, New Orleans, San Francisco, Seattle and Los Angeles were represented by the managers of the respective zones. Joseph M. Marrone, Executive Director, Foreign Trade Zone Operations, presided.

The conference was addressed by Harold C. McClelan, Assistant Secretary for International Affairs, Department of Commerce; David W. Kendall, Assistant Secretary of the Treasury, and Col. Hubert S. Miller, resident member, Board of Engineers for Rivers and Harbors.

Mr. Marrone in his remarks emphasized the importance of marketing and promotional stimulation in a foreign trade zone, a feature that has not been fully developed by the present zone operators. The text of Mr. Marrone's remarks follows:

As the work progresses in meeting my responsibility as the Executive Director of Foreign-Trade Zones Operations, I am deeply impressed with the possibilities for development of trade through the use of the foreign trade zone.

However, existing foreign trade zones are physically located and procedurally organized to accomplish the limited area of development permitted under the original Celler act.

This act appears to be inadequate for trade development purposes, inasmuch as this original act can best be described as an exception to the bonded warehouse practice and goes little beyond the concept of terminal facility and warehousing facilities, and thus the values of zones for trade development are lost.

The amendment of the act in 1950, permitting manufacturing and exhibition in the zones, in my judgment, made possible for the first time areas of marketing and promotional stimulation. However, the six zones then established were too physically handicapped to take advantage of manufacturing and exhibiting. It is true that the new regulations intended to facilitate expansion of existing zones by providing for zone annexes, but I am pretty sure in my mind that none of the zones would be personally located in their existing sites if they had become established under the law as amended in 1950.

In reviewing the required economic survey required under the regulations, all prior to 1951, I find that the economic advantages developed start with the terminal facility, originally an ocean port, and in several recent instances, airports. In other words, utilization of zones for manufacturing and exhibition is practically ignored, and the only concepts are those of loading and unloading of cargo, storage and warehousing thereof.

It seems to me that present zones should take a new look at existing facilities, and if they are to succeed and be a dynamic force in the stimulation of international trade, then steps should be taken to provide facilities for, first of all, merchandising, and secondly, manufacturing, as the basis for success. Transportation, storage and the other service as-

psects of marketing should be considered only as they are related to marketing, whether or not carried on in a foreign trade zone — in other words, change the emphasis of the operations.

Too, I have a feeling that another erroneous concept which is all too frequent is the consideration of a zone for circumventing or frustrating customs and other regulatory practices of government agencies often required under the general welfare clause of the Constitution. A zone is not a place to frustrate the pure food laws and other regulatory provisions of our government, which are designed to maintain the health of our people. Neither is it a place to consider the frustration or circumvention of customs regulations, imposed by agencies of this government having certain police powers. Obviously, this caution is unnecessary if an enthusiastic view of the foreign-trade zone potential is fully appraised. Not, as in the past, as an area in which to carry out certain exceptions to existing laws and regulations, but rather as the means of new methods of marketing and attaining new heights in the field of trade promotion.

After a period of two years I would make the following observations:

1. Past and present activities and experience in zones (with the possible exception of the new Sears Roebuck operation in New Orleans, and certain new feature operations in New York and San Francisco) do not provide much reliable guidance as to the significance of zones to foreign trade promotion.

2. The reason for this situation lies in the fact that existing zones were located and otherwise determined upon prior to the so-called Boggs amendment permitting manufacturing and exhibiting activities to be carried on in zones.

3. In addition, certain local factors, and in some situations unforeseen and unavoidable developments affecting trade promotion, *e.g.*, the impact of Korea on the Far East trade, adversely affected the zones on the West Coast.

4. It might be desirable to change the location of a zone where room for expansion is not available in order to meet and take advantage of the zone act as amended.

5. A reappraisal of the economic need for a zone should be made in line with these new objectives. A careful canvass of the trade and trade association interest in, and intention and capacity to use, the zone might be in order.

What bothers me particularly is that in doing some research I found that in the early days of the New York zone, which was established shortly after the enabling act became Public Law 397, a great deal of activity was developed in the field of manipulation. All sorts of interesting operations were being done. For example, the relabelling, inspection and repacking of Argentine canned meats; the establishment of the world market center for Indonesian wrapper tobacco, with complete warehousing and sales facilities; the center for the importation, roasting and bleaching of tungsten and other ores; brandy from South Africa, which

was brought into the zone in bulk and bottled and packed in the zone thus opening the United States market to South Africa; British textiles and ready-made clothes were brought into the zone, inspected and sold there; the United States market for Brazil nuts was expanded by advantageously making use of the zone. All this under the original act, despite the constant question of whether or not a manipulation was a manufacture.

And now with the Boggs amendment removing this uncertainty, it would be expected that there would be a substantial development of manufacture in all the zones.

With few exceptions, the zones are doing less in the way of manipulation and/or manufacture today despite the increased privileges under the Boggs amendment than in the early days, notwithstanding the then existing limitations.

What has happened?

Has the thinking of the zone operators and users progressed with the new advantages, or have they completely fallen down on the job?

The Department of Commerce stands ready to give such service as may be required — our marketing specialists and trade intelligence services are available to you. Also, the zone's board staff, including customs representatives, can give you such assistance as may be required. During this past year we have had but one zone operator approach us with any marketing problem.

#### FOREIGN TRADE ZONE.

During the general discussion of problems facing the various foreign trade zones, it was officially announced that the city of Los Angeles has decided to give up its foreign trade zone franchise.

The following reasons were given for the closing of the zone:

1. Pre-war, European and Japanese shipping lines were routed through Los Angeles as a transshipment port for other points in the United States and for certain Far East destinations. However, in restoring post-war service these shipping lines have provided more direct service to these ultimate destinations, thus by-passing Los Angeles and its zone.

2. Relative post-war increases in local terminal costs, which are incident to the use of a zone, have tended to minimize the zone's anticipated money-savings features.

3. Likewise, world-wide increases in ocean freight and terminal costs have encouraged shippers to cull cargoes before shipment, and so reduce a once widespread use for a zone — culling cargoes here before entry into customs territory.

4. The gradual reduction in level of United States duties also has mini-

mized the advantage of using a zone to postpone payment of duties until a sale is actually made.

5. Packaging and canning standards and facilities abroad have been improving — eliminating still another one-time advantage of using a zone in this country with its one-superior packaging techniques — means less zone advantages.

6. Growing business emphasis on rapid turnover of inventory and the increased cost of all services incident to maintaining a stock on hand place a premium on prompt and direct delivery to paying domestic users.

As a result of the Washington conference both Mr. James E. Hollis, Jr., Deputy Commissioner of the Massachusetts Department of Commerce, and Rep. Stephen T. Chmura of the Recess Commission were of the opinion that the establishment of a foreign trade zone in New Bedford is not practicable at this time.

The following reasons were advanced for this conclusion:

1. Of five existing foreign trade zones in the United States, only New Orleans and New York are profitable operations at the present time. Los Angeles has applied to discontinue her foreign trade zone. In the past few years San Antonio, Texas, undertook foreign trade zone operations with unsuccessful results.

2. It is our impression that the establishment of a foreign trade zone requires existing heavy overseas trade for any hope of success. None of the foreign trade zone grantees or operators present at Washington, with whom we talked, felt that any port could sustain a foreign trade zone without already existing heavy overseas trade. In other words, the establishment of a foreign trade zone does very little in the way of encouraging overseas trade.

3. Minimum customs charges alone are in the neighborhood of \$35,000 to \$40,000 a year. A comparison of income and expenditure at Seattle, for example, showed a 1954 income of \$15,430 as opposed to 1954 expenditures of \$60,263.

4. All of the grantees and operators with whom we talked feel that, assuming extensive foreign trade is already operating in a port, the key to success of the present type of operation of a foreign trade zone is very strong co-operation from the customs brokers in the port. The feeling is that

foreign shippers consign cargoes to the local customs broker who, in turn, decides whether or not he will use the foreign trade zone or the local bonded warehouse.

5. A foreign trade zone operation in Massachusetts must compete with the Port of New York, which is already established and is one of the few successful foreign-trade zone operations in the country. We do not see enough extra volume of such business for a port such as New Bedford.

Mr. Marrone, the executive director of the foreign trade zone operations of the Department of Commerce, feels that a foreign-trade zone operation in Massachusetts might well be successful by the extensive use of processing or partial manufacturing operation within the zone. Yet our discussions with foreign trade zone operators resulted in the conclusion that little success has been experienced in the various zones in processing or manufacturing within the zone.

It was brought out at the conference by an attaché of the Canadian consulate that Canada with a population of 15,000,000 has not felt the necessity of establishing a foreign trade zone. Markets immediately adjacent to a foreign trade zone are apparently of prime importance; and in view of the fact that the New England market involves some 10,000,000 people it is hard to justify a trade zone here if Canada with a 15,000,000 population cannot foresee success for such a zone.

#### WORLD TRADE CENTER.

The Commission strongly endorses the formation of the World Trade Center in New England, Inc., which was incorporated under chapter 180 of the General Laws of the Commonwealth of Massachusetts on January 16, 1956.

We extend our congratulations and best wishes to Mr. Rufus F. Hale, President, who is devoting himself to the multiple tasks of establishing the Center on a sound financial basis, setting up its operating facilities, developing its services, and promoting the use of its services for the benefit of the New England economy.

Patterned after the successful International House in New Orleans, The World Trade Center in New England, Inc., is

housed on the fourteenth floor of the Sheraton Building, 470 Atlantic Avenue, Boston. From this centrally located headquarters one can see the great Logan International Airport. A panoramic view of broad expanse of harbors extending almost 20 miles in either direction is presented from this "Sell New England Headquarters." Rail and freight terminals are meeting the challenge offered by the huge overland trucks which spell progress in the opening of the great new connecting highways which can be seen through the picture windows of the new Trade Center.

New Englanders, in the field of business, labor and industry must grasp the idea of regional pride and community spirit to develop the new World Trade Center in New England. We cannot overemphasize the importance of this new venture to New England prosperity. World trade is important for the protection of New England's present economic position and for the future development of this region. "World's Business" magazine sees a world population of 4,500,000,000 persons in fifty years (against 2,500,000,000 today). It sees United States imports more than five times the present size, and the exports more than four times the present size. How much does the future hold for New England in the import-export business depends on present-day planning. Today, 10 per cent of the jobs in New England industry and commerce are dependent on international trade. The dollar volume of exports and imports to the New England economy amounts to \$2,500,000,000 annually.

Fifteen thousand new jobs must be added to New England manufacturing pay rolls each year for the next few years if manufacturing activity in this region is to continue to grow at the same rate it has during the past ten years. The expected increase in New England population is one index of the need for industrial expansion and modernization and market development, if New England's economy is to be stable, strong, dynamic and stand up to its competition.

What is needed to develop world trade in New England is a world trade center such as are now operating or planned

in New Orleans, Miami, San Francisco, Cincinnati, Houston and now in Boston.

We congratulate the World Trade Center in New England, Inc., and recommend active membership to New England industry as well as labor. May your dedication to the promotion of world trade in New England come to an early fruition.

Founder members of the World Trade Center in New England include American Airlines, Bethlehem Steel Co., Boston Edison Co., Boston Insurance Co., Boston Tide-water Terminals, Inc., Godfrey L. Cabot, Inc., Colonial Tanning Co., Converse Rubber Co., Cronin, Gartland Co., Eastern Gas and Fuel Associates, Emery Russell & Goodrich, Wm. Filene's Sons Co., First National Bank of Boston, "Boston Globe," Jordan Marsh, Arthur Little, Massachusetts Business Development Corp., Massachusetts State C. I. O. Council, Merchants National Bank of Boston, National Shawmut Bank of Boston, New England Council, New York, New Haven & Hartford Railroad, Norton-Behr-Manning Overseas Inc., Obriion Russell & Co., John C. Paige & Co., Ropes, Gray, Best, Coolidge & Rugg, Sears Roebuck & Co., C. H. Sprague, Hotel Statler, U Drive it Rental Co., United Fruit Co., United Shoe Machinery Corp., Waterfront Service Co., Wiggins Terminal.

#### OFFICERS.

RUFUS F. HALE, *President.*

RALPH W. BINNEY, *Vice President.*

STANDISH BRADFORD, *Secretary.*

There are seventeen directors serving the organization.

In the short period of three months the World Trade Center in New England Inc. has a staff of six who have undertaken the task of establishing an identity for New England products throughout the world with a flow of informative material sent abroad. Visitors from as far as Pakistan have been recipients of New England hospitality through the efforts of the World Trade Center, with resultant trade contacts. The Center is equipped to arrange personal contacts with foreign buyers and sellers. It has facilities and

services for New England businessmen to meet with foreign visitors, both commercial and diplomatic. An extensive directory on industrial and business activity and services is being prepared. Arrangements for greeting, guiding and complete reservation service will be undertaken especially for foreign visitors. Information on foreign tariffs, United States tariffs, currency regulations, United States trade agreements and opportunities for foreign investment will be available at all times.

The following services will also be offered members and visitors:

Arrange contacts with financial resources to aid in the development of world trade.

Public relations service is being maintained for the use of foreign and domestic organizations interested in foreign trade.

Facilities will be provided for the display and promotion of New England products.

Club and dining facilities will be provided for members and their guests.

Temporary offices and conference rooms will be available to New England industrialists and foreign delegations for the purpose of transacting business.

Bilingual secretarial services and interpreters will be provided.

Conferences will be arranged and conducted with agencies and principals of the United States government and other nations for the purpose of encouraging and stimulating world trade activities.

Pertinent information and world trade periodicals will be provided at all times to members and visitors.

Regional and local meetings designed to stimulate business interest in world trade activities will be sponsored.

Foreign trade missions to world market areas will be arranged by the organization.

Contact will be maintained with United States Embassies, Consulates and Agencies abroad; foreign and local Chambers of Commerce and Trade Agencies; with Commercial Counsellors in Foreign Trade; and with Commodity and Materials exchange and Foreign Trade departments.

#### INTERNATIONAL HOUSE IN NEW ORLEANS.

The world-famous trade and friendship center was founded in 1943 by a group of forward thinking New Orleans business leaders who envisioned a twentieth century concept

in World Trade. With outright contributions they bought a ten-story bank building in the heart of downtown New Orleans and converted the first four floors into dignified, tastefully appointed club and office facilities. They then announced the world's first, non-profit clearinghouse and meeting place for men engaged in international trade.

Visitors arriving in New Orleans to do business are given guest membership cards to International House, making available to them the gracious dining rooms, lounge, private office space complete with bilingual secretarial service, a world trade reference library with trained research staff, and guidance by experts in foreign trade, who also provide trade contracts and information on purchasing, selling and shipping.

The files at International House constitute a storehouse of trading information which is freely dispensed to businessmen here and abroad. The research library provides air mail and regular editions of many foreign newspapers and periodicals. A trained research staff helps solve problems that confront businessmen and provides information about potential markets.

Businessmen of New Orleans have organized to shout "Port of New Orleans!" to the world. This is being done with a sense of civic pride and co-operative community effort. The diligent efforts of this large group of civic-minded businessmen have proven to the world that an institution such as the International House has not only helped to increase the revenue and prestige of the Port of New Orleans, but has also contributed to world peace, trade and understanding.

President Dwight D. Eisenhower noted the value of International House when he stated:

If there exists a city in the United States which has grasped the significance of world trade, that city is New Orleans. International House is a majestic and tangible symbol of your understanding. It has become known all over this country and abroad as a successful clearing-house for healthy, two-way international trade. To me, it has even greater symbolism. It represents community action without government money — community action arising out of private thinking and local planning.

The founders of International House have caught the vision of what a greatly expanded foreign commerce, with imports balancing exports, can mean, not only to a city but to an entire nation. In doing so, these leaders of International House have set an example that can have a powerful impact upon the economic thinking of the United States and of the world. In one year, 2,688 United States and foreign traders were assisted in negotiating sales. Example: International House showed Southern Coach Mfg. of Evergreen, Alabama, which had never exported, how to sell \$750,000 worth of buses to Colombia and Argentina.

Startling progress has been made in the past decade, but International House is looking to the future. Within the next few years New Orleans expects to have a new \$3 to \$5 million International House, International Mart and Cordell Hull Hall, a national memorial to the late Secretary of State who founded the "Good Neighbor Policy" which in spirit is International House.

It must be emphasized that it is "civic pride" and "community spirit" which make up International House, and not the brick and mortar which makes up the building. Since its inception, International House has assisted in 320,000 trade leads. The membership of this unique organization numbers 2,300. Dues, which make up the \$300,000 annual budget, are assessed on the following scale: Founder membership, which entails a \$1,000 building contribution, calls for a \$75 annual fee based on a life membership. Associate members are assessed \$200 annually. Sustaining members pay \$250. They are also entitled to have two associates at \$75 per year.

The initial investment in International House was \$500,000, which was raised through private subscription by people who did not look for profit out of their investment, but who were convinced that if New Orleans prospers they will prosper, so why not build the community assets with emphasis on world trade through the Port of New Orleans. At that time the Port was doing \$700,000,000 worth of business in 1954. Value of Foreign Commerce through the Port of New Orleans exceeded \$1,400,000,000. Inter-

national House receives much credit for the increased activities in the Port of New Orleans.

An interesting sidelight was brought out during the question period when the following reply was given to the question, "What brought on the community spirit in New Orleans?" New Orleans businessmen became community conscious when Mr. Warren Miller proposed public backing of the Sugar Bowl football classic. He received \$100 contributions from 33 public-spirited citizens to insure the success of the Sugar Bowl classic. That event now is considered the pride and joy of New Orleans. We were told that the same approach was used in getting subscriptions for International House. Here again community spirit is paying off handsomely.

#### INTERNATIONAL MART IN NEW ORLEANS.

International Trade Mart is also a non-profit, self-supported, civic-sponsored effort in the city of New Orleans. It is housed in a modern five-story building which is designed to provide an exposition place for goods in the world market as a direct buying and selling center. For example, in order to determine what goods were available, and whether or not they were suitable for his local market, a prospective buyer from Latin America or elsewhere formerly was obliged, before the creation of the International Trade Mart, to visit many areas throughout the United States. At the Mart he can now find displayed the goods of several score of competing manufacturers. Likewise, United States buyers may view the merchandise from Latin America and European countries and complete sales transactions without making extended trips outside the country.

The International Trade Mart was opened for business July 7, 1948, and while New Orleans itself is not a "buying" center for luxury goods, as compared to New York or Boston, the Mart is operating at capacity on the display side as an effective complement to the International House operation, including 800 different lines of products, and is having its effect in the over-all trade promotion effort of the port city.

The Mart embodies the finest features of modern architecture. The exterior presents an unbroken surface of gleaming masonry and glass. Inside, the Mart is a sparkling showcase, its corridors lined with thousands of feet of plate glass, behind which tenants maintain permanent displays of their products. Fluorescent lighting and year-round air conditioning make the Mart an all-weather wholesale shopping center under a single roof.

Products from all 48 States and 25 foreign countries are displayed in the Mart's showrooms — colorful evidence of this buying center's growing importance in both foreign and domestic commerce.

International Trade Mart was built at a cost of \$1,500,000. It opened in 1948, and since then rentals of space have made it self-supporting. We were informed during the visit that a New York investment house has purchased the building, and the Trade Mart is temporarily leasing all space until the proposed new International House and Trade Mart are built.

Items found in the Trade Mart ranged from bowling balls to bulldozers. The best in United States manufacturing is available to the foreign buyer.

To continue selling abroad, America must reciprocate by buying the products of other nations. International Trade Mart advocates a balanced foreign trade, matching our exports with purchases of foreign-made goods. Thus we find a wide variety of foreign imports; one sees ceramics from Holland, crystal from Bavaria, rugs and linens from Belgium, leather products from Cuba, china and toys from Japan, high fashioned apparel from France, machinery from Italy and West Germany, British Woolens, Dutch food-stuffs, Swiss watches, Canadian wood products, jewelry and silks from the Far East.

The Mart conducts public relation programs and advertising campaigns designed to increase the sale of foreign merchandise.

Although the primary interest to importers, distributors and larger retail buyers, the Mart attracts many visitors from all parts of the nation who purchase foreign samples which are on display.

The foreign centers in the Mart are those of Belgium, Italy, Holland, France, Cuba, Canada, West Germany, the Philippines, Japan, Switzerland, Great Britain and Puerto Rico.

#### OPERATION OF THE PORT OF NEW ORLEANS.

A seven-hour tour through the Port of New Orleans has convinced the Commission that proper public relations is the greatest attribute in selling the Port of New Orleans. Although the physical aspects of the Port do not compare to those of the Port of Boston, the citizens are Port conscious and every one is a salesman for the Port of New Orleans. The populace of New Orleans is convinced that their economic success depends on a prosperous port. The slogan seems to be "If the Port of New Orleans prospers" all of New Orleans and Louisiana benefit.

The administration of the Port of New Orleans is in the hands of a five-man Board of Commissioners. Upon the shoulders of these five men rests the responsibility for the operation of thirteen miles of wharves and thirty-five miles of developed water frontage. This operation is undertaken by approximately 975 employees, all hired by the Board of Commissioners.

The position of Commissioner for the Port of New Orleans is one of the most important and responsible posts in the State, since the port itself is the largest state agency in Louisiana. Board members, highly successful businessmen in private life, receive no salary or other remuneration for their services. More important, while they serve they may not engage in private business dealings of any kind with the port. Thus, a commissioner who heads an insurance company is prohibited by law from entering into any contract for insurance with the port on behalf of his company while he is in office. The effect has been to lift the administration of the port entirely out of politics and place its operation on a strict businesslike basis.

The Board holds business sessions the second and fourth Thursday of each month. It determines policy, recommends and puts into effect improvements, such as the new 7 million dollar grain elevator and new modern wharves.

Board members are appointed to five-year terms. When a term expires another commissioner is appointed so that terms are always staggered with one new commissioner each year. When a vacancy occurs on the Board, five of the leading commercial and business groups in the city of New Orleans are called upon to submit the names of two men for consideration as candidates. These organizations are the Chamber of Commerce of the New Orleans area, New Orleans Board of Trade, New Orleans Steamship Association, New Orleans Cotton Exchange, and the New Orleans Clearing House Association.

The ten names from these organizations are placed in the hands of the Board of Commissioners, which selects three of the ten, and these three are submitted to the Governor of Louisiana. By constitutional mandate the Governor must select one of the three to fill the post.

Thus, under this procedure, practiced since 1940, the Port of New Orleans assures itself of commissioners of high integrity, with wide backgrounds in business and executive leadership.

Since its inception, the Port of New Orleans has been a state agency. But it was not always run by the State. The present Board of Commissioners was first formed in 1896. Prior to that time the city of New Orleans was the port's administrator. But as the nation grew and expanded, the Port of New Orleans — its position at the gateway of the great Mississippi Valley region a natural one for the encouragement of world trade — also grew and expanded. The city of New Orleans found itself unable to cope with the myriad problems of the administration of the growing young giant. Wharves fell into disrepair. Dock and wharfage charges were excessive. And so the port was placed under the administration of the State.

The Board encouraged, and continues to encourage, extensive private development on the river front. While it pursues a policy of allowing no competition with the State in the wharfinger business, it does not compete in any manner with private industry in cargo-handling. The State does not cross the line of private water-front enterprise and

will not handle cargo, hire stevedores or engage in freight forwarding.

The port divides itself into ten main departments. Over these departments and their functions is the General Manager, who is directly responsible to the Board. Those ten department heads who are responsible to the General Manager include the Director of Commerce, Director of Publicity, Chief Engineer, Director of Personnel, Superintendent of Docks, Auditor, Director of Industrial Facilities, Manager of Foreign Trade Zone No. 2 and the Public Commodity Warehouse, Director of Services and the Manager of the Public Grain Elevator.

The office of General Manager incorporates an assistant general manager. In a separate division but within the executive offices is the Board's general counsel, with a complete staff of legal experts.

By far the largest department, engineering, employs over 400 people. It maintains the wharves and buildings, the Industrial Canal, along which is located over \$50 millions in industries, the harbor fire tug "Deluge," the inspection yacht "Good Neighbor," and all other mechanical equipment. It supervises all construction of wharves and buildings when contracts are let to private companies, and is currently engaged in overseeing the port's \$25 million expansion and improvement program. The port, incidentally, is paying the cost of that expansion program out of current revenues and is floating no bonds or loans.

The Publicity Department is in charge of public relations for the port. It handles press releases sent out weekly to all forms of media, is responsible for advertisements with magazines and newspapers, publishes a monthly magazine circulated to 8,500 persons around the world, devoted to all phases of the shipping world. It prepares and distributes brochures and pamphlets outlining and explaining the port and its functions. It also handles employee relations and publishes a monthly employee magazine. The Publicity Department is often called upon to represent the port at important business functions on goodwill tours to foreign countries. It also represents the port in important business

sessions with other organizations, such as International House, International Trade Mart, and the Chamber of Commerce of the New Orleans area. Such business sessions would include, for example, a detailed itinerary for an important dignitary visiting the city, and complete arrangements for escorting him to important points of interest around the city.

The Services Department is responsible for all purchases, distribution and use of port automobiles and trucks, Board insurance, mailing room and oversees distribution and handling of stores.

The Docks Department oversees the charging of wharfage and other fees, assigns ships to berths, directs the harbor police force of 44 patrolmen, and is responsible for the cleanliness of all wharves.

The port's Commerce Department promotes trade through New Orleans. Its responsibility is a "selling" proposition and its representatives range over the country on behalf of the port. It has four interior offices—in New York, St. Louis, Washington and Chicago—and maintains a southeastern representative in New Orleans who covers the southeast portion of the United States. Its Latin-American representative travels extensively through all Latin American countries. The Commerce Department also includes a traffic division and statistics office.

The Accounting Department is in charge of the Board's books, handles all accounts and auditing, recording all financial operations of the port.

Foreign Trade Zone No. 2 is maintained and operated by the Board and overseen by U. S. Customs authorities.

Public Commodity Warehouse is the facility where the Board provides necessary space for cargoes which need temporary storage or special attention prior to shipment.

The public grain elevator, with a capacity over 5,000,000 bushels, handles the mid-continent's major agricultural product. The port has just finished doubling the capacity of this elevator.

Personnel is in charge of hiring, transferring and separating employees, as well as keeping all employee records.

The office of Industrial Facilities is responsible for the

commercial development of port facilities. It assigns land along port property to firms or individuals for the purpose of developing the industrial life of the city and the port. A good example is the outlay of industry located along the Industrial Canal, which includes ship repair yards, shipbuilding firms, a cement manufacturing plant, steel companies and many others.

The Port of New Orleans feels this type of executive and administrative set-up is best fitted to its needs. Under such an administration the port has grown, extended and modernized its facilities, and profited. It is second in the nation in dollar volume, one of two ports in the nation handling over a billion dollars a year in cargo. It is first in efficiency, least costly in the nation's wharfinger business, and has the lowest insurance rates in the country.

In terms of cargo, it is number one in the nation in exports of wheat flour, corn and soybeans, number two in cotton, agricultural machinery and brick and tile. It tops the nation in imports of molasses, burlap and bagging and jute, sisal, etc., is second in bananas, coffee and sugar. It is second in the number of freight cars unloaded for export at its wharves.

The port is served by over 80 steamship companies, with approximately 4,000 ships a year arriving and sailing from its wharves. It has 11 rail lines, with nearly 50,000 miles of trackage to all parts of the country, and is serviced by eight major airlines, 46 motor freight lines, and over 50 barge lines.

Under the aggressive and forward-looking policies of the Board of Commissioners, the Port of New Orleans expects to keep and exceed these present records.

#### CONCLUSIONS.

The Commission has listed the advantages and disadvantages of a foreign trade zone and submits a history of zone operations in this country. The new Port of Boston Authority could well decide the merits of the establishment of a foreign trade zone at some future date. The Commission does not recommend the establishment of such a zone for Boston or New Bedford at this time.

Our Commission is convinced that this newly created World Trade Center in New England will have a powerful impact upon the economic thinking here and abroad. Without depending on state and government subsidy, this new organization can rekindle the civic and sectional pride of New England and foster international trade and understanding on a "good neighbor policy." International House is the pride and joy of New Orleans. World Trade Center, Inc., of New England offers such an outstanding potential that we cannot urge New Englanders strongly enough to get behind this movement which needs the fullest in co-operative effort in order to succeed.

After studying all aspects of the International House at New Orleans, the Commission is convinced that the establishment of a World Trade Center in New England will contribute much in restoring the Port of Boston to a position of significance in the export-import commerce of the world.

In regard to the International Mart the Commission feels that there is a great potential in the International Mart, and is convinced that the success of the World Trade Center in New England, Inc., will lead to the formulation of an International Mart patterned after the New Orleans successful operation.

The Commission feels that the creation of the Massachusetts Port Authority, which is pending before the present session of the Legislature, precludes further consideration of this subject at this time. It is convinced, however, that a program of public relations, with a viewpoint of getting New England Port of Boston conscious, would assist in getting the Port of Boston back into the position of leadership, which it previously enjoyed.

Respectfully submitted,

CHARLES J. INNES,

*Chairman.*

CORNELIUS F. KIERNAN,

*Vice-Chairman.*

JOSEPH F. GIBNEY.

STEPHEN T. CHMURA.

WILLIAM H. FINNEGAN.

BELDEN G. BLY, JR.

## APPENDIX A.

## PROPOSED LEGISLATION.

**The Commonwealth of Massachusetts**

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In the Year One Thousand Nine Hundred and Fifty-Six.

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RESOLVE REVIVING AND CONTINUING THE SPECIAL COMMISSION ESTABLISHED TO STUDY CERTAIN MATTERS PERTAINING TO THE INDUSTRIAL AND ECONOMIC DEVELOPMENT AND PROSPERITY OF THE COMMONWEALTH.

1    *Resolved*, That chapter ninety-six of the resolves of  
2 nineteen hundred and fifty-five, revived and continued  
3 by chapter eighteen of the resolves of nineteen hundred  
4 and fifty-six, to investigate and study certain matters  
5 pertaining to the industrial and economic development  
6 and property of the commonwealth, is hereby further  
7 revived and continued for the purpose of continuing its  
8 investigation and study relative to the matters referred  
9 to it.

10   Said commission shall be provided with quarters in  
11 the state house or elsewhere, may hold hearings, may  
12 require by summons the attendance and testimony of  
13 witnesses and the production of books and papers; may  
14 travel within and without the commonwealth and may  
15 expend for legal, clerical and other assistance, and for  
16 expenses, such sums as may be appropriated therefor,  
17 including any unexpended balances of the amount ap-  
18 propriated by item 0256-12 of section                 of chap-  
19 ter                 of the acts of nineteen hundred and fifty-  
20 five.

21   Said commission shall report fully to the general court  
22 by filing the same with the clerk of the senate on or be-  
23 fore the first Wednesday in January, nineteen hundred  
24 and fifty-seven, including in its report drafts of any  
25 legislation recommended by it.





