

Port Development in Alabama

ANY STATE possessing a deep-water harbor is naturally likely to feel that, in such a possession, it has a potentially important economic asset. As a consequence, the state may be tempted to expend public funds in large amounts for port development. The expenditures may prove to be justified in some cases; the reverse may be true in others. At all events, states that are now interested in planning such projects may profitably consider the conditions under which Alabama has attained success in this respect.

Many years of planning preceded the finally successful efforts of the state to develop the Alabama State Docks, at Mobile. Legislation to authorize state improvement of the port was initiated in 1915. A declaration of Congress in the 1919 rivers and harbors appropriations act that public funds should be withheld from ports that did not provide adequate terminal facilities, open to all on equal terms, gave impetus to the movement. During the next year, however, an attempt of the state to obtain the right of developing the port by building docks and terminal facilities was defeated by the voters.

Conditions in 1922

A survey was made of the port in 1922 by the United States Army Corps of Engineers. The survey revealed the existence of some 32 piers and wharves owned by the city, by the Government, and by various railroads and private terminal companies. Of these, the railroad-owned piers were by far the most important. Although the railroad docks were adapted to the purpose for which they were intended at the time of their original construction and were suitable for handling low-grade freight, they were rapidly becoming obsolete and unsuited to the use of larger ships. Usually, no one of them was sufficient for the berthing of more than one ship at a time, and the slips between them were frequently so narrow that it was impossible to berth two steamers at adjacent piers with proper regard for navigation and for bunkering from barges alongside.

Not only was the port of Mobile hampered by a system of docks incapable of handling any large increase in exports and imports, but it was also hindered, as the army engineers' report showed, by a lack of warehouse and storage facilities at shipside. Such facilities are very important because they make possible the classification and proper assemblage of cargo, prior to its being loaded in vessels, and thus save the cost and inconvenience of storing cargo in railroad cars. In view of these handicaps, the army engineers strongly recommended the improvement of the docks. Improvement was necessary, according to their report, if Mobile was to offer better service to the nation, and especially to the shippers in the territory naturally tributary to the port.

It was also clear that unless the docks were rebuilt by some agency or other they could obtain no benefit of Federal appropriations for harbors. That the state rather than private capital had to provide modern port facilities was a necessity of the existing situation. The city was financially unable to carry out a project of such magnitude. The railroad docks had typically been operated at a loss and primarily in the interest of the roads' line-haul traffic. Just emerging, as they were, from Federal control during World War I, the rail-

roads had little inclination to expend large sums for the modernization and improvement of their docks property. Because of the competition of the railroad docks that were being operated at a loss, private terminal companies could ill afford further investment of this kind. The only interested body remaining that could carry out the recommendations of Congress and of the army engineers was the state of Alabama.

At the behest of Governor Kilby, the state legislature submitted to the people in 1922 a constitutional amendment, which they ratified, authorizing the state to engage in the work of port development and to lend its credit for such a purpose. An enabling act was passed in 1923. This act gave force to the amendment and authorized the state to finance the project by selling 50-year noncallable bonds that were to bear interest at not more than 5 per cent and that were, in a total amount, not to exceed 10 million dollars. The full faith and credit of the state was pledged to the payment of interest and principal on these bonds. The administration of the docks was placed in the hands of a three-man commission appointed by the governor.

Conditions in 1928

Spectators at the formal opening of the docks in 1928 saw the modern and improved docks, warehouses, and terminal facilities that were being rapidly completed under state auspices. These facilities have subsequently been expanded until the whole project now comprises more than 500 acres of land and three 1600-foot piers with a capacity for berthing 22 vessels at one time.

It also includes 42 acres of fireproof, covered warehouse and storage space at shipside, with additional space for open storage in the immediate vicinity. It embraces an extremely flexible coal and bulk-material handling plant capable of loading 600 tons of coal, or similar cargo, per hour into outbound ships and unloading 900 tons of inbound bulk materials per hour and, in addition, a terminal railway equipped with appropriate rolling stock, which makes connections with the docks and with all railroads entering Mobile. A cold-storage plant and large fruit shed, a shipside bonded cotton warehouse with a high-density cotton compress, and an industrial canal with sites for industries are other integral parts of the project. Finally, an adequate complement of modern and efficient mechanical equipment facilitates the handling of cargo in its movement to and from ships.

That the state of Alabama achieved a large measure of success in this enterprise is attested by the rapid progress of the state docks toward a self-sustaining position. From the first, they have been able, out of earnings, to pay operating expenses and to provide for additions and betterments, while paying substantial sums toward interest up to the fiscal year beginning in 1936. Since fiscal 1936, the docks have paid current interest charges on outstanding bonds in full; since 1939, they have charged full depreciation on their books; and, in 1943, they shared equally with the state in the burden of bond retirements. Net earnings in 1943 from original and leased units amounted to \$567,326 on an original investment of 10 million dollars.

All of this was achieved, moreover, during a period in

which the most disastrous economic collapse in modern times occurred; when some of the recovery measures, such as the restriction of cotton production, affected the docks adversely; and when United States neutrality legislation in the prewar period blacked out one foreign trade area after another.

Alabama's experience in port development leads to certain conclusions concerning the factors that are important to the success of such an enterprise.

Requirements for Success

As it does in any business, the success or failure of a port development project under public auspices depends in part upon the quality of the personnel both at the administrative and operating levels. In its personnel, the Alabama State Docks has been particularly fortunate. The project made a good beginning with the appointment of General William L. Sibert as chairman of the commission in November 1923. General Sibert was an engineer who had distinguished himself as a cobuilder of the Panama Canal, and the technical excellence of the state docks is to a large degree the result of his professional competence and vision. Furthermore, the state docks commission has invariably been manned by men of outstanding business capability and public spirit, so that the project has had the advantage of the same sort of ability so necessary for the success of a private business.

Not only is competence a necessary attribute of the commissioners, but both vigilance and diligence as well as competence are necessary characteristics of the men who assist in carrying on the day-to-day operation of the docks and terminals. Vigilance is necessary to protect the state's investment from loss of value arising from discriminatory and other harmful competitive practices at other ports and by other competing docks or terminal operators. Diligence is needed to keep the advantages of the port and its facilities before shippers and to create tonnage for the port by encouraging the growth of tonnage-producing or tonnage-consuming industries within the area. In this field, the success of the state docks is witnessed by the attraction of paper, aluminum, and chemical plants together with a number of satellite industries to the neighborhood of the docks, if not immediately on state docks property.

Success in a state project, such as a port development, depends, however, not only on the quality of the personnel but also on the way in which the business is organized. In the Alabama case, the original form of administration, that of the three-man commission appointed by the governor, extended from 1923 to 1927. The commission was then made a self-perpetuating body, and it retained this status up to 1935. From 1935 to 1939, the commission was again made appointive by the governor, but, from 1939 to the present, the conduct of the state's port facilities has been lodged in a state department under a director responsible to the governor, with the commission being given only an advisory function to perform.

Certain obvious defects are inherent in the commission form of administration. Where a commission is appointive, it can easily become a haven for political favorites. Where it is a self-perpetuating body, it can easily fall into the hands of a coterie of personal friends. In any event, the possibility of divided counsels is always present in a commission, and this condition may prove a hindrance to carrying out a consistent policy with dispatch. The departmental form of organization

coupled with the merit system solves most of these difficulties. That the state docks escaped the pitfalls of the commission form of organization before the departmental form had finally been achieved was a matter of good fortune.

The type of financing also has something to do with the successful conduct of any business, public or private. Alabama made what some authorities consider its most serious mistake with respect to the docks when it made its bonds non-callable. The effect of that particular provision was later to prevent the administrators of the docks from lightening the burden of interest charges by refunding operations when rates of interest were low. Thus, although the financial record of the docks has been good, it might have been better if the commission could have taken advantage of the falling interest rates.

By far, the most important condition of success for any business, however, is the general economic context in which that business must function. The existing context is particularly important to an enterprise, such as a port, the demand for whose facilities is ultimately derived from the supply and demand for the commodities that use the facilities. Whether or not any particular docks-and-terminals project is economically justified depends, therefore, on the long-run dimensions of foreign trade. More specifically, the project depends upon the fraction of such trade that may reasonably be expected to flow through the port. This dependence means that the location of the port with reference to sources of potential tonnage is of vital importance to the success of the enterprise.

Location Advantage

The Alabama State Docks have had the advantage of being located at a port to which a large tonnage-producing area had favorable freight rates. This area, in which Mobile has a freight-rate advantage over other ports, is bounded by a line running northward in Alabama just west of the Florida border, then northeast to Montgomery and West Point, thence in a more northerly direction to a point just west of Atlanta. From there the line swings northwest to Athens, Alabama, and then in a long arc southwest and then southeast, biting into eastern Mississippi and ending at the Gulf just east of Pascagoula. The heart of this area is the Birmingham-Anniston industrial region. Of the total outbound and inbound tonnage handled over the state's facilities in 1940, 40.8 per cent came from the Birmingham district or went to it, and 68 per cent originated in or was destined for points in the state of Alabama.

In the last year before World War II began to exercise its full effect, 1939, 30 per cent of the total outbound tonnage handled over the state's facilities consisted of iron and steel articles, pipe and fittings, pig iron and junk. Fifteen per cent of such tonnage consisted of bunker and cargo coal and coke; 19 per cent consisted of lumber, logs, ties, timber, and woodenware. The overwhelming influence of the coal and iron industries, as well as that of the state's lumber industry, is apparent.

The total inbound tonnage handled over the state's facilities in 1939 contained 56 per cent of bauxite ore and manganese ore; 13 per cent consisted of petroleum and its products. Seemingly, the predominant contributors to the inbound traffic were the aluminum industry and the iron and steel industry.

During the period 1916-20, blackstrap molasses for use in the manufacture of cattle feed had constituted 36.8 per cent of the imports and bananas 21.7 per cent, whereas lumber, iron, steel, and coal accounted for 70.8 per cent of the exports. Thus has come about a significant change in the character of imports, with the metal industries exercising a much more important influence percentagewise than they did in 1916-20. Largely because of the assiduous efforts of the state docks personnel in developing other cargo, the position

COMPLETE STUDY

A much more complete and detailed account of the Alabama State Docks will shortly be made available by this Bank in printed pamphlet form. The number of copies will be limited, and for the most part they will be sent out only upon specific request.

of the metal industries, coal, and lumber in this respect had declined somewhat in 1939, compared with that in the earlier period.

Although the responsible personnel of the state docks have done much to expand the area served by the port of Mobile and to vary the traffic going through the port, the coal, metals, and lumber industries continue to provide the bulk of the business. Without these industries in the immediate background, the Alabama State Docks project would hardly have been economically justified on anything like its present scale.

Widespread Benefits

Benefits arising from the favorable position of the state docks in relation to their industrial hinterland have accrued both to the city of Mobile and to diverse interests throughout the state. Even though not always measurable in statistical terms, such benefits are nevertheless real. The city of Mobile has profited from the increase in steamship services that followed the building of the docks. Between 1924 and 1928, 20 steamship lines provided regular service at Mobile. As of April 6, 1939, 37 lines were giving regular service and 32 were giving irregular service to the port. Such an increase in steamship service involves large expenditures for fueling, chandlery, repairs, and other services to ships in port. These expenditures go far to stimulate the commercial life of the city.

The state also profits by the industries that have been attracted by the docks—industries that furnish to some extent markets for the products of Alabama farms and factories and also provide employment for considerable numbers of citizens of the state. All parties in Alabama agree as to the reality of such benefits. The possibility of achieving them, however, rests, as has been said, upon the peculiarly favorable location of the docks with respect to the Birmingham industrial region.

Southern states contemplating port development in the post-war period should bear in mind that the Alabama experience may not necessarily be duplicated elsewhere, for the simple reason that the Birmingham industrial region is not duplicated elsewhere in the South. Upon the presence of such an area, the success of an enterprise of this type depends to a very great extent.

EARLE L. RAUBER

Sixth District Statistics

WHOLESALE SALES AND INVENTORIES—OCTOBER 1944						
	SALES Percent Change from			INVENTORIES Percent Change from		
	No. of Firms	Sept. 1944	Oct. 1943	No. of Firms	Sept. 1944	Oct. 1943
Automotive Supplies.....	10	+ 0	+ 13	8	— 2	+ 11
Clothing.....	3	+ 34	+ 7	..	.....	.....
Drugs and Sundries.....	6	+ 6	+ 10	..	.....	.....
Dry Goods.....	11	— 9	+ 2	5	— 11	— 5
Electrical Goods.....	4	+ 9	+ 12	3	— 1	+ 28
Fresh Fruits and Vegetables.....	6	+ 6	+ 3	..	.....	.....
Farm Supplies.....	3	+ 16	+ 12	..	.....	.....
Confectionery.....	6	+ 5	+ 12	..	.....	.....
Groceries—Full Line Wholesalers.....	35	+ 2	— 3	16	+ 3	— 9
Groceries—Specialty Line Wholesalers.....	12	+ 6	+ 10	4	.....	.....
Beer.....	4	— 8	— 24	..	.....	.....
Hardware—General Hardware.....	12	+ 6	+ 4	4	— 3	+ 7
Hardware—Industrial Supplies.....	7	+ 7	+ 19	3	+ 1	+ 7
Lumber and Building Materials.....	4	— 10	— 10	..	.....	.....
Paper Products.....	3	+ 1	— 9	..	.....	.....
Tobacco Products.....	9	— 5	— 10	4	— 3	— 13
Miscellaneous.....	14	+ 8	— 0	16	— 9	— 18
Total.....	149	+ 3	+ 2	63	— 3	— 5

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)					
Area	Oct. 1944	Sept. 1944	Oct. 1943	Per Cent Change Oct. 1944 from	
				Sept. 1944	Oct. 1943
ALABAMA					
Anniston.....	18,549	19,626	15,082	— 5	+ 23
Birmingham.....	189,721	187,777	178,423	+ 1	+ 6
Dothan.....	10,198	7,641	10,003	+ 33	+ 2
Gadsden.....	12,009	11,555	10,669	+ 4	+ 13
Mobile.....	123,301	122,170	113,135	+ 1	+ 9
Montgomery.....	43,505	38,494	40,493	+ 13	+ 7
FLORIDA					
Jacksonville.....	157,698	158,049	151,279	— 0	+ 4
Miami.....	108,934	104,131	96,177	+ 5	+ 13
Greater Miami*.....	145,009	137,438	119,554	+ 6	+ 21
Orlando.....	23,402	23,453	23,175	— 0	+ 1
Pensacola.....	22,954	24,366	21,546	— 6	+ 6
St. Petersburg.....	22,405	20,431	18,284	+ 10	+ 23
Tampa.....	69,261	71,002	73,072	— 2	— 5
GEORGIA					
Albany.....	10,905	8,907	10,159	+ 22	+ 7
Atlanta.....	492,184	462,732	468,591	+ 6	+ 5
Augusta.....	35,286	34,108	38,184	+ 3	— 8
Brunswick.....	13,010	13,888	16,697	— 6	— 22
Columbus.....	34,409	32,779	35,182	+ 5	— 2
Elberton.....	2,471	2,105	2,245	+ 17	+ 10
Macon.....	46,366	43,828	41,571	+ 6	+ 12
Newnan.....	5,318	4,483	4,927	+ 19	+ 8
Savannah.....	86,001	90,831	77,466	— 5	+ 11
Valdosta.....	6,905	7,124	7,159	— 3	— 4
LOUISIANA					
Baton Rouge.....	42,154	37,562	38,761	+ 12	+ 9
Lake Charles.....	15,803	16,391	20,579	— 4	— 23
New Orleans.....	450,468	444,240	406,731	+ 1	+ 11
MISSISSIPPI					
Hattiesburg.....	13,511	13,742	12,606	— 2	+ 7
Jackson.....	52,877	56,270	50,472	— 6	+ 5
Meridian.....	18,529	17,390	16,523	+ 7	+ 12
Vicksburg.....	23,598	18,715	26,813	+ 26	— 12
TENNESSEE					
Chattanooga.....	83,533	82,084	84,470	+ 2	— 1
Knoxville.....	109,218	108,279	80,055	+ 1	+ 36
Nashville.....	174,656	172,509	168,093	+ 1	+ 4
SIXTH DISTRICT					
32 Cities.....	2,519,119	2,456,662	2,358,722	+ 3	+ 7
UNITED STATES					
334 Cities.....	73,861,000	70,389,000	66,266,000	+ 5	+ 11
* Not included in totals					