***17 T.C. 1325 (1952)***

For purposes of the Renegotiation Act, the determination of whether a contract is 'with' a government department depends on whether the government intended to be a contracting party, not merely whether it facilitated the contract or provided the funds.

**Summary**

California Eastern Line, Inc. sought a redetermination of excessive profits imposed by the Maritime Commission under the Renegotiation Act. The dispute centered on a space charter agreement between the petitioner and the British Ministry of War Transport, financed by Lend-Lease funds through the Commission. The Tax Court ruled that the charter was not a contract with the Maritime Commission, as the Commission was not a party to the agreement. Therefore, the profits were not subject to renegotiation under the Act because the contract was with a foreign government, not a U.S. Department as defined in the Act.

**Facts**

In 1941, amidst growing national defense needs, President Roosevelt directed the Maritime Commission to secure sufficient merchant shipping. The British Purchasing Commission needed ships to transport war supplies to North Africa under the Lend-Lease program. The Maritime Commission negotiated with American shipowners, including California Eastern Line, Inc., for vessels to serve the Red Sea. These negotiations led to a 'space charter' agreement for the S.S. Vermont between California Eastern Line, Inc., and the British Ministry of War Transport. The Maritime Commission approved the charter form, but the actual charter was between the shipowner and the British Ministry. The Commission paid the shipowner with Lend-Lease funds.

**Procedural History**

The Maritime Commission determined that California Eastern Line, Inc., earned excessive profits under the charter agreement and ordered a renegotiation. The Tax Court severed the issue of whether the contract was subject to renegotiation. The Tax Court found in favor of California Eastern Line, holding that the charter was not a contract with a U.S. Department as defined in the Renegotiation Act.

**Issue(s)**

Whether the space charter agreement between California Eastern Line, Inc., and the British Ministry of War Transport constituted a contract

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