An analysis of labor costs in the United States Merchant Marine

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THESIS

An Analysis of Labor Costs
in the
United States Merchant Marine

by
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CHAPTER I

THE PROBLEM AND ITS IMPORTANCE TO THE NATION

Along the waterfront of continental United States to the Panama Canal, the American Merchant Marine has been classified as a "sick" industry. It is considered uneconomic because of its dependence upon government subsidies to offset the cost disadvantages experienced in competition with foreign-flag operators. One salient determinant of this cost disadvantage is the level of wages paid to American seamen, a level which critics usually claim is the result of unrealistic actions on the part of seamen's unions. In this area, the divergent interests of labor and management have motivated the publication of conflicting opinions, a condition which is not unusual in the dynamic labor market of our economy. The preparation of this paper has been influenced by the author's 17 years of experienced as an arbiter of disputes American seamen and masters of vessels of the United States.

STATEMENT OF THE PROBLEM

The purpose of this thesis is to analyze the maritime labor costs in connection with their effects on the industry by three methods of approach: first, to explore the extent of the costs supported by the subsidization policy of the United States Government; second, to evaluate the justifications offered by seamen's unions in support of the wage levels attained by their efforts; and third, to appraise the claims of management in relation to the other two.
THE IMPORTANCE OF THE MARITIME INDUSTRY TO THE NATION

As part of our national defense. The history of the United States as well as other maritime nations is replete with irrefutable proofs that a fleet of merchant ships is necessary to furnish the vital supply lines for army and air force bases overseas and to support the navy in its task of defending these supply lines. A review of our history provides substantial evidence for unqualified support of an adequate merchant marine to complement our navy in maintaining the security necessary for our foreign commerce: the role of merchant vessels in the war for independence; their value again in the turmoil of 1812, directing their efforts to maintain our independence; their subsequent decline, and the feverish shipbuilding to satisfy the needs of World War I; a repetition of decline and hasty rebuilding to successfully participate in World War II; and finally, their heavy use during the Korean police action of the United Nations. We have learned costly lessons from past wars. No longer is sheer manpower the criterion for victory. More important is vital war materiel, but it must be on hand at the precise moment when needed. For this crucial timing, no substitute has been devised for a fleet of transoceanic freighters and tankers despite the recognized advances in aviation. We must also face the problem of preparedness; since the advent of the Atomic Age, we can no longer expect to have such breathing spells for rebuilding in time to achieve victory.

The past is well defended. Now, what is the attitude of our national leaders concerning the present and the future of the American
Merchant Marine? Navy Secretary Thomas S. Gates, Jr., stated the position of the Pentagon before the House Marine Committee on July 19, 1957, "A large, modern and well balanced American Merchant Marine is positively vital to our national defense planning... Without it, neither the military effort nor the war economy could be supported."

Senator William F. Knowland, Republican from California, supported the Secretary of the Navy in his speech, representing the legislative opinion, to leaders of the industry at Rockefeller Plaza in New York City on May 25, 1957, "The American Merchant Marine is the fourth arm of this nation's defense, and in this day and age of continuing international crisis, it becomes more important than ever before in our maritime history that we permit no weaknesses in the defense of our country to occur."

As part of our economy. Table I reflects one phase of the importance of the American Merchant Marine to our economy during 1950. It reveals that subsidized operators paid $120,964,000 for direct employment and $225,661,000 for indirect employment, a total of $346,625,000 for this year. This expenditure, which is fostered by the government, serves to stimulate other industries as well as the maritime industry. As one example, it has been estimated that the annual cost of meals served to both passenger ships and freighters totaled approximately $55,000,000. Nor is the subsidy a non-revenue outlay on the part of the government, for from Table I it has been estimated

* 33, p. 2
**67, p. 58M
### TABLE I

**DISBURSEMENT AND EMPLOYMENT**

**IN SUBSIDIZED LINES OF THE AMERICAN MERCHANT MARINE**

**DURING 1950**

<table>
<thead>
<tr>
<th>Amount of Disbursements</th>
<th>Direct and Indirect Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct Employment:</td>
</tr>
<tr>
<td></td>
<td>Domestic salaries and wages paid to:</td>
</tr>
<tr>
<td></td>
<td>1. Administrative type personnel 20,175,000</td>
</tr>
<tr>
<td></td>
<td>2. Seagoing                      88,507,000</td>
</tr>
<tr>
<td></td>
<td>3. Longshoremen                  11,982,000</td>
</tr>
<tr>
<td></td>
<td><strong>Sub-total</strong>                   120,664,000</td>
</tr>
<tr>
<td></td>
<td>Indirect Employment:</td>
</tr>
<tr>
<td></td>
<td>Domestic vessel expenditures, other than salaries and wages (as above) 179,263,000</td>
</tr>
<tr>
<td></td>
<td>Other domestic and miscellaneous expenditures 29,889,000</td>
</tr>
<tr>
<td></td>
<td>Capital expenditures            16,509,000</td>
</tr>
<tr>
<td></td>
<td><strong>Sub-total</strong>                   225,661,000</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong>                       346,625,000</td>
</tr>
</tbody>
</table>

that taxes on direct wages yield about $24,193,000 and on indirect wages approximately $41,830,400, a total return to the government of $66,023,400 for 1950.*

The above figures comprise the payment of wages to 95,500 persons utilized in direct and indirect employment by subsidized companies of the American Merchant Marine during 1950. In the annual report of the Maritime Administration for 1950, the American Merchant Marine was shown to consist of 10 subsidized companies and 10 non-subsidized companies. Only those companies operating vessels on 31 trade routes designated as essential by the Maritime Administration are eligible for operating subsidies. Hence the above wages, taxes, and payments to other industries may be doubled as an estimate of the total economic value of the maritime industry to our economy for this year.

In addition to the economic worth of seamen's wages, a proper evaluation of the effect of the maritime industry on the national economy should include the same consideration of wages and subsequent tax returns of the employees in the related shipbuilding and repairing industry. It will be noted in Table II that such employment reached a war-induced high of 354,100 employees in 1946, and that currently a decline is in effect from 267,200 employees in 1952 to 206,500 in 1955. Despite the decline, these totals add substantially to the approximate 96,000 annual total of persons employed in 1950 shown in Table I, affording wages and tax returns from approximately 300,000 persons.

* 16, p. 27-28
### TABLE II

MONTHLY AVERAGE NUMBER OF EMPLOYEES IN THE

SHIPBUILDING AND REPAIRING INDUSTRY OF THE

UNITED STATES, 1946-55

(In Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Private Yards</th>
<th>New Yards</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>354.1</td>
<td>210.0</td>
<td>144.1</td>
</tr>
<tr>
<td>1947</td>
<td>224.0</td>
<td>137.3</td>
<td>86.6</td>
</tr>
<tr>
<td>1948</td>
<td>213.9</td>
<td>124.2</td>
<td>89.7</td>
</tr>
<tr>
<td>1949</td>
<td>171.8</td>
<td>88.1</td>
<td>83.7</td>
</tr>
<tr>
<td>1950</td>
<td>145.7</td>
<td>72.0</td>
<td>73.6</td>
</tr>
<tr>
<td>1951</td>
<td>223.2</td>
<td>102.2</td>
<td>121.2</td>
</tr>
<tr>
<td>1952</td>
<td>267.6</td>
<td>134.2</td>
<td>133.4</td>
</tr>
<tr>
<td>1953</td>
<td>255.0</td>
<td>131.2</td>
<td>123.8</td>
</tr>
<tr>
<td>1954</td>
<td>218.3</td>
<td>108.4</td>
<td>109.8</td>
</tr>
<tr>
<td>1955</td>
<td>206.5</td>
<td>99.5</td>
<td>107.0</td>
</tr>
</tbody>
</table>

**Note:** The industry includes establishments primarily engaged in building and repairing all types of ships, barges, canal boats and lighters of 5 gross tons and over.

This approach may be more readily evaluated for its economic importance by comparing the above group with other groups of unionized workers in the United States. The total of workers associated with the maritime industry compares favorable with the Amalgamated Clothing Workers Union which, by virtue of its 385,000 membership, ranks tenth in size among the labor unions of the United States.

The importance of the problem has been discussed on the premise that a part shares the value of the whole. Since the maritime industry is sick, its labor costs have a direct bearing upon its conditions of health. These costs influence the capacity of the industry and its subsequent value to our national defense and economy.

As the factors pertaining to the cost of labor are explored and developed in succeeding chapters, it should be held in mind that another critical movement affects the industry. It is experiencing a decline in relative size to the world tonnage. The active merchant fleet in 1957 was a smaller portion of the world's tonnage than it was in 1939; Table III shows a steady decline since 1952. This drop reflects the end of the stimuli provided by the Korean police action of the United Nations and the slowdown of the European recovery program. An indication of the effect of such world crisis may be obtained by the demand for shipping space in 1951 over that in 1950: A total of 82 million long tons of cargo was shipped overseas in 1951, an increase of 17 million tons over 1950. Despite increased exports ranging from 100 to 300 per cent to Great Britain and areas of Europe, demand continued to exceed
### TABLE III

**MERCHANT MARINE OF THE WORLD AND ACTIVE MERCHANT FLEET OF THE UNITED STATES, 1939, 1949-57**

(In Thousands of Deadweight Tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>World (minus u. s. Reserve Fleet)</th>
<th>U. S. Active Fleet</th>
<th>U. S. Active Fleet As Per Cent of World Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>57,500</td>
<td>7,365</td>
<td>12.8</td>
</tr>
<tr>
<td>1949</td>
<td>83,900</td>
<td>18,126</td>
<td>21.6</td>
</tr>
<tr>
<td>1950</td>
<td>83,446</td>
<td>14,673</td>
<td>17.6</td>
</tr>
<tr>
<td>1951</td>
<td>92,330</td>
<td>17,419</td>
<td>18.9</td>
</tr>
<tr>
<td>1952</td>
<td>95,113</td>
<td>18,520</td>
<td>19.5</td>
</tr>
<tr>
<td>1953</td>
<td>98,732</td>
<td>17,859</td>
<td>18.1</td>
</tr>
<tr>
<td>1954</td>
<td>102,496</td>
<td>16,487</td>
<td>16.1</td>
</tr>
<tr>
<td>1955</td>
<td>107,516</td>
<td>15,331</td>
<td>14.3</td>
</tr>
<tr>
<td>1956</td>
<td>113,558</td>
<td>13,694</td>
<td>12.1</td>
</tr>
<tr>
<td>1957</td>
<td>124,076</td>
<td>14,371</td>
<td>11.6</td>
</tr>
</tbody>
</table>

**Note:** Includes seagoing ships of 1,000 gross tons and over; excludes ships on the inland waterways, the Great Lakes, those owned by any military force, and special types, such as cable ships, tugs, etc.

production that year.* Susceptibility to world crises is apparent again; this thesis deals with labor costs in the wake of the turning point.

* 86, p. 4
CHAPTER II

A SURVEY OF THE SEAMAN

To young and uninitiated persons the seaman is a romantic individual similar to the American cowboy whose job is visualized as stimulating adventure distinctly apart from the hum-drum life confined to one spot on land. What could be more desirable than to call at distant and exciting ports of the world, have intimate contact with the nations and their people who share current newspaper headlines, and be paid for it?

HIS ENVIRONMENT

Beyond a doubt the American seaman has the best job among seafaring people. Since Senator Robert M. LaFollette, Sr., wrote into the 1915 Seaman's Act his rights and privileges and their subsequent expansion by progressive management and seamen's unions, his status changed from that of quasi-slavery to enjoyment of the highest standards of living among maritime workers.*

The fore-castle is designed with as much thought as the master's quarters to give him a clean, modern room complete with prescribed ventilation, lockers, bedding, toilet articles, and regularly changed linen. American-flag vessels also provide adequate lavatories, washrooms, and showers equipped with hot and cold fresh water.**

He has the finest of balanced diets offered in restaurant

* 29, p. 16
**57, p. 57-58
style; at each meal a menu lists choices of the main dish, vegetables, and beverages. Perishable items include fresh milk, fruit, and vegetables in sufficient quantities to last from port to port under normal care as well as adequate supplies of fruit juices and shore bread. All watches have coffee time and rest periods; extended overtime work warrants hot midnight lunches.*

Working hours are humane by all current standards. Eight hours in a spread of 9 constitute the working day for the deck and engine departments, while the stewards' department has a work day of 8 hours in a spread of 13. The work week runs from Monday to Friday; routine work performed on Saturday, Sunday, and holidays commands overtime compensation. Work other than routine brings in an overtime pay in addition to the overtime that the seaman receives for standing his regular sea watch.**

He enjoys the same 9 holidays as his fellow citizen ashore, as follows: New Year's Day, Lincoln's Birthday, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas. In the event that V.E. or V.J. days are declared national holidays, the list shall include them. When a holiday falls on Saturday or Sunday, in port or at sea, the following Monday becomes a designated holiday.***

Other working conditions exhibit the same rate of progress consistent with our high American standard of living. Safety while on

* 57, p. 37,38,43,71,98,106
***57, p. 55
and off duty is a condition of employment; navigation laws and working agreements both regulate fire and lifeboat drills. The United States Public Health Service provides free medical attention. Management assumes the responsibility for furnishing safe gear and working equipment.*

The basic pay and fringe benefits of the American seaman are the highest of all maritime nations. Chapter IV of this thesis deals with all particulars of seamen's wages.

It is not the intent of this thesis to deny equality of all the above factors with the seamen of other maritime nations. With the exception of remuneration, there are many equalities. Certainly, the modern ships of some foreign merchant marine services provide equally clean rooms and well-balanced meals. In fact, a different foreign merchant marine may exceed the others in each of several fringe benefits. For example, the Danish-flag J. Lauritsen Line employs a dentist for full-time travel from ship to ship where he repairs every tooth on board at no cost to the crew. But an analysis of all benefits with proper weight applied to the salient factor of wages will place the American seaman at the top of the group.

THE NATURE OF HIS EMPLOYMENT

The seaman's job is at best fluctuating in tenure, frustrating in family relationship, and confining in co-worker association.

Statistics place his earning power at an annual consistency of

* 57, p. 28
less than 7 months, while the industry itself provides less than 75,000 jobs. At June 30, 1957, the number of employed seamen on United States privately owned and operated ships of over 1,000 gross tons was 60,700. Voyage terminations present another disadvantage peculiar to the maritime industry. Each voyage must terminate because that is the mission of all personnel; however, each brings about the need to sign another set of shipping articles for employment during the next voyage, and each new agreement entails satisfying the physical requirements. The seaman must pass a medical examination before each voyage, and management has the right to reject him if the medical examiner decides he is unfit for employment. Few are the jobs in other industries that place their employees in such annual jeopardy. Then too, as he grows older, he becomes less capable of passing the numerous medical examinations. Normal physical deterioration and age act together to bring the seaman's earning power to an end.

In wartime the seaman is proud of his semi-military occupation. He is aware that armies and navies are successful only to the extent of the efficiency of their supply lines and that the American Merchant Marine serves in this capacity as the fourth ranking member of the armed forces during periods of war. But it is a tiresome and undesirable job that demands semi-military discipline during normal civilian operations in peacetime. It's one thing to be under orders of the boss during working hours and another to be answerable on free time. But that is

* 19, p. 120-21
** 85, p. 20
*** 57, p. 27
the lot of the seaman. The ship must not be delayed. He may be off watch in port, but he cannot go ashore for a movie, a drink, or other pleasure unless there is ample time before cargo or bunker operations are completed because the ship must sail without unnecessary delay. Certainly there are few jobs in other industries that are so demanding of an employee's free time.

Curtailed free time ashore frustrates officers and crew alike on many runs, particularly the effects of fast turnarounds in home ports on married seamen who wish to have a place in the lives of their young, growing children. After a long voyage of several months, the seaman feels that he is entitled to a layover of several weeks to become part of the family again. If he has worked 180 days in a spread of 360 consecutive days under the same union agreement, he is entitled to a vacation of 7 days. Working 270 consecutive days gives him a 10-day vacation. He earns 1½ days for working 360 consecutive days, while continuous duty of 360 days with one employer provides an additional 1½ days.* Vacation-wise the maximum benefit of 28 days a year for seamen who stay with one ship or one company compares favorable with shoreside jobs. But even the maximum benefits - and certainly the lesser ones - entail re-introduction to the young children after such lengthy absences.

In the case of regular runs, residence near the home port or regular port of call may mitigate the extended absences from the family. But these visits are limited in time to the hours necessary for turnaround because all forces of our competitive economy work to sail the

*57, p. 3
ship. Tied to a pier, a vessel is uneconomic. Tankers are notorious for short periods of time in port because pumps load or unload their liquid cargo in hours rather than days. Bulk ore carriers waste barely more time at their berths. Seamen of the Ore Steamship Company, a subsidiary of Bethlehem Steel Corporation, practically live at sea on the regular run between Sparrows Point, Maryland, and Cruz Grande, Chile. No shore leave is permitted in Cruz Grande because the 8,564-ton vessels are loaded under conveyor-fed bins in about 3 hours. Discharge of the bulk ore at Sparrows Point takes longer, from 3 to 4 days. These ships travel like clock-work because efficient management planning calls for the arrival of the bulk ore at the piers and the mills at prescribed intervals.

"It's like a steel prison," aptly put a mate on the SS CHILORE, describing his job to the Panama Canal Boarding Party.

Dry cargo vessels on regular foreign or intercoastal voyages require less confinement on board because this cargo takes longer for loading and unloading at all ports of call. But family life suffers. Seamen of the Santa ships of the Grace Line's regular 5-week run between New York and the West Coast of South America enjoy 2 or 3 days at home if they live near New York City. Part of this time is consumed in the pay-off and signing the shipping articles for the next voyage after the vessel is secure.

Family separation does not apply to all seamen. Youngsters, eager to see the world, go to sea before they marry and become aware of their unfavorable circumstances after a few years when the travel lure has dissolved. Confirmed bachelors see no hardship.
A salient characteristic of the seafarer's job is the close association with fellow workers. They must work, eat, and live together. Day after day while at sea on long trips they see no other faces. The conduct of each seaman intimately and directly affects the others. They must work closely as a team to bring the ship safely to its destination without costly delays. If one seaman neglects or refuses to perform his part of the assignment at sea, inevitably the others must take over the disregarded task to maintain efficient operation. This relationship constitutes, at the least, a strain on nerves.

THE HIRING HALL

The function of the hiring hall is to respond to the requests of ship operators for manning vessels. The seaman looks upon the hiring hall as the cornerstone of his working agreements and relies upon its operation to counteract the inequities of the characteristically casual employment of the maritime industry. He depends upon it to make fair and equitable distribution of work, stabilizing the industry in this respect. The seaman regards the operation of the hiring hall as a normal and proper function of his union which, for industries like construction and maritime, must be the exclusive source of manpower in order to distribute jobs on a share the work basis.*

When a seaman wishes to ship out, he registers with the hiring hall by exhibiting his Merchant Mariner's Document which is issued by the United States Coast Guard and bears his authorized rating. As the

* 1, p. 83
hiring hall supplies men for ships, he moves to the head of the list in
the order of his registration. This procedure is not necessary for
those who sign off a vessel and wish to rejoin within a few days upon
its immediate voyage because any seaman may elect to sail permanently on
a vessel of his liking. But for those who want extended time ashore
between trips, the hiring hall precludes the necessity of a constant
vigil at the waterfront to snare a vacancy or the former practice of a
kickback to a ship's officer or agent for a berth.

Seamen are no strangers to retaliatory blows of management to
any part of their domain, but the Taft-Hartley Act shook them like fore-
sails. In its legislative language aimed to outlaw the closed shop and
discrimination in hiring, it spelled out doom for the hiring hall. A
seaman eloquently pointed out the difference between the hiring hall and
a closed shop in a Senate hearing:

A factory can conceivably be operated without the closed
shop, without a hiring hall, but a ship is not a factory. A
ship is not a shop. A factory does not make an occasional
trip to Shanghai and back to New York... The men work in
the factory for a longer period of time. When one quits his
job the others remain. On a ship, most of the men quit at
the same time; that is, at the end of the voyage. They have
to quit if they are to remain anywhere normal mentally. When
the ship pays off, the men all pile off, and a new crew is
hired. If the maritime unions are to survive, they must con-
trol the hiring. When the ship docks and pays off, it must
be manned by union men, otherwise the union disappears from
that ship.*

Since October 11, 1947, the unions have continued to operate
and control the hiring hall under an informal compromise between the

* 90, p. 14
then president of the Seafarers International Union, Harry Lundeberg, and Senator Robert A. Taft, co-author of the law.*

The National Maritime Union also controls its hiring halls under a similar agreement which entails the elimination of union membership requirement in the employment section of its working agreement, as follows: "There shall be no discrimination because of race, creed, color, national origin, or membership or non-membership in the Union."**

The unions are not happy with this arrangement. They believe that the hiring halls, which are supported by union dues, should not be compelled to extend benefits to free riders. Since 1947 they have lobbied for legislation that will authorize the existence of the hiring hall as a recognized union prerogative, operated exclusively for union members.* So far, they have been unsuccessful.

* 30, p. 3
** 57, p. 26
CHAPTER III

THE POLICY OF THE UNITED STATES GOVERNMENT

Many countries adhere to the doctrine that a merchant marine is vital to a nation's economy and accordingly warrants support in the form of monopolies and subsidies. These countries include France, Finland, Greece, Portugal, Spain, and the U.S.S.R.* The British look upon foreign trade and shipping as a service and impetus to their other industries, a point of view which justifies their broad definition of the subsidy to their maritime industry in the form of aid, assistance, money, property, or subvention. The British reject the point of view that shipping is just another industry of the country and, as such, should receive only its share of public support. They believe that the maritime industry serves to benefit the entire British Empire and that its activity stimulates all British industries.**

The United States has concurred to some extent with this international policy over a period of years, stemming from a law passed in 1789 to allow a 10 per cent tariff discount on all goods imported on American-built and American-owned ships; later, the Ocean Mail Act of 1891 set forth subsidy payments to vessels transporting the mails. The Merchant Marine Act of 1920 again demonstrated national policy, applied to the problem of the large government-owned fleet of merchant ships on hand after World War I. This act put the government in the steamship

* 5, p. 112-13
** 9, p. 6-7
business, operating its merchant vessels on trade routes "desirable for the promotion, development, expansion, and maintenance of the foreign and coastwise trade of the United States and an adequate mail service."

As trade developed along these essential routes, the government offered the ships plus the business to private enterprise. The scarcity of response indicated that additional government support was necessary. The Merchant Marine Act of 1928 corrected many obvious disadvantages contained in the Act of 1920, but retained control of operations in the hands of the Post Office Department which determined the routes for ocean-mail subsidies. It was soon apparent that a subsidy formed for the purpose of mail transportation with operation confined to one American port for each of the 209 berth services was too inflexible for the promotion of foreign trade. Finally, the Post Office Department admitted to Congress that it could not correlate ocean-mail contracts with the needs of commerce.*

War experiences have also contributed heavily to the formulation of the policy of our government concerning the merchant marine. At the start of World War I, our total merchant tonnage could carry only 9 per cent of our foreign trade. By 1918, the foreign ships which serviced our trade had been impressed into their countries' war needs. Our ports were jammed with unshipped cargo, and despite the creation of the Emergency Fleet Corporation in 1916 designed to accelerate shipbuilding, we were forced to rely upon allied shipping during the war. Again, prior to World War II, our merchant marine was entirely insufficient to satisfy

* 7, p. 84
both military requirements and our productive ability as the arsenal of the world; this inadequacy induced passage of the Merchant Marine Act of 1936.*

THE MERCHANT MARINE ACT OF 1936

The Merchant Marine Act of 1936, as amended, spells out the policy of the United States Government concerning the maritime industry in the following language which has become the Magna Charter of the American Merchant Marine:

It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a merchant marine (a) sufficient to carry its domestic waterborne commerce and a substantial portion of the waterborne export and import commerce of the United States, and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign waterborne commerce at all times, (b) capable of serving as a naval and military auxiliary in time of war or national emergency, (c) owned and operated under the United States flag by citizens of the United States insofar as may be practicable, and (d) composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel. It is hereby declared to be the policy of the United States to foster the development and encourage the maintenance of such a merchant marine.

The Act eliminated the ocean-mail subsidy and replaced the Post Office Department by the United States Maritime Commission as the agency to designate the trade routes. On May 24, 1950, Reorganization Plan No. 21 eliminated the United States Maritime Commission and created the Federal Maritime Board and the Maritime Administration as the agencies to carry out the provisions of the Merchant Marine Act of 1936.

* 3, p. 6-8
The Federal Maritime Board is charged with the performance of the regulatory functions contained in titles V, VI, and VIII, and sections 301, 708, 805(a), and 805(f) of the act which deal with making, amending, and terminating subsidy contracts as well as their attendant hearings. The Board has other duties which it performs under the direction of the Secretary of Commerce, but its decisions pertaining to the above subsidy functions are independent of the Secretary of Commerce and final. The Maritime Administration assumed the responsibility for the execution and administration of the various programs of the Act such as shipping, port development, shipbuilding, bareboat charter, sale and transfer of ships, nuclear ship program, ship mortgage and loan insurance, and aid to vessels over 20 years of age. Both agencies strive to carry out the intent of the Merchant Marine Act for the development and promotion of an American Merchant Marine sufficient to carry the domestic waterborne commerce and a substantial portion of the foreign commerce of the country, fostering the basic principles of "providing for maximum private ownership and operation of the merchant marine with full initiative in its own development of the shipping business and the solution of maritime problems, limiting Federal participation to the extent required to meet the country's economic and national security needs, and administering the country's maritime laws in an economical, efficient, and effective manner."*

Compared to other industries in the United States, the maritime industry is relatively small, but it is not surprising that our

* 85, p. 1-9
government provides so much assistance in the light of analyzing its importance to our foreign trade and military position among world powers - particularly since it would repeat its process of withering away if left unaided to its fate in its competitive capitalistic field. Let us examine briefly those areas of shipping policy which promote the operation of our merchant marine and thereby the employment of American seamen.

OPERATIONAL PREFERENCES

Operating-differential subsidy. Title VI of the Merchant Marint Act of 1936, as amended, sets forth the provisions for the operating-differential subsidy, as follows:

1. Essential trade routes. The United States Maritime Commission has designated 31 routes between ports of the United States and certain foreign ports as "essential for the promotion, development, expansion, and maintenance of the foreign commerce of the United States."* To receive a subsidy, a shipping company must be certified as the operator on one of the prescribed essential trade routes listed below:

Atlantic Coast ports to East Coast of South America.
Atlantic Coast ports to West Coast of South America.
Atlantic Coast ports to East Coast of Mexico.
Atlantic Coast ports to Caribbean area.
North Atlantic ports to United Kingdom and Eire.

* 87, p. 14
North Atlantic ports to Scandinavia and Baltic Sea.

North Atlantic ports to Antwerp-Hamburg range.

North Atlantic ports to Atlantic France and Spain (Vigo to Bilbao).

North Atlantic ports to Mediterranean, Black Sea, Portugal, Spain (South of Portugal), Morocco (Casablanca to Tangiers).

South Atlantic ports to United Kingdom, Bordeaux/Hamburg, Scandinavia, and Baltic Sea.

Atlantic ports to Far East.

Gulf and South Atlantic ports to Mediterranean, Black Sea, Portugal, and Atlantic Spain.

Atlantic and Gulf ports to West Coast of Africa.

Atlantic ports to South and East Africa and Madagascar.

Gulf ports to South and East Africa and Madagascar.

Atlantic and Gulf ports to Australasia.

Atlantic and Gulf ports to Straits Settlements, Netherlands East Indies.

Atlantic and Gulf ports to India, Persian Gulf, Red Sea.

Gulf ports to Caribbean and East Coast of Mexico.

Gulf ports to East Coast of South America.

Gulf ports to United Kingdom, Bordeaux/Hamburg, Scandinavia, and Baltic Sea.

Gulf ports to Far East.

Pacific ports to Caribbean and East Coast of Mexico.

Pacific ports to East Coast of South America.
Pacific ports to West Coast of South America, Central America, Mexico.

Pacific ports to United Kingdom.

Pacific ports to Bordeaux/Hamburg, Scandinavia, and Baltic Sea.

Pacific ports to Australasia.

Pacific ports to Straits Settlements, Netherlands East Indies, India, Persian Gulf, Red Sea.

California ports to Far East.

Washington/Oregon ports to Far East.

Gulf ports to West Coast of South America.

Section 211 of the 1936 Act acknowledges the dynamic nature of foreign trade by providing flexibility in the formulation of the above list. The Federal Maritime Board may delete, add, or change existing routes as trade conditions warrant.

2. Eligibility. A bona fide steamship company is eligible for a subsidy if the company operates, or proposes to operate, its American-built ships on an essential trade route for the promotion of the country's foreign commerce in competition with foreign-flag ships.

3. Control over subsidized voyages. Congress manifests its intent to foster foreign commerce each year as it authorizes a number of voyages available for subsidy in excess of the number of applicants.

4. Control over obsolescence. By restricting subsidies to vessels less than 20 years old, the Federal Maritime Board believes an incentive will exist for the replacement of vessels over 20 years old by new, modern and faster ships.
5. **Subsidy payments.** To offset the uneconomic status of the American Merchant Marine, the Federal Maritime Board computes and arranges payment for the difference between American and estimated foreign ship operations, including labor costs, insurance costs, maintenance, repairs not covered by insurance, and other costs which may be approved.

6. **Recapture provision.** To qualify for subsidy payments, the ship operator must agree to the recapture of excess profits by the government which entails payment to the government of 50 per cent of the company's profits above a 10 per cent ceiling of the company's annual capital necessarily used in all phases of the subsidized business. This recapture is limited to (a) commencement after 10 years of subsidy payments, (b) eligibility only if the company's profits have been above 10 per cent on an average during the period, and (c) a total equal to the operating subsidy payments received from the government.

7. **Depreciation reserve.** To provide for replacement vessels and thereby maintain a constant fleet of modern, well-equipped vessels, each subsidy recipient must agree to set up a capital reserve fund into which the company must deposit each year the depreciation of the subsidized vessels as well as insurance and indemnity returns. A savings clause allows a deferment of the depreciation when company earnings are inadequate, but these deferments must be paid in years of healthier earnings in addition to the current depreciation deposits.

8. **Excess profits reserve fund.** Subsidized operators must deposit into a special reserve fund all profits which exceed 10 per
cent a year above the amounts deposited into the depreciation reserve. Withdrawals from the excess profits fund are limited to (a) depreciation deposits as described above, (2) payments to cover current losses suffered on subsidized operation after entering into an operating-differential contract, (c) reimbursements of losses suffered on any completed, subsidized voyage during the year if it is certain that the proceeds from other voyages of the same year will not counter-balance the losses, and (d) withdrawals for distribution as special dividend to stockholders or bonus to officers and employees of the company, provided the amount on hand in the excess profits fund exceeds 5 per cent of the company's operating capital.

9. Excess profits tax. The subsidized operator is required to pay taxes to the government on his excess profits only when he withdraws them from the excess profits reserve fund for dividend or bonus payments. These excess profits are exempt from taxation in the year they are earned and deposited into the excess profits reserve fund.

Cabotage monopoly. Another example of the policy of the United States Government to sustain its merchant marine and provide employment for American seamen is the restriction of cabotage to American-flag vessels. Cabotage may be defined as trade within national territory, including the coastwise, intercoastal, and non-contiguous (as Alaska, Hawaii) trades. The United States is neither the instigator nor the sole participant of this monopolistic national policy; France, Finland, Greece, Portugal, Spain, and the U.S.S.R. also restrict their domestic trade to their respective merchant fleet.*

* 15, p. 112-13
Vessels operating on the domestic trade routes of the United States receive no subsidies comparable to those granted to foreign-trade operators because the competitors of the coastwise and inter-coastal vessels are American railroads and truck companies. However, the steamship companies enjoy the advantage of operating freedom compared to the trucks and railroads whose rates and performances are regulated by the Interstate Commerce Commission.

Table IV provides a comparison of the domestic trade with the foreign trade in terms of the various classes of vessels. An evaluation of the components of the table also indicates the job potential for American seamen in the two areas of employment. In 1957 the domestic-trade fleet of tankers was 3 times as large as the foreign-trade tanker fleet by gross tonnage and it dominated the domestic trade, having 68 per cent of the total tonnage plying domestic routes. In the comparisons between the classes of vessels, those in foreign trade are larger and accordingly offer more jobs to seamen. By tonnage, there are about 3 times as many freighters and 8 times as many combination passenger and cargo vessels in United States foreign trade which has 63 per cent of the total of all classes of vessels in both trades. This analysis reflects the status of tankers in international trade. Since tankers are ineligible for operating-differential subsidy, competitive pressure by foreign-flag tankers causes them to find more lucrative operations under the shield of cabotage monopoly.

Shipping conferences. Despite historical opposition to monopolistic practices, the United States Government has conceded to the
TABLE IV

EMPLOYMENT OF UNITED STATES-FLAG MERCHANT SHIPS

AS OF JUNE 30, 1957

<table>
<thead>
<tr>
<th>CLASS OF VESSEL</th>
<th>U. S. DOMESTIC TRADE</th>
<th>U. S. FOREIGN TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER</td>
<td>DEAD-</td>
</tr>
<tr>
<td></td>
<td>TONS</td>
<td>GROSS</td>
</tr>
<tr>
<td></td>
<td>TONS</td>
<td>WEIGHT</td>
</tr>
<tr>
<td>Freighters</td>
<td>161</td>
<td>1,125</td>
</tr>
<tr>
<td>Tankers</td>
<td>235</td>
<td>2,462</td>
</tr>
<tr>
<td>Combination Passenger</td>
<td>3</td>
<td>56</td>
</tr>
<tr>
<td>and Cargo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>399</td>
<td>3,643</td>
</tr>
</tbody>
</table>

policy of shipping conferences under certain conditions in the interests of the shipping operators and American seamen. Shipping conferences, which date back to the Calcutta Conference established in 1875, are a form of international regulation against the abuses of excessive competition.* They perform on an international scale functions comparable to those of a regulating authority, such as the Interstate Commerce Commission, within national boundaries. Their mission entails a variety of objectives, among which are dependable service, equality for all shippers, rate stability, elimination of cutthroat competition, steady level of cargo, and economical operations by standardization for the mutual benefit of shippers and operators.

United States-flag ships participate in over 100 freight conferences which operate within the confines set forth by the Shipping Act of 1916 and the Merchant Marine Acts of 1920 and 1936.** Under these laws, the United States will not tolerate American ship participation in any conference which permits rebates to shippers, retaliation against shippers, preferential rates on the basis of freight tonnage, or discrimination against ports.

Given the highest-paid shipboard personnel on the seas, the United States can least afford non-participation in conferences whose cartel-like provisions do not extend to the abuses listed above. Let's face the issue squarely: The uneconomic position of the United States maritime industry calls for less competitive practices and more stability as offered by shipping conferences.

* 5, p. 95
** 6, p. 218-21
Cargo preferences. The so-called "50-50 Cargo Preference Law" refers to Public Law 664 of 1954 which, as an amendment to the Merchant Marine Act of 1936, requires the transportation of 50 per cent of government financed, non-reimbursable shipments abroad on "privately-owned United States-flag commercial vessels to the extent such vessels are available at fair and reasonable rates for United States-flag commercial vessels, in such manner as will insure a fair and reasonable participation of United States-flag commercial vessels in such cargoes by geographical areas." Except for shipments by the Panama Canal Company, a government-owned corporation, cargo preference applies to such government-financed shipments as military cargoes for the United States armed forces and their allies, International Corporation Administration cargoes for economic assistance, and cargoes resulting from loans by the Export-Import Bank.

The financial importance of the "50-50" law to the maritime industry as substantial. Professor Gorter estimated in his definitive monograph that American bottoms carried about 13.2 million tons of cargoes each year during the 1952-54 period, an amount which represented about two-fifths of total exports.* The International Cooperation Administration alone contributed over $1 billion of which $750 million, or 6 per cent above the 50 per cent minimum, accrued under the statute's provisions to United States-flag vessels.**

* l, p. 110
** 82, p. 20-65 and 83, p. 1-37
A REVIEW OF SUBSIDY PAYMENTS

Not all American-flag, American-built ships receive operating-differential subsidies. The Merchant Marine Act of 1936 excludes tankers, tramps, and vessels operating on coastwise, intercoastal, and non-contiguous routes. Other operators who could qualify prefer to dispense with the subsidies rather than submit to the recapture clause. Their attitude indicates their belief that they can fight the competitive battle without a government-furnished shield against unequal labor costs.

Table V lists the operators, the number of ships, and the contract dates as of June 30, 1957. Fifteen steamship companies received subsidies subject to recapture for operating 301 American-built ships on essential trade routes. Prominent in shipping circles but non-subsidized in operation - much to the surprise of many taxpayers - are Isbrandtsen Company, Matson Navigation Company, Pope & Talbot, and United Fruit Company.

The annual reports of the United States Maritime Commission and its successors, the Federal Maritime Board and Maritime Administration, reveal that our government has paid in operating subsidies about 5 million dollars a year from 1937 to World War II and from the start of the war to 1951 an average of approximately 30 million dollars a year. The operating-differential subsidies listed as payable to each subsidized operator at the end of each fiscal year on the statements of operations of the Federal Maritime Board and Maritime Administration are merely estimates because the net amount can be determined only after the completion of the recapture period which usually runs 10 years.
## TABLE V

**OPERATING-DIFFERENTIAL SUBSIDY AGREEMENTS**

**AS OF JUNE 30, 1957**

<table>
<thead>
<tr>
<th>OPERATOR</th>
<th>EXPIRATION DATE</th>
<th>PASSENGER AND COMBINATION</th>
<th>CARGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Banner Lines, Inc.</td>
<td>Dec. 31, 1977</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>American Mail Line, Ltd.</td>
<td>Dec. 31, 1960</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>American President Lines, Ltd.</td>
<td>Dec. 31, 1976</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Bloomfield Steamship Co.</td>
<td>Dec. 31, 1963</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Farrell Lines, Inc.</td>
<td>Dec. 31, 1959</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Grace Line, Inc.</td>
<td>Dec. 31, 1977</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Gulf &amp; South American Steamship Co., Inc.</td>
<td>Dec. 31, 1963</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Lykes Bros, Steamship Co., Inc.</td>
<td>Dec. 31, 1957</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Mississippi Shipping Co., Inc.</td>
<td>Dec. 31, 1957</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Moor-McCormack Lines, Inc.</td>
<td>Dec. 31, 1977</td>
<td>2</td>
<td>143</td>
</tr>
<tr>
<td>The Oceanic Steamship Co.</td>
<td>Dec. 31, 1972</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>United States Lines Co:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cargo Service</td>
<td>Dec. 31, 1965</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>SS America</td>
<td>Aug. 1, 1958</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SS United States</td>
<td>June 19, 1967</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>34</strong></td>
<td><strong>267</strong></td>
</tr>
</tbody>
</table>

Accordingly, the net amounts compiled at the end of the combined first recapture periods in the history of the operating-subsidy payments under the Merchant Marine Act of 1936 should present a truer picture of the government's outlay. Table VI contains these net amounts, distorted by the effects of World War II which disrupted normal trade and caused the termination of 2 contracts, the Oceanic Steamship Company and United States Lines Company, after 5 years of operation. The 21 million dollar total for this period averaged approximately 2 million dollars annually. In 1953 our national budget allotted almost 6 billion dollars for all forms of subsidy aid to all industries. The 164 million dollar component of this total allocated to overall merchant marine aid - not just operating-differential subsidies - consisted of only 3 per cent of the national subsidy.* On this basis, at least, the maritime industry as a whole is not an undue strain upon the nation's purse, much less the cost of the operating-differential component which is related to labor costs.

TREND OF FUTURE SUPPORT

At the date of this thesis our government exhibits no indication of curtailing aid to the maritime industry despite the largest public debt in the history of our nation. The only rumbling on the horizon is the speculation that guided-missile, nuclear weapons would achieve such horrible efficiency that nations could be wiped out within a few days, thereby precluding the need for long supply lines of ocean-going vessels.

* 3, p. 16
TABLE VI
COST TO THE GOVERNMENT FOR FIRST RECAPTURE PERIODS
ENDING ON OR BEFORE DECEMBER 31, 1950#
(IN THOUSANDS)

<table>
<thead>
<tr>
<th>Company</th>
<th>Estimated Subsidy</th>
<th>Estimated Recaptured Accrual</th>
<th>Estimated Cost to the Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Export Lines, Inc</td>
<td>$5,308</td>
<td>$5,308</td>
<td></td>
</tr>
<tr>
<td>American Mail Line, Ltd</td>
<td>4,138</td>
<td>1,614</td>
<td>$2,493</td>
</tr>
<tr>
<td>American President Lines, Ltd</td>
<td>14,224</td>
<td>6,814</td>
<td>5,310</td>
</tr>
<tr>
<td>Farrell Lines, Inc</td>
<td>1,583</td>
<td>1,100</td>
<td>3,483</td>
</tr>
<tr>
<td>Grace Line Inc</td>
<td>6,588</td>
<td>4,797</td>
<td>1,790</td>
</tr>
<tr>
<td>Lykes Bros, Steamship Co., Inc</td>
<td>8,480</td>
<td>8,480</td>
<td></td>
</tr>
<tr>
<td>Mississippi Shipping Co., Inc</td>
<td>2,427</td>
<td>2,427</td>
<td></td>
</tr>
<tr>
<td>Moore-McCormack Lines, Inc</td>
<td>11,185</td>
<td>11,185</td>
<td></td>
</tr>
<tr>
<td>New York and Cuba Mail Steamship Co</td>
<td>2,289</td>
<td>1,156</td>
<td>1,133</td>
</tr>
<tr>
<td>The Oceanic Steamship Co</td>
<td>2,431</td>
<td>557</td>
<td>1,874</td>
</tr>
<tr>
<td>Seas Shipping Co., Inc</td>
<td>2,413</td>
<td>2,413</td>
<td></td>
</tr>
<tr>
<td>United States Lines Co</td>
<td>6,041</td>
<td>1,120</td>
<td>4,921</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70,106</strong></td>
<td><strong>49,102</strong></td>
<td><strong>21,004</strong></td>
</tr>
</tbody>
</table>

# Based on tentative settlements

##The amounts in this column represent total payments applicable to the prewar period (i.e., period prior to calendar year (1943) and to estimate accruals applicable to the postwar period (i.e., subsequent to calendar year 1946).

However, Navy Secretary Thomas S. Gates, Jr., speaking before the House Merchant Marine Committee, asserted the position of the Department of Defense, "A large, modern and well balanced American Merchant Marine is positively vital to our defense planning . . . Without it, neither the military effort nor the war economy of our nation could be supported."*

On another front, Clarence G. Morse, Maritime Administrator and Chairman of the Federal Maritime Board, announced a general tightening in the rules for ship transfers to foreign flags. Making no acknowledgment of the intensive campaigns by seamen's unions in opposition to the transfers and attendant loss of jobs, he declared the intent of the policy revisions to be increased assurance of readily available ships in a national emergency.**

The 85th Congress passed 3 bills which warrant bread-and butter classification for sustained level of employment in the maritime industry. First, the new, 4-year extension of reciprocal foreign trade enhances this nucleus of shipping; second, the 3.3 billion dollars in foreign aid assures substantial cargoes and employment of seamen under the "50-50" law; and finally, the 2.25 billion dollars allotted for disposal of farm surplus provides further impetus to employment because of the bulk nature of the wheat, rice, and cotton cargoes under the "50-50" provision during its program extension to December 31, 1959.***

* 33, p. 2
** 70, Section 5, p. 13
*** 72, p. 2
Undoubtedly, world conditions are a salient factor in the determination of subsidies affecting labor costs in the United States Merchant Marine. The succeeding chapter includes the stand of seamen's unions toward government aid independent of the influence of international crises.
CHAPTER IV

VIEWPOINTS OF SEAMEN'S UNIONS

Maritime labor leaders look upon rising prices as a whip which incessantly lashes them into conflict with management for higher wages to match the rising cost of living. They do not press for arbitrary maximums in basic wages; instead they bargain for wage increases slightly above amounts calculated to satisfy their members, yet below the point of complete resistance by management.*

SEAMEN'S WAGES

American standard of living. The American seaman compares his wages with those of his fellow citizen ashore, not with the pay of foreign seamen. He makes this comparison as he consciously or unconsciously decides between a job at sea or ashore, following the principle that labor will always select better jobs over poorer ones.** Since the Merchant Marine Act of 1936 and related navigation laws of the United States insist upon American citizen shipboard personnel, it follows that the seaman's wages must be on par with comparable shore jobs if American-flag vessels are to be manned. Given the highest standards of living among all nations in the world and the current wage-price spiral, it is not surprising that the leaders of maritime unions face an insatiable propensity to adjust to still higher wage levels. Charts I and II

* ll, p. 236-37
** ll, p. 209
CHART I

WAGE-PRICE SPIRAL

In the
UNITED STATES...
(1950=100)

IN BRITAIN...
(1950=100)

IN WEST GERMANY...
(1950=100)

IN FRANCE...
(1950 = 100)

IN ITALY...
(1950 = 100)

IN SWEDEN...
(1950 = 100)

portray the wage-price spiral in the United States, Great Britain, West Germany, France, Italy, and Sweden. These inflation curves, which started about 1956, show a milder inflation in the United States than in the other countries. In Great Britain and West Germany, wages have gone up about 55 per cent while prices lag at a rise of about 40 per cent. There is less of a gap in Italy: wages up about 40 per cent, prices up about 30 per cent. Sweden has higher inflation with wages up 71 per cent and prices up 42 per cent. France has experienced the widest gap: wages up 89 per cent, prices up 32 per cent. The wage-price spiral strains the economy of each country in direct proportion to the gap between these two factors. The milder inflation curve in the United States does not indicate a less demanding wage objective for American labor unions because the American base wage is the highest of all. It does, however, reflect a more realistic attitude on the part of American unions compared to those which have seriously widened the gap between wages and prices by sheer strength rather than economic considerations.*

**Base wages.** The Seafarers International Union negotiated a labor contract, effective September 1, 1958, calling for an 8 per cent increase in base pay. Tables VII, VIII, and IX show the increase as it affects each rating of the three departments on board dry cargo ships, passenger ships, and tankers. The new scale represents a long hike from the 1939 rates of $82.50 for ordinary seaman and $87.50 for able seaman. Inflation has helped push this new scale to its peak of about 340 per cent and 400 per cent for these ratings in 1958. In comparison, the

*78, p. 16*
### TABLE VII

**DRY CARGO VESSEL WAGE SCALE***

#### DECK DEPARTMENT

<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW SCALE</th>
<th>NEW OVER-RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosun (Mariner)</td>
<td>$478.74</td>
<td>$38.30</td>
<td>$517.04</td>
<td>$2.23</td>
</tr>
<tr>
<td>Bosun</td>
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<td>463.46</td>
<td>2.23</td>
</tr>
<tr>
<td><strong>#Carpenter (Mariner)</strong></td>
<td>413.41</td>
<td>33.07</td>
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<tr>
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<td>433.85</td>
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<td>AB Maintenance</td>
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<td>397.87</td>
<td>2.18</td>
</tr>
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<td>Quartermaster</td>
<td>336.73</td>
<td>26.91</td>
<td>363.67</td>
<td>2.18</td>
</tr>
<tr>
<td>Able Seaman</td>
<td>336.73</td>
<td>26.91</td>
<td>363.67</td>
<td>2.18</td>
</tr>
<tr>
<td>Ordinary Seaman</td>
<td>261.53</td>
<td>20.92</td>
<td>282.45</td>
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#### ENGINE DEPARTMENT

<table>
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<tr>
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<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW SCALE</th>
<th>NEW OVER-RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Electrician (Mariner)</td>
<td>554.87</td>
<td>43.39</td>
<td>598.26</td>
<td>2.23</td>
</tr>
<tr>
<td>Chief Electrician</td>
<td>534.70</td>
<td>42.78</td>
<td>577.48</td>
<td>2.23</td>
</tr>
<tr>
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<td>498.11</td>
<td>39.85</td>
<td>537.96</td>
<td>2.23</td>
</tr>
<tr>
<td>Unlicensed Jr. Eng. (Day)</td>
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<tr>
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<td>30.95</td>
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<tr>
<td>Plumber - Machinist</td>
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<td>35.51</td>
<td>479.35</td>
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<td>Deck Engineer</td>
<td>407.92</td>
<td>32.63</td>
<td>440.55</td>
<td>2.23</td>
</tr>
<tr>
<td>Engine Utility</td>
<td>392.76</td>
<td>31.12</td>
<td>423.88</td>
<td>2.23</td>
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<td>28.61</td>
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<td>26.91</td>
<td>363.67</td>
<td>2.18</td>
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<td>Oiler - Diesel</td>
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<td>29.15</td>
<td>393.53</td>
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<td>Watertender</td>
<td>336.73</td>
<td>26.91</td>
<td>363.67</td>
<td>2.18</td>
</tr>
<tr>
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<td>26.91</td>
<td>363.67</td>
<td>2.18</td>
</tr>
<tr>
<td>Fireman</td>
<td>336.73</td>
<td>26.91</td>
<td>363.67</td>
<td>2.18</td>
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<tr>
<td>Wiper</td>
<td>315.20</td>
<td>25.22</td>
<td>340.42</td>
<td>1.70</td>
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<td>Reefer Engineer-</td>
<td>498.11</td>
<td>39.85</td>
<td>537.96</td>
<td>2.23</td>
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<tr>
<td>(When 1 carried)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Chief</td>
<td>459.43</td>
<td>36.75</td>
<td>496.18</td>
<td>2.23</td>
</tr>
<tr>
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<td>408.63</td>
<td>32.69</td>
<td>441.32</td>
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<td>371.32</td>
<td>29.71</td>
<td>401.03</td>
<td>2.18</td>
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</table>

### Notes

- "OLD" and "NEW" scales represent wage changes for different ranks of crew members.
- "INCREASE" shows the difference in wages before and after the adjustment.
- "NEW OVER-RATING" indicates the percentage increase in wages.
### TABLE VII

**DRY CARGO VESSEL WAGE SCALE** (Continued)

**STEWARD DEPARTMENT**

<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW SCALE</th>
<th>OVER-RATING TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Steward (Mariner)</td>
<td>$478.74</td>
<td>$38.30</td>
<td>$517.04</td>
<td>2.23</td>
</tr>
<tr>
<td>Chief Steward</td>
<td>129.13</td>
<td>34.33</td>
<td>163.46</td>
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</tr>
<tr>
<td>Chief Cook</td>
<td>392.18</td>
<td>31.37</td>
<td>423.55</td>
<td>2.23</td>
</tr>
<tr>
<td>Night Cook &amp; Baker</td>
<td>386.82</td>
<td>30.85</td>
<td>417.77</td>
<td>2.23</td>
</tr>
<tr>
<td>Second Cook</td>
<td>348.36</td>
<td>27.87</td>
<td>376.23</td>
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</tr>
<tr>
<td>Third Cook</td>
<td>332.47</td>
<td>26.60</td>
<td>359.07</td>
<td>2.18</td>
</tr>
<tr>
<td>Messman</td>
<td>259.52</td>
<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
<tr>
<td>Utilityman</td>
<td>259.52</td>
<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
</tbody>
</table>

For new Seatrain Line wage scale, add $7.50 to new scale above on all ratings carried except chief electrician and deck engineer. New Seatrain scale for chief electrician is $589.98; for deck engineer, $479.67.

Receives $20 additional a month if required to provide own tools.

Standby rates have been increased to $2.14, $2.18 and $2.23 for the respective groups.

Source: Seafarers Internation Union: *Seafarers Log*, August 29, 1958, p. 3.
<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW SCALE</th>
<th>OVER-RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosun</td>
<td>$504.19</td>
<td>$40.34</td>
<td>$544.53</td>
<td>$2.23</td>
</tr>
<tr>
<td>Bosun's Mate</td>
<td>396.77</td>
<td>31.74</td>
<td>428.51</td>
<td>2.23</td>
</tr>
<tr>
<td>Carpenter</td>
<td>422.51</td>
<td>33.80</td>
<td>456.31</td>
<td>2.23</td>
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<tr>
<td>Deck Storekeeper</td>
<td>375.42</td>
<td>30.03</td>
<td>405.45</td>
<td>2.18</td>
</tr>
<tr>
<td>Watchman</td>
<td>336.73</td>
<td>26.94</td>
<td>363.67</td>
<td>2.18</td>
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</table>

<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW SCALE</th>
<th>OVER-RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Electrician (Del Mar)</td>
<td>576.72</td>
<td>46.14</td>
<td>622.86</td>
<td>2.23</td>
</tr>
<tr>
<td>2nd Electrician (Del Mar)</td>
<td>498.11</td>
<td>39.85</td>
<td>537.96</td>
<td>2.23</td>
</tr>
<tr>
<td>3rd Electrician (Del Mar)</td>
<td>447.54</td>
<td>35.80</td>
<td>483.34</td>
<td>2.23</td>
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<tr>
<td>Chief Electrician (Alcoa)</td>
<td>531.70</td>
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<td>577.48</td>
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<table>
<thead>
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<th>INCREASE</th>
<th>NEW SCALE</th>
<th>OVER-RATING</th>
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<td>623.54</td>
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<td>405.89</td>
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<td>438.36</td>
<td>2.23</td>
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<td>362.04</td>
<td>28.96</td>
<td>391.00</td>
<td>2.18</td>
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<td>20.76</td>
<td>280.28</td>
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<tr>
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<td>297.72</td>
<td>23.82</td>
<td>321.54</td>
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<tr>
<td>Deck Steward</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
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<td>Linenkeeper</td>
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<td>288.54</td>
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<tr>
<td>Storekeeper</td>
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<td>393.07</td>
<td>2.18</td>
</tr>
<tr>
<td>Chief Stewardess</td>
<td>297.72</td>
<td>23.82</td>
<td>321.54</td>
<td>1.70</td>
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<tr>
<td>Stewardess</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
<tr>
<td>Chief Cook</td>
<td>497.97</td>
<td>39.84</td>
<td>537.81</td>
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<td>394.75</td>
<td>31.58</td>
<td>426.33</td>
<td>2.23</td>
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<td>27.25</td>
<td>367.83</td>
<td>2.18</td>
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<td>34.06</td>
<td>459.78</td>
<td>2.23</td>
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<td>473.94</td>
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<td>525.94</td>
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<td>Chief Pantryman</td>
<td>386.82</td>
<td>30.95</td>
<td>417.77</td>
<td>2.23</td>
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</table>
TABLE VIII

PASSENGER SHIP WAGE SCALE# (Continued)

STEWARD DEPARTMENT

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<tr>
<th>RATING</th>
<th>OLD</th>
<th>INCREASE</th>
<th>NEW</th>
<th>OVER-</th>
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</thead>
<tbody>
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<td>$359.07</td>
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<tr>
<td>Night Pantryman</td>
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<td>22.60</td>
<td>305.04</td>
<td>1.70</td>
</tr>
<tr>
<td>Night Steward</td>
<td>259.52</td>
<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
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<td>280.28</td>
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<td>Bath Steward</td>
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<td>20.76</td>
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<td>285.25</td>
<td>1.70</td>
</tr>
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<td>Night Porter</td>
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<td>21.13</td>
<td>285.25</td>
<td>1.70</td>
</tr>
<tr>
<td>Messman</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
<tr>
<td>Steward Utility</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
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<td>26.60</td>
<td>359.07</td>
<td>2.18</td>
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<td>Dishwasher</td>
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<td>20.76</td>
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<td>282.44</td>
<td>22.60</td>
<td>305.04</td>
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</tr>
<tr>
<td>Assistant Baker</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
<tr>
<td>Bellman</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
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<td>20.76</td>
<td>280.28</td>
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</tr>
<tr>
<td>Night Cook</td>
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<td>21.13</td>
<td>285.25</td>
<td>1.70</td>
</tr>
<tr>
<td>Gailey Utility</td>
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<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
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<td>21.13</td>
<td>285.25</td>
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<td>Laundryman</td>
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<td>22.60</td>
<td>305.04</td>
<td>1.70</td>
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#When the respective ratings are carried. Ratings not listed follow the standard dry cargo wage scale.

### TABLE IX

**TANKER WAGE SCALE**

#### DECK DEPARTMENT

<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW OVER-RATING</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosun</td>
<td>$441.35</td>
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</tr>
<tr>
<td>AB Maintenance</td>
<td>379.53</td>
<td>20.36</td>
<td>409.89</td>
<td>2.18</td>
</tr>
<tr>
<td>Quartermaster</td>
<td>347.85</td>
<td>27.83</td>
<td>375.68</td>
<td>2.18</td>
</tr>
<tr>
<td>Able Seaman</td>
<td>340.44</td>
<td>27.24</td>
<td>367.68</td>
<td>2.18</td>
</tr>
<tr>
<td>Ordinary Seaman</td>
<td>268.81</td>
<td>21.50</td>
<td>290.31</td>
<td>1.70</td>
</tr>
<tr>
<td>OS Maintenance</td>
<td>315.20</td>
<td>25.22</td>
<td>340.42</td>
<td>1.70</td>
</tr>
</tbody>
</table>

#### ENGINE DEPARTMENT

<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW OVER-RATING</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrician</td>
<td>534.70</td>
<td>42.78</td>
<td>577.48</td>
<td>2.23</td>
</tr>
<tr>
<td>Chief Pumpman</td>
<td>463.73</td>
<td>37.10</td>
<td>500.83</td>
<td>2.23</td>
</tr>
<tr>
<td>2nd Pumpman/Maintenance</td>
<td>463.73</td>
<td>37.10</td>
<td>500.83</td>
<td>2.23</td>
</tr>
<tr>
<td>2nd Pumpman/Machinist</td>
<td>463.73</td>
<td>37.10</td>
<td>500.83</td>
<td>2.23</td>
</tr>
<tr>
<td>Engine Utility</td>
<td>385.35</td>
<td>30.83</td>
<td>416.18</td>
<td>2.18</td>
</tr>
<tr>
<td>Oiler</td>
<td>340.44</td>
<td>27.24</td>
<td>367.68</td>
<td>2.18</td>
</tr>
<tr>
<td>Fireman/Watertender</td>
<td>340.44</td>
<td>27.24</td>
<td>367.68</td>
<td>2.18</td>
</tr>
<tr>
<td>Wiper</td>
<td>315.20</td>
<td>25.22</td>
<td>340.42</td>
<td>1.70</td>
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#### STEWARD DEPARTMENT

<table>
<thead>
<tr>
<th>RATING</th>
<th>OLD SCALE</th>
<th>INCREASE</th>
<th>NEW OVER-RATING</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Steward</td>
<td>441.35</td>
<td>35.31</td>
<td>476.66</td>
<td>2.23</td>
</tr>
<tr>
<td>Chief Cook</td>
<td>407.32</td>
<td>32.59</td>
<td>439.91</td>
<td>2.23</td>
</tr>
<tr>
<td>Cook and Baker</td>
<td>407.32</td>
<td>32.59</td>
<td>439.91</td>
<td>2.23</td>
</tr>
<tr>
<td>3rd Cook</td>
<td>354.72</td>
<td>28.38</td>
<td>383.10</td>
<td>2.18</td>
</tr>
<tr>
<td>Messman</td>
<td>259.52</td>
<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
<tr>
<td>Utilityman</td>
<td>259.52</td>
<td>20.76</td>
<td>280.28</td>
<td>1.70</td>
</tr>
</tbody>
</table>

Source: Seafarers Internation Union: Seafarers Log, August 29, 1958, p. 10.
base wages in the Norwegian maritime industry had surged over the 1939 base 328 per cent by 1952.* A comparison between these new rates and those of similar jobs ashore reveals the aim of maritime labor for parity with shoreside jobs. For example, the new overtime rates for carpenter and ordinary seaman (who paints among other duties) are $2.23 and $1.70 per hour. The basic wages for the shoreside maintenance carpenter, painter, and helpers are $2.22, $196, and $1.83 per hour respectively.**

Fringe benefits. As other workers do, the seaman earns more than the basic wage which resolves itself into take-home pay after various deductions. Fringe benefits and premium pay have increased substantially in importance to unions and in costs to management during the last decade in American industries. For example, wages have increased 67 per cent in manufacturing industries in the last 10 years while fringe costs have spiraled more than 200 per cent.*** Union leaders who face an impasse concerning wage increase at the bargaining table find additional fringes or premium pay a substitute satisfactory to the members. The strike by the 1,300-member Masters, Mates and Pilots Union, idling about 40 ships along the east coast of the United States in October, 1958, is a good illustration of the emphasis placed upon fringe benefits by unions and management. The recess in negotiations and the implementation of the strike were due to disagreements over vacation, pension, and welfare benefits. There was no quarrel over wages.****

* 56, p. 3
** 89, p. 9
*** 79, p. 82
**** 62, p. 1
Fringes in all industries include a variety of benefits such as paid vacations and holidays, paid lunch periods and coffee breaks, medical and hospital insurance, and pensions. As union leaders have resorted more and more to fringe benefits as supplements to wages in each contract, or deliberately concentrated on this new area, costs to management have exceeded 17 billion dollars in the United States during the 1948-1958 decade. In overall American industry and business, fringes cost about 29 cents an hour in 1958 compared with 11 cents in 1948.*

To induce the seaman to ship out on voyages in preference to a job ashore, maritime unions, mindful of their own survival, must assume the task of writing into their labor contracts fringe benefits at least on a par with shoreside jobs. Seamen's unions have been more active than their shoreside counterparts in the crystallization of this salient component of the seaman's pay: The cost to management has increased from 2.6 per cent of basic wages in 1951 to 8.4 per cent as of January 1, 1957.** In periods of war our government divides the shipping lanes into various zones of danger, calculated to increase the basic wage by factors ranging as high as 100 per cent for maximum peril. These war bonuses encourage the seaman to ship on vessels destined to dangerous areas with vital cargoes. During the Taiwan crisis in 1958, maritime unions negotiated war-like bonuses covering seamen sailing in Formosan waters, which included 100 per cent bonus on base pay, $150 vessel.

* 79, p. 82-86
** 88, p. 2
attack bonus or a $100 harbor attack bonus, and life insurance of $10,000 per seaman.*

Subsistence and lodging. Perhaps the foremost in importance, yet the one most often underrated, is the value of food and lodging. Certainly, these two common factors of every day life weigh heavily in the budget of the worker ashore. The American seaman pays nothing beyond his personal services for the additional increment of food and lodging except his Social Security FICA payments which are calculated on the basis of their value plus his wages. For income tax purpose, the value of these fringes is excluded from taxable income.

Vacation pay. The Seafarers International Union negotiated a contract which calls for an additional $100 in vacation pay, increasing the annual rate to $360, effective September 1, 1958. This fringe benefit costs management 30 cents per man per day and is the equivalent of 1 month's base wages for seamen at the level of able seaman or fireman-watertender. Eligibility to receive vacation pay is not impaired by sailing on several ships. A seaman qualifies for one-fourth of the vacation pay benefit each 90 days on service. The growth of the seaman's vacation pay schedule reflects the activity and desire of maritime labor leaders to keep abreast of fringe benefits ashore: $176 in 1954, $244 in 1955, $260 in 1956, and $360 in 1958.** In comparison, vacations for workers ashore have expanded from an average of 1 week with pay in 1940 to a minimum of 2 weeks in 1958, with the majority receiving 3 weeks per year.***

* 47, p. 2
** 42, p. 3
*** 79, p. 84-86
Holidays. Under many union contracts, seamen enjoy 9 holidays a year.* Shore workers have many contracts which list 11 holidays, but the average is 7 a year.**

Employment security. This fringe benefit provides $30 weekly, or $15 if the unemployed seaman is eligible for state unemployment compensation. To qualify, a seaman must be employed by reason of shipwreck, ship lay-up, ship sale or transfer, reduction of ship's crews, disability recovery periods, and other special circumstances.*** Workers ashore enjoy the benefits of state unemployment compensation.

Pension. Before 1953, the seaman who enjoyed pension benefits participated in company plans which embraced all personnel, whether at sea or ashore. Since 1953, maritime unions have incorporated this wage component in their contracts, divided into 4 categories: (1) normal, (2) early, (3) reduced, or (4) disability. Pension payments range from $100 per month for normal or full pensions to a point between $50 and $95 per month for early, reduced, or disability annuities.**

Welfare. As indicated by the title, welfare plans include a variety of benefits, as follows: insurance covering life, accident, and dismemberment; hospital care; surgical expenses; medical and hospital coverage for dependents; maternity benefits; disability compensation; unemployment subsistence; scholarships for dependents; job training; preventive medicine; health clinics; and funeral expenses.*** Less than

* 57, p. 55
** 79, p. 81-86
*** 88, p. 2
2.5 per cent of industrial workers ashore have no health, insurance, or pension plans.*

Other benefits. The seaman, along with other workers, qualifies for Social Security old-age benefits and, on some ships, unemployment compensation. Free medical and hospital benefits offered by the United States Public Health Service are more than the average worker ashore enjoys. While the seaman has no specific provision for the two and a half regular rate for work on holidays and Sundays found in some jobs, he does have comparable benefits of time and a half for Saturdays, Sundays, and holidays, plus additional overtime for performing other than routine work on these days. He earns this additional compensation for multiple reasons, receiving: extra pay for performing dirty or dangerous work in connection with prescribed penalty cargo, a portion of the wages of any missing seaman whose duties he takes over in addition to his own, and overtime or longshore rates for work outside the stipulated duties of his position.**

GOVERNMENT SUBSIDIES

Stand of labor unions. It is not surprising that maritime unions wholeheartedly support the operational subsidy policy of our government and advocate its expansion as insurance for more jobs.*** In their efforts to keep abreast of the wages and fringe benefits of the shoreside American worker, maritime labor leaders acknowledge that

* 89, p. 16
** 57, p. 28-43, 62-78, 83-98, 100-118
*** 48, p. 2
government aid is necessary to pay the highest labor costs among all seafaring nations.* Seventy-four cents of each subsidy dollar goes for the seaman's wages in support of this uneconomic labor cost.**

Joseph Curran, president of the National Maritime Union (NMU), sees a distinct need for subsidies because seamen are employees of a "sick industry." Our government has made a decision to support the maritime industry because of its importance to the nation during periods of international crises as well as its economic importance as a source of employment to American citizens. Another decision in the form of our navigation laws requires ship operators to man United States-flag ships with American citizens rather than obtain their labor in the cheapest market. In the light of these decisions, Curran looks beyond a comparison of American and foreign seamen wage scales and points to the constant loss of jobs by the transfer of United States-flag ships to foreign registry. With less than 75,000 jobs on board 1,400 ships in the industry, he recommends continuing, operational subsidies on a constructive basis to offset the economic conditions which induce ship transfers.***

The Seafarers International Union (SIU) also has actively opposed "runaway" flags, the term for the transfer of United States-flag ships to registry under the flags of Liberia, Panama, Costa Rica, and Honduras. SIU accuses runaway operators of tax dodging.**** Using

* 25, p. 139
** 18, p. 21
*** 19, p. 120-121
**** 31, p. 5
Liberian registration as an example, the American operator merely pays a registration fee to a Liberian maritime office which is conveniently located in New York for this purpose. Our tax laws require payment of personal or corporate taxes on funds actually transferred to the American owners. However, financial benefits accrue to the American owners in the form of reinvesting tax-free earnings in other foreign ventures or receiving interest-free "loans" from the Liberian corporation. A concomitant of the American seamen's loss of jobs is the government's loss of tax revenue from their salaries in addition to the loss of tax revenue from the operators in an industry which gladly accepts the tax-dollar in subsidies.

This condition is not peculiar to the maritime industry; unions of other industries face similar problems. The Thheartrical Stage Employees Union has announced opposition to the making of motion pictures abroad as a scheme to avoid payment of wages to Americans and taxes to our government. The International Typographical Union has objected to the runaway practice of text-book printing by the University of California, a tax-supported institution. *

A curious twist occurred in tramp shipping during 1958 when the Pegor Steamship Company received permission from the Maritime Administration to return its Liberian-flag ships to the American flag. The fall of the tramp shipping charter market below the foreign-flag operational minimum of $4.70 a ton and the availability of substantial government cargoes under the "50-50" law at more than twice the foreign-

* 41, p. 7
flag rate promoted this "runaway" reversal. SIU did not oppose the
return of the tramps which boosted job opportunities significantly, but
it was not inarticulate as it noted the hunger of the former "runaways"
to partake of the tax-supported "50-50" cargoes.*

Relative cost of the maritime subsidy. The maritime industry
is not the only industry supported by the taxpayer. Without analyzing
the relative value of each industry to the nation, weighted by periods
of war and peace, a measure of the burden upon the American citizen
deserves analysis to properly classify the maritime industry's position
on the drain of public funds and possibly to preclude misconceptions
arising from the use of the term, subsidized operations.

Using 1953 as the basis for a single year evaluation, the
maritime industry received for its overall program 164 million dollars
out of a total subsidy of almost 6 billion allocated by our government
for all industries, which included support for cheese, hogs, peanuts,
and potatoes. Looking at this expenditure from a different angle, the
164 million, or 3 per cent of the total subsidy, allocated to the
maritime industry means that 3 cents of each subsidy dollar supported
shipping, while 97 cents helped the economic status of cheese, hogs,
peanuts, and potatoes.**

Expanding the basis for evaluation to a decade, as 1938-1948,
the subsidy cost of the maritime industry was 35 million compared to
67 million for cheese producers, 68 million for the wool industry, 132

* 36, p. 3
** 3, p. 16
million for potatoe producers, and 200 million for the milk and butter industries.*

Finally, enlarging our perspective to the two decades, 1936-1956, we have for consideration the statement of the nation's Maritime Administrator who announced that the subsidies to our merchant marine during this period have, in reality, cost our government "a great, big, round zero."** Clarence G. Morse, Maritime Administrator and Chairman of the Maritime Board, explained his "bargain-basement priced" merchant marine analysis by the fact that maritime employees have returned to the government in taxes more than $29,000,000 a year in personnel income taxes - without mentioning the corporate returns. This revenue more than offset the subsidy cost to the government during the 1937 to June 30, 1956 period, amounting to $589,865,940 or an approximate annual average of $29,000,000. Morse also pointed out that another cost comparison of the interest charge at 1% per cent of the World War II cost of $12,400,000,000 to build our merchant fleet would amount to $497,000,000 a year. He stated that the actual net subsidy to the maritime industry has averaged about $7,200,000 - "a better than bargain-basement price.***

COOPERATION WITH MANAGEMENT

Development of policy. During the early 1930's the maritime industry was rampant with sitdowns, quickies, and lack of discipline.

* 18, p. 24
** 71, p. 58M
There was little evidence of labor-management cooperation which is an
effective tool for controlling and reducing labor costs. Out of this
chaos, in the latter part of this decade, emerged a semblance of order
and mutual cooperation, stemming from the employment of industry-wide
bargaining.

NMU, which was formed on May 3, 1937, agreed to negotiate a
contract with the American Merchant Marine Institute, representing 16
Atlantic coast NMU ships. The operators sponsored the American Merchant
Marine Institute to promote unity in labor costs and to preclude the
playing of one company against another by the union. Subsequent agree-
ments in the maritime industry used this contract as a model, spelling
out in a similar manner the provisions for wages, hours, working
conditions, and rights of labor and management.*

SIU, chief rival of NMU, held its first constitutional
conference in August, 1939, for the purpose of dividing the organization
into districts. The Sailors Union of the Pacific took over the Pacific
coast district, while SIU concentrated on the Atlantic and Gulf coasts.
By 1948, SIU had progressed to a membership of about 30,000 under
contract to 29 dry cargo operators, 13 tanker companies, and 1 passenger
ship company.**

In 1951, almost all seamen were unionized in contrast to about
50 per cent of shoreside workers employed under union agreement.***
The policy of cooperation with management had crystallized. NMU-chief

* 15, p. 17-19
** 12, p. 53-54
*** 10, p. 164
Curran called for the industry to work for sound and reasonable labor-management relations to promote industry growth and provide employment for seamen. SIU exhibited a desire to advance cooperation with management by the inclusion of provisions in its constitution of August, 1956, designed to promote efficiency and reduce costs, as follows:

Article XII sets forth the qualifications for officers, port agents, patrolmen, and other elective jobs to include among other requirements at least 3 years of seetime, of which at least 4 months must be in the calendar year of election. This requirement assures the election of officers who have first-hand contact with time-consuming and costly circumstances on board ships.

Article XV establishes the machinery for trials and appeals by the union for certain offenses.

Article XVI contains a list of offenses and penalties, some of which pertain to cooperation with management, as follows:

Section 2. Upon proof of the commission of the following offenses, the member shall be penalized up to a penalty of expulsion from the Union. In the event the penalty of expulsion is not invoked or recommended, the penalty shall not exceed suspension from the rights and privileges of membership for more than two years, or a fine of $50.00, or both:

(g) Deliberate failure or refusal to join one's ship, or misconduct or neglect of duty aboard ship, to the detriment of the Union or its agreements;

(h) Deliberate and unauthorized interference, or deliberate and malicious vilification, with regard to the execution of the duties of any office or job;

* 19, p. 120
Section 3. Upon proof of the commission of any of the following offenses, members shall be penalized up to suspension from the rights and privileges of membership for two years, or a fine of $50.00, or both:

(d) Refusal or negligent failure to carry out orders of those duly authorized to make such orders at any time.

Section 4. Upon proof of the commission of any of the following offenses, members shall be penalized up to a fine of $50.00:

(c) Disorderly conduct at pay-off or sign-on;

(g) Negligent failure to join ship.

Disciplinary action. It is one thing to talk about cooperation, another to act. A review of the trials conducted by SIU from November 16, 1956 to May 15, 1957 disclosed the following offenses which affect the efficiency of operations and increase costs:

Instructing a fellow seaman to fail to join.

Failure to report for port watch.

Failure to report for port watch second day.

Drunkedness on board ship.

Bringing whiskey on board ship.

Threatening chief engineer.

Villifying and threatening an officer.

AWOL on 6 different occasions.

Unable to perform duties due to own misconduct.

Failure to return to ship.

Neglect of duties.

Drunk or unfit for duty.

* §§, p. 8
The penalties for the above offenses were $50 for each count.

In addition, a second offense case of a seaman who went ashore against orders and returned drunk, bringing whiskey against orders, drew the penalty of a $50 fine plus 3 months suspension.

Another case which involved neglect of duties at sea, returning to vessel drunk and unfit for duty, absence from duty without permission, under the influence of alcohol while at sea and unfit for duty, excessive drinking while at port and unfit for duty brought about the penalty of suspension for a period of 2 years.

Article 23 of NMU's constitution contains similar provisions for handling the problems of discipline and enforcement of rules and contract obligations of seamen whose confined environment or working, living, and eating together pose special problems not found ashore. The unions point to the penalties as eloquent testimony of their intent to cooperate with management to the full extent of their contract obligations to reduce operational costs.

Expulsion of Communism. The maritime unions have followed the trend of our government's international position and have ousted the Communists from their memberships. The leaders consider their unions to be clean of anti-government tendencies, which tend to increase labor costs.

The late Harry Lundeberg, who served as first president of SIU and as secretary-treasurer of the Sailors Union of the Pacific, was such an unrelenting foe of the Communists that they were never able to infiltrate significantly into his organization.*

*12, p. 188
The Communists wormed a larger toe hole in NMU and struggled for control during 1947-1949. They were defeated and ousted from the union at the 1949 NMU convention.* Joseph Curren earned the distinction of association with James Carey of the International Union of the Electrical Workers and Roy Brewer of the International Association of Theatrical and State Employees as the 3 outstanding labor leaders who have demonstrated unusual ability in eliminating Communist influences.**

Incidents of labor-management cooperation. NMU negotiated a revised employment clause with its contracted operators, represented by the American Merchant Marine Institute, which establishes a control over the re-hiring of undisciplined seamen. Given an operating cost of several hundred dollars a day (see Tables VII, VIII, and IX), delays incurred by waiting for AWOL seamen in foreign ports readily mount into significant costs. If the vessel sails without the missing seaman, the operators are liable for his maintenance and repatriation expenses. SIU took a dim view of this bargaining agreement, calling it an "industry-wide blacklist."***

SIU acted to assist management in the form of a $500,000 loan to the Banner Line in 1958 when a 5 per cent cut in construction subsidy by the Maritime Administration threatened to curtail the company's operations and thereby bring about a reduction in jobs. It is interesting to note that NMU vigorously opposed the loan, unsuccessfully complaining to AFL-CIO President George Meany and the National Labor

*12, p. 176
** 3, p. 391
*** 32, p. 2-5
Relations Board that it was beyond the scope of the ethical practices code.*

Finally, the contract negotiations by 3 West Coast maritime unions in 1958 exhibited a keen understanding of the problems of management's labor costs during a recession. The unions agreed to a 3-year contract without a wage increase, but with the understanding that a wage increase could be discussed again in 2 years.**

CURRENT OBJECTIVES

Benefits for seamen. "Motivation is highly complicated; the will to work is influenced by a variety of conditions of which penalties and rewards are but two. It is not true that five cents an hour will cure most gripes," asserted Professor Dale Yoder.***

In answer to the question concerning the wants of seamen, NMU-president Curran listed such benefits as economic security to the extent of a decent, comfortable life, adequate health and medical care, full employment, and welfare programs as the goal of his union.****

SIU also stresses the need to keep abreast with the benefits accrued by shor-side workers. Welfare benefits are an integral objective of this union, as evidenced by expenditures of a million and a half dollars in calendar year 1957 for the variety of benefits shown in Table X.

* 110, p. 3, 11
** 80, p. 92
*** 11, p. 68
**** 25, p. 138-140
# TABLE X

**BENEFITS DIRECTLY PROVIDED TO MEMBERS**  
**SEAFARERS WELFARE FUND**  
**1957**

<table>
<thead>
<tr>
<th>Type of Benefit</th>
<th>Benefit Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>$283,867.02</td>
</tr>
<tr>
<td>Cash Disability</td>
<td>157,630.00</td>
</tr>
<tr>
<td>Hospital</td>
<td>307,789.66</td>
</tr>
<tr>
<td>Surgical</td>
<td>45,289.00</td>
</tr>
<tr>
<td>Medical</td>
<td>8,756.50</td>
</tr>
<tr>
<td>Unemployment</td>
<td>290,621.21</td>
</tr>
<tr>
<td>Vacation</td>
<td>-0-</td>
</tr>
<tr>
<td>Maternity</td>
<td>90,140.00</td>
</tr>
<tr>
<td>Medical Examination Program</td>
<td>6,655.49</td>
</tr>
<tr>
<td>Blood Transfusions</td>
<td>613.00</td>
</tr>
<tr>
<td>Therapeutic Equipment</td>
<td>43.06</td>
</tr>
<tr>
<td>Pensions or Retirement</td>
<td>-0-</td>
</tr>
<tr>
<td>Seamen's Training School</td>
<td>23,427.90</td>
</tr>
<tr>
<td>Motion Pictures at Marine Hospitals</td>
<td>2,296.50</td>
</tr>
<tr>
<td>Cost of Fixed Assets Acquired For the Purpose</td>
<td>86,918.55</td>
</tr>
<tr>
<td>of Providing Specific Benefits Under the Plan</td>
<td></td>
</tr>
<tr>
<td>Scholarship Program</td>
<td>19,195.64</td>
</tr>
<tr>
<td>Medical and Safety Program</td>
<td>85,014.74</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,418,578.27</strong></td>
</tr>
</tbody>
</table>

Source: [Seafarers Internation Union: Seafarers Log](#),  
June 20, 1958, p. 7.
On June 1, 1958, SIU added another benefit to its growing list - free eyeglasses. With this addition, the United States Public Health Service and the SIU Welfare Plan combine to provide almost every possible medical need for the members at a cost of $21 per week to SIU. Benefits include free service at diagnostic clinics and special aids such as wheelchairs, artificial limbs, and other devices free of charge.*

NMU is the only maritime union which has negotiated employment security, amounting to $40 a week for members when their vessels are tied up. To this unique benefit, NMU has added a novel $2,500 a year scholarship available for 4 years to members and their children.**

As union leaders raise their sights on increased benefits, they accelerate operating costs. In 1956, operators of SIU-manned vessels contributed $1.05 per man per day toward welfare benefits, while operators under contract to NMU paid $1.00 per man per day for welfare benefits plus 25 cents per man per day toward the unique employment security.***

Maritime training. A salient objective of maritime unions is a well organized training program for unlicensed personnel operated by the government, ship operators, and unions.**** There is less need to include licensed personnel on the agenda because they receive the benefits of established federal and state maritime training schools. The Maritime administration spent about $3 million in fiscal year 1957 on its maritime training program. It has invested about $24 million in

* 37, p. 15
** 52, p. 3 and 53, p. 3
*** 88, Table B
**** 25, p. 140
maritime service training facilities at the United States Merchant Marine Academy.* Public Law 415, 84th Congress, established the Academy as a permanent institution. In its first full year of operation as such, 887 cadets received training; 233 were graduated in February and August, 1957, receiving licenses as third mates or third assistant engineers - and for some applicants, Naval Reserve commissions as ensigns. In addition to the federal school, California, Maine, Massachusetts and New York operate state maritime academies.

Management relations. In the list of objectives desired by maritime unions, their leaders have included good management relations. They believe that labor-management cooperation is a logical step toward the attainment of full employment, economic security, and other aims.** This attitude alone reflects progress over the antipathy that existed in the 1940's when management expended funds for attorneys and agents to set up labor espionage on board ships and ashore to discharge union members, and the unions countered with equally costly measures to organize.***

Union efforts to improve management relations are focussed upon opposition to "runaway" ships, which create foreign-flag competitors with lower labor costs, and upon maritime unity designed to avoid costly delays in port.**** Of course, the direct result of "runaways" is the loss of jobs by American seamen. The maritime unity concept, however, contemplates solving a variety of labor-management problems, particularly

* 85, p. 21, 47, 48  
** 25, p. 1140  
*** 8, p. 285  
**** 54, p. 5
before they aggravate into strikes over nebulous issues, such as the 6-day strike in October, 1958, by the Masters, Mates, and Pilots against passenger and dry-cargo ships of east and gulf coast operators.

Public relations. Maritime unions astutely measure the value of public support to their objectives. To this end and to improve communication, NMU publishes The NMU Pilot which is available to the public at an annual subscription fee of $2.50, while SIU offers its publication, Seafarers Log, to the public free of charge. The expulsion of Communism from seamen's unions removed a target for public censure and the possible association of a red tinge with a legitimate dispute over wages or working conditions.

As further evidence of the intent to maintain good public relations, SIU accepted and endorsed at its San Francisco convention in March, 1957, the ethical practices codes of the AFL-CIO which are designed to keep the American labor movement clean and democratic.*

* 35, p. 7
CHAPTER V

THE POSITION OF MANAGEMENT

Management faces 3 critical problems in efforts to wrest a share of profits in its competitive field: (1) to increase productivity, (2) to satisfy workers, and (3) to promote industrial harmony. Failure to meet any one of these factors brings about an increase in costs and reduction in profits.*

PRODUCTIVITY OF SEAMEN

The inherent problem. Shoreside industries can pay the high wages characteristic of American standards of living, yet cope effectively with foreign competition which enjoys the advantage of lower labor costs. The key to this apparent contradiction is American technological advances. The invention of new machines and their constant introduction into American mass production methods increase productivity at a rate which offsets the high American labor cost. The American product survives in the market because its cost per unit provides for competitive pricing.

Unfortunately, operations on board ship do not lend themselves readily to such application of technological superiority. Work during the voyage is not production but service of various kinds to the ship and crew to enable her to arrive at destination as soon as possible. Standing watches, painting, cleaning decks, and serving meals are not

* 13, p. ix
susceptible to mass production techniques. Hence the ship operator's
dilemma consists of high labor costs comparable to shore jobs in order
to induce workers to sea, but no technological recourse to increase
productivity. The combination of high wages and low productivity has
cau~ the maritime industry to become marginal in nature. When the
world fleet is undertonnaged for a period of abnormal cargo movement, as
for example several years after World War II, American companies enjoy
profitable operations because they can absorb their high labor costs.
However, when cargo movements revert to normal and competitive
conditions, the American operators feel the pinch of high maritime labor
costs upon their profit margins.*

Wages v. profits. With a history of low productivity as a
base, each wage increase makes the problem of competition with foreign-
flag ships more acute. Since 1938, wages of seamen have advanced from
300 to 400 per cent while the earning capacity of the average ship has
increased only 25 per cent.** Table II shows the surging base wages,
overtime, and fringe items in a comparison of the 1937 and 1952 levels.
For emphasis it is worth repeating that overtime rose 1,350 per cent
and fringes increased 10,660 per cent in this period.

Even industries which have the ability to attack the
productivity problem have suffered profit-wise in the wage-price spiral
since 1950. An analysis of their complications emphasizes the static
plight of the maritime industry's productivity which must cope with

* 7, p. 217
** 22, p. 134
TABLE XI
MONTHLY WAGE COSTS FOR A TYPICAL UNITED STATES-FLAG C-2 TYPE VESSEL, 1937 AND 1952

<table>
<thead>
<tr>
<th></th>
<th>1937</th>
<th>Per cent</th>
<th>1952</th>
<th>Per cent</th>
<th>Per cent increase over 1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars</td>
<td>of total</td>
<td>Dollars</td>
<td>of total</td>
<td></td>
</tr>
<tr>
<td>Base wages</td>
<td>4,543</td>
<td>91.0</td>
<td>15,736</td>
<td>65.2</td>
<td>246</td>
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<tr>
<td>Overtime</td>
<td>432</td>
<td>8.6</td>
<td>6,264</td>
<td>25.9</td>
<td>1,350</td>
</tr>
<tr>
<td>Fringe Items</td>
<td>20</td>
<td>0.4</td>
<td>2,152</td>
<td>8.9</td>
<td>10,660</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>4,995</strong></td>
<td><strong>100.0</strong></td>
<td><strong>24,152</strong></td>
<td><strong>100.0</strong></td>
<td><strong>384</strong></td>
</tr>
</tbody>
</table>

the same wage levels. Wages in the steel industry have increased 59 per cent since 1950, while productivity has increased only 15 per cent. In the railroad industry, wages increased 40 per cent, productivity increased 30 per cent. In overall industry during this period, labor cost per unit of output advanced 22 per cent. From another viewpoint, wages as a portion of the national income increase from 64 per cent in 1950 to 70 per cent in 1956. Profit margins were depressed from 3.4 per cent to 2.1 per cent.*

Wages v. costs. Management believes that some costs of United States-flag vessels could be reduced to parity with those of foreign-flag competitors. The reduction would require cooperation on the part of the maritime unions because it would entail revisions in the union contracts as, for example, to provide for feasible repairs at sea by the seaman. These agreements currently spell out the duties of each job on board a vessel. The seaman is not required to perform duties outside the scope of his job except in cases of emergency. When he does perform other work, it is operational in nature — such as cleaning bilges, work on hatches, lashing cargo, cleaning fuel tanks — for which he receives overtime compensation. The flexibility of handling repairs at sea would eliminate port delays and would reduce costs accordingly. The Mystic Steamship Company experienced an excellent illustration of this argument by management. This company operates ships under both the United States flag and foreign flag, and is in excellent position to make operational comparisons. On the maiden voyages of 2 ships under

* 77, p. 97-98
both flags, the United States-flag ship returned to home port with the need for $15,000 in various minor repairs and adjustments. On the other hand, the crew of the foreign-flag ship had handled similar repairs in like quantity during the voyage. Hence the latter vessel was not delayed in port to effect the repairs.*

Super-carriers. One answer to the problem of increasing maritime productivity is the construction of larger, faster ships which can deliver more pounds of cargo and units of passengers per day's work of the seaman. A concomitant of this factor is the ability of management to supply the ships with full cargo and passenger loads.

Tanker operators have decided that size of a vessel is a salient determinant of productivity. Capacity may be enlarged without significantly increasing labor costs because a super-tanker requires no larger crew to navigate from port to port than a T-2 tanker of 16,000 tons. For example, T-2 tanker operation costs $1.30 per barrel of petroleum products, whereas a 28,000-ton tanker operates at a cost of $1.20 per barrel.** As maritime unions negotiate higher wage levels, they change the actual costs per barrel but the cost disparity between the tankers continues to exist. This productivity differential gave an impetus to the construction of super-tankers. From the workhorse T-2 tanker of World War II emerged, in 1948, 26,000, 28,000, and 30,000-ton tankers. In the early 1950's, 45,000, 50,000, 83,000 and 87,000-ton tankers sailed the trade routes. By 1957, the successful productivity

* 93
** 20, p. 211
record of the super-tankers induced management of tanker companies to build ships of 100,000 tons and larger. These ships surpass in size the largest of all types in the world including warships. An indication of the size and capacity of the super-tanker may be visualized by these 2 comparisons: (1) the weight of the cargo alone of a 100,000-ton super-tanker amounts to nearly twice the displacement of the world's largest warship, the U.S.S. FORRESTAL; and (2) while the T-2 tanker on the Middle East run must use the Suez Canal for profitable operation, super-tankers can compete by detouring around Africa - a salient advantage during periods of crises.*

Walter L. Green, president of the American Bureau of Shipping, gave full credit to the foresight and vision of management for this advance in maritime productivity.** However, this productivity advantage is not reserved for United States-flag ships. As foreign competitors build super-tankers, they will reduce their labor costs per unit to a still lower rate.

"RUNAWAY" FLAGS

Censure of management. Competition from "runaway" flags or "flags of convenience" has become an acute problem for traditional maritime countries and has attracted considerable hostility among labor unions in these countries. The growth of the "stateless" fleet, registered under the flags of Panama, Liberia, Honduras, and Costa Rica,

* 76, p. 98-100
** 68, p. 58M
has been substantial during 1948-1958. In 1958, dry-cargo ships over 4,000 deadweight tons flying the flag of Liberia amounted to 21.9 per cent of the world's fleet, while all "flags of convenience" represented a significant 34.5 per cent.*

Governments (except the United States), shipping companies, and labor unions of established seafaring nations have expressed concern over the loss of trade and jobs to vessels flying the "flags of convenience." They have censured the competitive position of these non-national ships, attained by freedom from taxation, manning scales, safety requirements, and international shipping agreements.** Norwegian Foreign Minister Halvard Lange assured the Storting (Parliament) in June, 1958, that the British-Scandinavian joint cooperative committee Uniscan intends to take official action on this mutual problem.***

American maritime unions have blistered our government and American owners of "runaway" ships for the loss of over 16,000 jobs, caused by the transfer of more than 400 United States-flag ships to Liberian registry between 1953-1958.**** Labor criticized the representatives of the United States at the United Nations Conference on International Sea Law, held at Geneva in April, 1958, because the United States was the only major maritime nation to oppose the resolution for sanctions against the "runaways." The unions contend that our government's decision was influenced by the fact that 42 per cent of
AW—WHADDYA HOLLERIN' ABOUT—ONE LITTLE BANANA PEEL?!
the 24,000,000 tons flying the "flags of convenience" are American owned or controlled. SIU pointed out the inconsistency of the American position: on one hand, legislating subsidies for the American Merchant Marine; on the other, supporting "runaways" which in effect provides exemptions from the costs of taxes, maritime safety rules, and manning requirements.* NMU and SIU joined the 4-day international boycott against the "flags of convenience" on December 1-4, 1958, called by Omer Becu, General Secretary of the International Transport Workers Federation which claims 200 affiliates in 62 nations with 7,000,000 members. The powerful British Seamen's Union also supported the strike against any ship which did not have a fair practice agreement with ITF. One requirement of the agreement is a minimum wage scale of $140 per month which is the equivalent of British wages plus fringes.** International unionists hailed the boycott of 200 ships in 17 countries as the first successful step in their action against "runaway" flags. Costa Rica amended its laws to cancel 128 foreign-owned ships in arrears on tax payments and to abandon all convenience-flag registration after December 31, 1958.***

Cost differentials. To the "runaway" criticism management has offered no defense other than the valid economic answer of cost differentials between United States and foreign-flag vessel operations as listed in Table XII. In 1953, the wages of American seamen were 3 to 5 times larger than the other nationalities included in the table. In 1957,

* 39, p. 2
** 55, p. 3
*** 63, p. 1
TABLE XII
COMPARISON OF LABOR COSTS
OF UNITED STATES AND FOREIGN-FLAG VESSELS
1953

<table>
<thead>
<tr>
<th>Countries</th>
<th>WAGES</th>
<th></th>
<th>SUBSISTENCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly</td>
<td>Differential</td>
<td>Ship-day</td>
<td>Differential</td>
</tr>
<tr>
<td></td>
<td>Crew Costs</td>
<td>Per cent</td>
<td>Crew Costs</td>
<td>Per cent</td>
</tr>
<tr>
<td>United States</td>
<td>68</td>
<td>$29,426</td>
<td>48</td>
<td>$81.60</td>
</tr>
<tr>
<td>Denmark</td>
<td>43</td>
<td>7,990</td>
<td>43</td>
<td>71.81</td>
</tr>
<tr>
<td>France</td>
<td>47</td>
<td>10,274</td>
<td>47</td>
<td>60.50</td>
</tr>
<tr>
<td>Italy</td>
<td>41</td>
<td>7,713</td>
<td>41</td>
<td>61.82</td>
</tr>
<tr>
<td>Japan</td>
<td>56</td>
<td>6,273</td>
<td>56</td>
<td>30.24</td>
</tr>
<tr>
<td>Netherlands</td>
<td>55</td>
<td>7,567</td>
<td>55</td>
<td>58.30</td>
</tr>
<tr>
<td>Norway</td>
<td>43</td>
<td>7,145</td>
<td>43</td>
<td>68.80</td>
</tr>
<tr>
<td>United Kingdom:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White crew</td>
<td>54</td>
<td>6,444</td>
<td>54</td>
<td>63.72</td>
</tr>
<tr>
<td>Mixed crew</td>
<td>80</td>
<td>5,541</td>
<td>80</td>
<td>60.80</td>
</tr>
</tbody>
</table>

the Mystic Steamship Company experienced a monthly average of $16,000 for base wages plus $5,000 for overtime in the operation of its United States-flag Libertys. For the same class vessel registered under foreign flag by the company, the total labor cost per month was about $6,000, just slightly more than the overtime alone payable to the American crew.* In a capitalistic society, which unions need to survive and thrive, there is no factor more basic than obtaining the cheapest labor in the open market. Foreign-flag operation does just that.

Our government supports its position of defending "runaways" on the basis that the American owned or controlled "runaways" are readily available to the United States on call for a naval auxiliary fleet during national crises. The Maritime Administration, State Department, and the Navy expressed this opinion in 1958.**

** Other competitive factors. A concomitant of high labor costs of United States-flag operation is the legal requirement to man vessels with citizens. No recourse to cheaper labor markets is available. In contrast, some vessels under the flag of Panama completely ignore that country's unenforced requirement that 10 per cent of the crew be Panamanian.*** To peg the costs still higher, the manning scales prescribed by the United States Coast Guard for the American Merchant Marine preclude navigation of the American vessel by a smaller crew as Denmark, France, Italy, and Norway are able to do successfully. Table

* 93
** 75, p. 1, 48
*** 59, p. 1
XII reveals that vessels of these countries operate with 1 to 7 fewer seamen than American vessels. United States-flag vessels are also subject to stringent but invaluable safety regulations. Less exacting requirements for foreign-flag vessels mean lower expenditures to equip crews and ships.

Returning "runaways." True to their affinity to economic conditions, operators of "runaway" flags made application to the Maritime Administration in 1958 for the return of vessels to United States-flag operation. The international tramp charter market had dropped to a level of $3.00 to $3.85 a ton, while the rate for carrying United States Government cargo under the "50-50" law was as high as $17.48 a ton.* In addition, transfers to foreign flags had decimated the United States fleet to such an extent that our government was unable to find unemployed United States-flag freighters to carry the cargo at this peak cargo rate. The United States tramp fleet had dropped to the low of 70 ships.** Too many ships were competing for the foreign share of the "50-50" cargoes, while a portion of the American share of the cargoes went begging for carriers until it was assigned to foreign vessels, thereby reducing the American share below the legal 50 per cent provision. Small wonder that the transferred vessels made application to return. It is interesting to note that management of United States-flag vessels objected to the return of these vessels and to the competition they offered. The A. H. Bull Steamship Company submitted a

* 36, p. 3
** 39, p. 16
SEAFARERS LOG

March 14, 1955

'How About A Subsidy? I'd Like To Expand'

LEGITIMATE
MARITIME
NATION

RUNAWAY
SHIPPING
COMPANY

SUB-STANDARD
CONDITIONS
protest to the Maritime Administration, stating that freighters in the moth-ball fleet should be utilized by American companies on a charter basis rather than permit such fluctuation in and out of the American Merchant Marine.* The significance of the returning "runaways" is the complete adherence to a laissez-faire attitude in this matter by our government, allowing transfers in either direction despite objections by other governments, by American and foreign management, and by American and foreign maritime unions. For the operators involved, it is merely a condition of subscribing to the basic economic factors of the highest return per unit of labor cost to the extent permitted by the regulatory governments.

Non-subsidized operators. Not all United States-flag vessels receive subsidies for labor cost differentials provided by the Merchant Marine Act of 1936, as amended. Prominent among non-subsidized operators are Alcoa Steamship Company, American Hawaiian Steamship Company, Arrow Steamship Company, A. H. Bull Steamship Company, Isbrandtsen Company, Isthmian Steamship Company, Matson Navigation Company, Pope and Talbot, South Atlantic Steamship Lines, Standard Fruit & Steamship Company, States Marine Corporation of Delaware, States Marine Corporation (N.Y.), Victory Carriers, and Waterman Steamship Company. These companies submitted reports of their financial condition to the Maritime Administration as the source of the data appearing in their section of Table XIII. Except for the years 1950 and 1951, the subsidized operators enjoyed a larger profit margin by year and on the average for the 1946-51

* 39, p. 16
### TABLE XIII
COMPARISON OF RATE OF RETURN ON NET WORTH OF
SUBSIDIZED CONTRACTORS AND NON-SUBSIDIZED OPERATORS, 1946-51
(Per Cent) #

<table>
<thead>
<tr>
<th>Year</th>
<th>Subsidized Companies</th>
<th>Non-subsidized Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Before Subsidy</td>
</tr>
<tr>
<td>1946</td>
<td>19.5</td>
<td>19.5</td>
</tr>
<tr>
<td>1947</td>
<td>27.1</td>
<td>25.8</td>
</tr>
<tr>
<td>1948</td>
<td>14.7</td>
<td>10.0</td>
</tr>
<tr>
<td>1949</td>
<td>14.8</td>
<td>7.0</td>
</tr>
<tr>
<td>1950</td>
<td>10.1</td>
<td>6.0</td>
</tr>
<tr>
<td>1951</td>
<td>15.7</td>
<td>7.3</td>
</tr>
</tbody>
</table>

Average

<table>
<thead>
<tr>
<th></th>
<th>Subsidized Companies</th>
<th></th>
<th>Non-subsidized Companies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1946-51</td>
<td>16.5</td>
<td>10.5</td>
<td>6.0</td>
<td>10.7</td>
</tr>
</tbody>
</table>

# Percentage of operating earnings (exclusive of capital gains) to average of net worth at beginning and end of year. Earnings of subsidized lines are after estimated recapture accrual. Percentages are before taxes.

period covered by the table. It should be noted that the A. H. Bull Steamship Company which protested the return of the "runaways" is one of this lower marginal group. Here is an illustration of governmental inconsistency: on one hand, legislating subsidy aid to the maritime industry; on the other, refusing to protect the operating earnings of the non-subsidized companies.

LABOR RELATIONS

Collective bargaining. "In no other major industry is the human element so important as it is in the maritime industry where much of the necessary work is accomplished by the brain and brawn of those employed . . . It would be a mistake of the most serious nature if labor and management in the American Shipping industry were unable to settle any differences amicably . . ." In two sentences, Frank J. Taylor, president of the American Marine Institute, ably summed up the sensitivity of collective bargaining in the maritime industry and the attendant responsibility of the leaders of both labor and management.*

In the maritime industry, labor and management cannot be accused of amiable relationship for exemplary progress in collective bargaining. Deadlocks at the bargaining tables and strike-bound ships in ports continue to characterize the industry to the date of this thesis. A recent example was the failure of the International Organization of Masters, Mates and Pilots to negotiate a contract and the strike in September, 1958, which tied up about 60 ships in east...

* 28, p. 130
coast ports, including the large passenger ships, SS UNITED STATES and SS AMERICA. The collective bargaining machinery bogged down to such an extent that it took skillful arbitration by George Meany, president of AFL-CIO, to return the ships to sea. This is the first time management requested a top labor leader to arbitrate a deadlock, and his success may bring about a repetition for improved collective bargaining.*

One factor for the breakdown of negotiations was the inability of the union to deal with the representative of the operators, the American Merchant Marine Institute. The union leaders bypassed the institute for direct dealing with the operators and negotiated individual contracts with 31 companies.** This successful collective bargaining with a portion of the companies indicates a need to analyze the discord between labor and the American Merchant Marine Institute.

Frank L. Dwinell lists 4 reasons for lack of complete harmony in collective bargaining by maritime labor leaders and ship operators, as follows: (1) improperly written contracts, (2) chiseling on both sides after the contract has been negotiated, (3) failure by management to employ labor advisors, and (4) improper and insincere policy at the top on both sides.*** Management's selection of less efficient labor advisors as representatives at the bargaining table often produced a contract which management subsequently dishonored. Labor retaliated by similar noncompliance. A vicious spiral developed; collective bargaining sank to a new ebb.

* 81, p. 21
** 44, p. 7
*** 21, p. 131
Personnel problems. Productivity should be mentioned again as the salient man-power problem in the maritime industry because this factor is an integral part of a vessel's labor cost. Its importance justifies repetition of the slow progress in this area. In the early 1940's, a ship was 40 per cent in port, 60 per cent at sea; 10 years later, the opposite was true.* In addition, the progress which has been developed in ship speed has been frequently lost in port delay.

The composition of shipboard personnel creates another man-power problem. An analysis of the duties and responsibilities of the work force reveals that there are 28 key shipboard positions on the average United States-flag cargo ship. Seafaring jobs may be classified into 3 groups, as follows: (1) 20 per cent in professional and managerial positions, (2) 46 per cent in skilled and semi-skilled jobs, and (3) 34 per cent in unskilled jobs. Such high percentage of professional and managerial personnel can be found in only a few shore-side industries.** Included in many responsibilities of the master and the mates is the full knowledge of navigation for efficient operation of the ship and safety of those on board. The engineers must have degrees or certificates in diesel engineering. The radio operators must be capable of handling all radio operational problems which arise at sea. Skilled workers include firemen-watertenders, oilers, electricians, refrigerator engineers, and carpenters. Purser handle the financial and clerical workloads. The stewards procure supplies.

The technical composition of shipboard personnel brings about

* 23, p. 35
** 60, p. 565
the problem of man-power supply to fill these positions. In 1951, shortages existed in the key positions of radio operator, engineer, able seaman, oiler, and fireman-watertender. Just any willing worker cannot fill a vacancy because one-third of seafaring jobs require from 3 to 6 years of training. The maritime industry needs a stable reserve of man-power to the extent of 25 to 30 per cent of total employment.* However, the formation of a man-power reserve is hampered by the tendency of the seaman to seek employment ashore. The very nature of seafaring work with its voyage by voyage tenure provides little assurance for long-term employment. A survey of labor turnover for the period from July, 1945, to June, 1946, disclosed a total of 383,000 terminations, about twice the average monthly employment for this period.*

Management complains that union seniority rules discourage the entry of young, inexperienced men into the industry, diminishing the nucleus of a pool for the development of skilled, technical workers. For example, seniority rules for hiring on a SIU ship provide first preference for seamen who were associated with SIU before January, 1953, and who have shipped at least 90 days a year in 1953, 1954, and 1955. Second in preferential hiring come the seamen who were associated with SIU before January 1, 1954, and who have shipped at least 90 days a year in 1954, 1955, and 1956.**

Another personnel problem is the rebellion against shipboard

* 60, p. 566-67
** 45, p. 2
semi-military discipline over both working hours and free time. Living, eating, and working closely with other members of the crew call for regulated conduct to assure harmonious conditions in the confined area of the ship. Sometimes, over-indulgence in a wayport after several days at sea leads to trouble. Other times, rebellion against discipline itself disrupts harmony. On shore, the boss discharges the rebellious worker, and that's that. At sea or in a foreign port, the solution is not so easy. The navigation laws of the United States are archaic in this respect. Section 701 of title 46, United States Code, provides penalties for such offenses as assaulting an officer, shore leave without permission, and refusal to obey a command at sea, but no legal recourse against cursing, insolence, or drinking liquor on board the vessel. The master may rid the vessel of a nuisance in a foreign port by appealing to an American Consul, but the company must pay the seaman's maintenance and repatriation expenses. In many cases, the maritime unions will not tolerate an open breach of discipline and will penalize the member after a trial at the conclusion of the voyage. The voyage of the SS LEILANI from New York to San Francisco in March, 1957, is an illustration of the shipboard discipline problem. Eight passengers filed a joint suit for $40,000 against the company, charging breach of contract because of insolent waiters, poor food, oil in the swimming pool, and a general breakdown of service. Conditions were so bad that 44 passengers disembarked at Balboa, Canal Zone, and continued by plane to San Francisco.* Union representatives arrived by plane and

* 61, p. 1
shipped as crewmembers at Balboa. No disturbances occurred during the remainder of the voyage. Labor's corrective action in these circumstances is commendable. However, the necessity for this recourse by management points out the peculiarity of such labor-induced costs to the maritime industry and the need for close cooperation by maritime labor and management.

**Jurisdictional disputes.** As the innocent bystander, management suffers the costs of tied-up vessels and the loss of revenue during jurisdictional disputes between maritime labor unions. The merger of AFL and CIO unions has neither united the SIU (AFL) and NMU (CIO) nor calmed their jurisdictional feud. SIU belongs to the AFL-CIO Maritime Trades Department, which is headed by the SIU leader, Paul Hall. NMU was a member for a short period after the merger, but withdrew during a flare-up of the persistent feud.

Raid after raid takes place, each costly to management. In April, May, and June of 1957, the rival unions had a real sailors brawl, fighting for jurisdiction over the labor contract with the American Coal Shipping, Inc. Oddly enough, management in this case was John L. Lewis and his United Mine Workers together with the coal operators. This brawl included such features as picket lines, exchanges of insults, court injunctions, and action by the National Labor Relations Board and courts. The company had received approval from the Maritime Administration to charter 30 freighters, but the union feud held operation at a 6-ship level.*

* 68, p. 54M
No area escapes this rivalry. The advent of the St. Lawrence Seaway opened a lucrative field to each union in June, 1958. The jurisdictional struggle shifted without difficulty into a hotter pace in this section of the country. Intensified organizing by each union continues despite the fact that neither exhibits an inclination to break with the parent AFL-CIO.*

Two other examples of costs caused by jurisdictional disputes occurred in September, 1958. The union feud idled the SS VALIANT FREEDOM in Charleston until her owners gave up hopes for operational peace and took the alternative measure of chartering the vessel to the Martis Steamship Company which had a contract with SIU. The other case involved such a prolonged tie-up of the SS MAURICE GEORGE in Hoboken that the owners sold her to the World Carriers.**

Management's suggestions for improved relations. Among the many steps which management believes that labor should take to improve relations, the following are prominent:

Management stresses that maritime unions should analyze their wage demands to conform more closely to labor's own doctrine of a fair day's pay for a fair day's work. Labor leaders should cease striving for excessive benefits.*** The effect of this suggestion would constitute a control over the labor cost spiral produced by the play of one union's agreement against another. The measure of a fair day's pay should be in conformity with American standards of living. The working

* 58, p. 127
** 46, p. 3
*** 28, p. 145
day should consist of 8 hours; 40 hours should constitute the work week. Overtime payment for Saturdays, Sundays, and holidays is consistent with shore jobs, but millions of Americans work at night without overtime. The payment of overtime for port work after 5:00 p.m. and before 8:00 a.m. is not equitable. Maritime labor costs should have the same standards as those of shore transportation carriers - the competitors of coastwise and inter-coastal shipping. Railroads and trucking companies are not saddled with such overtime commitments.

Another suggestion involves the adoption of a national policy for maritime labor.* The elimination of several contract negotiations with attendant strike possibilities at different times in the year is the aim of this suggestion. It would also bring an end to jurisdictional feuds which increase costs by picketing or by delays caused by crew shortages.

Management believes that the seaman should extend himself more to improve productivity. For example, crewmembers should try to make all repairs possible during the voyage to strive for fast turn-around in port.** A vessel earns no revenue while tied to a pier. It is the combination of income plus reduced idle time in port which provides the margin to pay the high cost of American maritime labor.

Another approach to improve productivity is the suggestion that labor adopt a realistic attitude toward the manning requirements of a vessel.** For example, unions press for full complement of waiters

* 21, p. 114-46
** 92
and other members of the stewards' department whether the ship's passenger load is 100 per cent, 50 per cent or 25 per cent of capacity. Obviously, a passenger load 75 per cent below capacity on any voyage should call for a reduction in those crew members who serve passengers. Otherwise, productivity suffers, and labor costs are undefensibly high. The 22-hour delay of the SS SANTA ROSA in September, 1958, illustrates this point. The crew became "sick" at sailing time after exposure to the full load of 295 passengers. The "illnesses" suddenly disappeared when the company agreed to sign on 6 additions to the vessel's full complement of 247. The vessel then sailed, carrying a ratio of almost one crew member to each passenger.*

Management feels that common sense and good judgment should prevail for the mutual benefit of labor and management, especially when the possibility of reducing costs exists.** Mutual cooperation in this sense embraces the concept that both labor and management draw their wages and profits from the same margin of income above operating costs. Management believes that labor should be acutely aware of this residual source and be willing to take reasonable steps to protect it. An inherent right or a specific term, negotiated at the bargaining table and included in the agreement, should not be exercised solely for the sake of this right rather than its intent. As an example, the seamen on the United Fruit Company ships which call at Cristobal, Canal Zone, regularly demand compliance by the operators of the union agreement for fresh milk.

* 73, p. 158
** 17, p. 22
The contract states that 100 quarts of milk shall be on board on sailing
day when the ship sails from a United States port and foreign ports where
milk, pasteurized in accordance with American standards on Consular
advice, is readily available. No problem existed when a vessel could
purchase stores from the Panama Canal Company. However, one of the terms
of the Memorandum of Understanding between the United States and Panama
in 1955 denied this source to vessels, requiring them to purchase from
vendors in Panama. Although the Panamanian milk satisfies the standards
by analysis, some factor such as inadequate refrigeration during shipment
across the Isthmus to the vessels causes 50 per cent of the milk to spoil
before it can be consumed. The exercise of this admitted right reoccurs
with each vessel's arrival as seamen demand contract compliance with full
knowledge that 50 quarts of milk are regularly thrown into the sea each
trip.* The repetition of this case illustrates the principle of
management's contention rather than a cost figure.

Another example of the abuse of a seaman's right is the
repetition of claims for illnesses and injury by an increasing percentage
of seamen. A seaman has the right to receive wages until the end of his
vessel's voyage if he becomes sick or injured and is hospitalized. If
hospitalized in a foreign port, the company is also obligated to pay
repatriation expenses. The abuse of this right has increased sharply
during the past 7 years: from 47.5 per cent to 81.1 per cent of total
maritime employment. In 1951, there were 40,934 cases of sickness and
illness among 86,000 American seamen; in 1957, there were 47,990 claims
* 91
among 58,500 jobs. Such volume of claims is due to the activities of "repeaters" who use chronic symptoms for hospitalization at the first port of call of each voyage. Many have more than 20 claims each. The Marine Index Bureau states that the cost burden has become critical and calls upon the maritime unions to work closely with management to combat this problem.*

NEED FOR GOVERNMENT AID

Impact of labor cost. An analysis of the plight of non-subsidized operators as a result of mounting labor costs is a good illustration of the need for government aid. The 8 per cent increase in base pay negotiated by maritime labor in 1958 (see Tables VII, VIII, and IX) followed an average increase of 6 per cent in 1956.** Added to the costs of base wages, the steamship companies experienced substantial increases in the management-borne costs of the comprehensive group of fringe benefits won at the bargaining table by labor from 1950 to 1956 (see Chapter IV). Using the history of NMU as an example, the cost of fringe benefits in 1950 was 25 cents per member per day. In 1956, this cost surged 300 per cent to $1.00 per member per day. The Masters, Mates and Pilots Union experienced a sharper increase during the same period: from 25 cents per man per day to $1.60, or 540 per cent.*** The SIU agreement of September, 1958, furnishes an evaluation of 1958-1959 costs to management by its inclusion of such fringe benefits as (1) 6 per cent

* 74, p. 168
** 84, p. 21
*** 88, p. 5
increase in overtime rates, (2) 30 cents per man per day more for vacation payments, (3) 5 cents per man per day increase for SIU health and safety program, and (4) 5 cents per man per day for SIU feeding programs.* A reference to Table XI will reveal that the 1952 cost of all fringe items had increased 10,660 per cent over the 1937 level. During 1948-1958, the cost of fringe benefits in manufacturing industries increased 200 per cent; in all industry and business it increased 26½ per cent; in the maritime industry seamen's unions have pushed up the cost of fringe benefits 323 per cent.**

It is not surprising that non-subsidized operators have eyed the operating-differential subsidy as one solution to their payroll pressures. In 1958, the non-subsidized Waterman Steamship Company submitted an application to the Federal Maritime Board for an operating subsidy on 4 essential trade routes. The company had suspended its North Atlantic run because it could not compete with the subsidized companies and the foreign-flag competitors. Joining the Waterman Steamship Company at this time in application for operating-differential subsidies were 3 other major non-subsidized operators: Isbrandtsen Company, Isthmian Steamship Company, and States Marine Corporation. If their applications are approved, this major defection will decimate the ranks of liner companies, leaving operators of tramps and tankers as the major survivors of the non-subsidized group.

Palmer Hoyt, publisher of the Denver Post, summed up this

* 42, p. 3
** 79, p. 82-86
situation, stating, "Operating subsidies are necessary because American seamen are the best paid, best fed, and best quartered in the world."*

Block obsolescence. Another contributing factor to the need for government aid is the adverse condition of block obsolescence which threatens the American Merchant Marine. Although not a labor cost per se, it is related to the extent that a fleet of predominantly old, slow ships cannot compete as effectively as modern, fast vessels with larger capacities. Excess days on a voyage increase total labor costs as well as other operating costs.

One of the aims of our government in its program of subsidizing the maritime industry is the maintenance of a fleet of modern vessels. To be eligible for subsidies, operators must depreciate their vessels and continually replace them on a 20-year cycle. The 1960's loomed as the culmination of the block obsolescence problem: the subsidy deadline for about 80 per cent of the merchant fleet.** Recognizing that such group replacement imposes a severe hardship upon the industry, the Federal Maritime Board formulated an extension of ship replacements, shown in Table XIV. To soften the financial blow for replacing ships, the Board deferred the effective dates from 3 to 10 years. While this action provides temporary relief for the capital program of replacing the ships listed in the table, the obsolescence factor remains to stimulate high labor costs.

Consummation of government policy. The Merchant Marine Act of

* 18, p. 24
** 51, p. 8-12
TABLE XIV
SHIP REPLACEMENT EXTENSIONS
BY FEDERAL MARITIME BOARD

<table>
<thead>
<tr>
<th>Name of operator</th>
<th>Vessel</th>
<th>20 years of age</th>
<th>Scheduled replacement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grace Line Inc</td>
<td>Santa Ana</td>
<td>1960</td>
<td>1963</td>
</tr>
<tr>
<td></td>
<td>Santa Teresa</td>
<td>1960</td>
<td>1963</td>
</tr>
<tr>
<td></td>
<td>Santa Juana</td>
<td>1962</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Santa Adela</td>
<td>1962</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Santa Cruz</td>
<td>1962</td>
<td>1969</td>
</tr>
<tr>
<td></td>
<td>Santa Flavia</td>
<td>1963</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Santa Eliana</td>
<td>1964</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Santa Leonor</td>
<td>1964</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Santa Mercedes</td>
<td>1964</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Santa Fe</td>
<td>1964</td>
<td>1969</td>
</tr>
<tr>
<td></td>
<td>Santa Anita</td>
<td>1964</td>
<td>1969</td>
</tr>
<tr>
<td></td>
<td>Santa Paula</td>
<td>1952</td>
<td>1958</td>
</tr>
<tr>
<td></td>
<td>Santa Rosa</td>
<td>1952</td>
<td>1959</td>
</tr>
<tr>
<td>Moore-McCormack Lines, Inc</td>
<td>Argentina</td>
<td>1949</td>
<td>1958</td>
</tr>
<tr>
<td></td>
<td>Brazil</td>
<td>1948</td>
<td>1958</td>
</tr>
<tr>
<td>American President Lines, Ltd</td>
<td>President Harrison</td>
<td>1963</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>President Johnson</td>
<td>1963</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>President Van Buren</td>
<td>1963</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>President McKinley</td>
<td>1966</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>President Monroe</td>
<td>1960</td>
<td>1963</td>
</tr>
<tr>
<td></td>
<td>President Polk</td>
<td>1961</td>
<td>1963</td>
</tr>
<tr>
<td></td>
<td>President Hoover</td>
<td>1959</td>
<td>1961</td>
</tr>
</tbody>
</table>

1936, as amended, states, "It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a merchant marine (a) sufficient to carry ... a substantial portion of the waterborne export and import commerce of the United States."

An analysis of Table XV will disclose that United States-flag vessels have carried diminishing percentages of our imports, exports, and total water-borne foreign trade over the 10-year span of the table. The total decline in each category has been sharp and substantial: in imports, from 65.8 to 26.5 per cent; in exports, from 57.3 to 19.7 per cent; and in total water-borne foreign commerce, from 60.4 to 23.5 per cent. Obviously this part of the policy contained in the Act has not been consummated.

Since subsidized companies have received their full operating-differential subsidies to offset the effect of foreign, low-cost maritime labor, the high labor cost of these United States-flag ships cannot be accused of reducing profits. This is particularly true when the American operators belong to shipping conferences which fix cargo rates and thereby assure revenue ratios to wage costs on a parity with foreign-flag competitors.

Without the wage-cost equalizer, the non-subsidized companies cannot compete in the open market for cargoes even under the umbrella of shipping conferences. This is clearly evident in the following foreign commerce statistics of 1955:*  

* 81, p. 13
### TABLE XV

**WATER-BORNE FOREIGN TRADE OF THE UNITED STATES**

1946-1955

(In millions of tons of 2,240 lbs.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total flag</th>
<th>flag</th>
<th>U.S.</th>
<th>Total flag</th>
<th>flag</th>
<th>U.S.</th>
<th>Total flag</th>
<th>flag</th>
<th>U.S.</th>
<th>Total flag</th>
<th>flag</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946#</td>
<td>13.9</td>
<td>28.9</td>
<td>65.8</td>
<td>77.7</td>
<td>54.5</td>
<td>57.3</td>
<td>121.6</td>
<td>73.4</td>
<td>60.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1947#</td>
<td>52.9</td>
<td>33.6</td>
<td>63.5</td>
<td>111.0</td>
<td>54.5</td>
<td>49.1</td>
<td>163.9</td>
<td>88.1</td>
<td>53.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1948#</td>
<td>60.2</td>
<td>36.2</td>
<td>60.1</td>
<td>78.8</td>
<td>30.8</td>
<td>39.1</td>
<td>139.0</td>
<td>67.5</td>
<td>48.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1949#</td>
<td>69.1</td>
<td>36.9</td>
<td>53.4</td>
<td>61.2</td>
<td>23.3</td>
<td>36.3</td>
<td>133.3</td>
<td>60.2</td>
<td>45.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950#</td>
<td>86.3</td>
<td>37.7</td>
<td>43.7</td>
<td>56.0</td>
<td>18.2</td>
<td>32.5</td>
<td>142.3</td>
<td>55.9</td>
<td>39.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1951#</td>
<td>90.2</td>
<td>38.2</td>
<td>42.4</td>
<td>103.0</td>
<td>38.7</td>
<td>37.6</td>
<td>193.2</td>
<td>76.9</td>
<td>39.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1952#</td>
<td>95.9</td>
<td>37.2</td>
<td>38.8</td>
<td>92.0</td>
<td>27.2</td>
<td>29.6</td>
<td>187.9</td>
<td>64.4</td>
<td>34.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1953#</td>
<td>106.3</td>
<td>34.1</td>
<td>32.4</td>
<td>71.9</td>
<td>17.4</td>
<td>21.1</td>
<td>177.9</td>
<td>51.7</td>
<td>29.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1954</td>
<td>107.5</td>
<td>32.3</td>
<td>30.0</td>
<td>69.3</td>
<td>16.3</td>
<td>23.5</td>
<td>176.8</td>
<td>48.6</td>
<td>27.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>126.0</td>
<td>33.4</td>
<td>26.5</td>
<td>100</td>
<td>19.7</td>
<td>19.7</td>
<td>226.0</td>
<td>53.1</td>
<td>23.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


1. Preferential cargo subject to the 50 per cent United States-flag provision of Public Law 664, 83d Congress, amount to about 20 per cent of the export cargo carried by subsidized vessels.

2. In contrast, this cargo supplied about 80 per cent of the export cargo carried by the non-subsidized tramps and tankers.

3. Total preferential cargo carried by United States-flag vessels represented only 6 per cent of total water-borne foreign commerce.

4. About 94 per cent of our water-borne commerce is available on the open market to vessels of all flags on a competitive basis.

It is not surprising that the non-subsidized tramps and tankers resort to the non-competitive market of preferential cargoes to pay their high labor costs. Nor is it illogical to expect any result except a decline by United States-flag vessels in the movement of our water-borne commerce.

If our government intends to realize its policy of carrying a substantial portion of our export and import commerce in vessels of the United States, further preferential treatment is obviously necessary. Management points to the fact that the American public is one of the world's largest consumers, a factor which could influence the selection of carriers for our imports at least.*

* 27, p. 143
CHAPTER VI

SUMMARY AND CONCLUSIONS

To strive for clarity in reviewing the material covered by the preceding chapters, the summary follows the order of its presentation rather than attempting to weight the items in the order of their importance to the maritime industry.

SUMMARY

The American seaman. The high cost of labor in the maritime industry goes to make the American seaman the best paid, the best fed, and the best quartered among all maritime nations. His hours of work, the work week, holidays, and vacations measure up to those of the American citizen ashore. Other fringe benefits, such as subsistence and the comprehensive list of welfare items exceed most shoreside jobs.

The ramifications of life at sea, however, do much to offset the favorable comparisons. To provide harmony while working, eating, and living in close relationship with the other crew members, both working hours and free time are subject to semi-militaristic discipline. Perhaps the salient disadvantage is separation from his family: the more constant his earning power, the more permanent his absence from home. He has little opportunity to share the lives of his children.

The American seaman believes that the hiring hall is necessary for a fair distribution of jobs in the characteristically casual employment of the maritime industry. No longer is it necessary to spend long hours on the piers personally soliciting employment or to buy a job
by bribing a company official. Consequently, he fully supports his
union in efforts to recover full control of the hiring hall by
modification of the section of the Taft-Hartley Act which frowns upon
the closed shop and discrimination in hiring. American seamen are 100
per cent unionized.

Government policy. By legislating the Merchant Marine Act of
1936, the United States announced its policy of subsidizing the
development and maintenance of a merchant marine consisting of modern
ships capable of (1) carrying the domestic water-borne commerce, (2)
carrying a substantial portion of the foreign water-borne commerce, and
(3) serving as a supplement to the navy in times of war. Included in
this government aid is an operating-differential subsidy computed to pay
qualified operators on 31 essential trade routes the difference between
their labor costs and those of their foreign-flag competitors.

The United States also extends aid to the maritime industry by
cabotage monopoly, authorization of shipping conferences, and preferential
cargoes.

The total subsidy paid to the maritime industry in 1953
amounted to only 3 per cent of national subsidy to all industries. On
this basis the cost of the operating-differential subsidy, which is only
a portion of the 3 per cent, is not an excessive liability of the
national budget.

Labor's viewpoints. Maritime labor leaders aim for wages on a
par with similar jobs ashore, but they have pushed the management-borne
costs of fringe benefits substantially higher than other industries.
They are well aware that the disadvantages associated with life at sea
will abruptly decimate the ranks of seamen and the memberships of maritime unions if the pay and working conditions of the American seaman are not sufficiently attractive to lure him away from shore jobs.

Maritime unions advocate the operating-differential subsidies which help pay the admittedly high labor cost of the maritime industry. Since our government has announced a national need for a merchant marine, financial aid is necessary to pay differentials which reflect American and foreign standards of living. In its support of a large merchant fleet, labor criticizes the "runaway" flags because they represent loss of jobs and increased foreign-flag competition. On the return of "runaways" to United States-flag operation in 1958, the unions are silent because of the resulting job increases despite the fact that non-subsidized companies experience accelerated competition for preference cargoes.

Maritime labor presses for more government aid to enlarge the maritime industry and to provide more jobs because subsidies are about 3 per cent of the country's total subsidy cost to all industries. The government recovers in personal and corporate taxes the annual average cost of the subsidies, $29,000,000, keeping current a merchant fleet which would cost $497,000,000 to build.

Cooperation with management for efficient and economical operation is an expressed desire of maritime labor. Union constitutions include sections dealing with trials and penalties for offenses which add or increase costs. Other forms of cooperation have included tempering bargaining demands during a recession and a $500,000 loan to aid a hard-pressed operator.
Labor has announced its intention to pursue its objective for increased welfare benefits, formal maritime training schools, and good relations with management and the public.

Management's position. The salient problem in the maritime industry is low productivity. The capacity and speed of ships have been increased, but these improvements fall far short of the productive progress enjoyed by other industries. The technique of mass production, which allows the American product to compete on the open market, cannot be applied readily to the navigation of a vessel. Hence in the wage-price spiral, costs rise and profits shrink in the maritime industry.

In efforts to improve the profit picture, management has resorted to the acquisition of cheap labor on the open market by operating under the "flags of convenience." The growth of the fleets under the flags of Panama, Honduras, Liberia, and Costa Rica has been so alarming to the traditional maritime countries that the International Transport Workers Federation voted for a world-wide boycott of these ships on December 1-4, 1958. The intent is to narrow the competitive advantage of the "flags of convenience" by forcing them to increase wages of their seamen to the British level of $140 per month.

All "runaway" flags have not enjoyed profitable operation. Many have returned to the United States flag to be eligible for preferential cargoes. Non-subsidized operators have criticized the return of these ships because they are unable to compete with subsidized companies and competitors. The return of the "runaways" spreads the preferential cargoes too thin.

Management feels that labor does not live up to its announced
policy of good relations. Unions still employ the weapon of labor strikes, shipboard discipline problems lower productivity, and jurisdictional disputes continue to increase costs despite the AFL-CIO merger. The improvement in labor relations will occur, management contends, when labor conforms to its own principle of a fair day's work for a fair day's pay, when labor bargains on a national policy to preclude sporadic strikes, when labor helps reduce costly idle time in port, and when labor ceases to incur costs unnecessarily by abuse of rights.

Management acknowledges the need for operating-differential subsidies to pay the highest labor cost of all maritime nations. With government aid equalizing operating costs and with shipping conferences fixing rates, the subsidized operator can compete effectively with foreign-flag ships. The non-subsidized operator, however, cannot cope with his high labor costs despite the economic shelter of preferential cargoes. Both subsidized and non-subsidized operators face the common disadvantage of block obsolescence in the American Merchant Marine. United States-flag vessels are becoming more costly to operate and require replacement as a group rather than the desirable single, well spaced replacement.

CONCLUSIONS

Non-subsidized operators. The material developed in Chapter V reveals clearly that non-subsidized companies need help to meet their payrolls. The umbrella of preferential cargoes does not provide the shelter equivalent to the operating-differential subsidy. As a result,
the maritime policy of our government suffers: Each year United States-flag ships carry a smaller portion of our export and import cargoes. Since our navigation laws preclude the operators' obtaining the cheapest labor on the open market by the citizen-manning requirement, the makers of these laws and our maritime policy are obligated to legislate further relief.

Following this line of thought, our government should deal pragmatically with preferential cargoes. Why not consider them in the light of providing dual relief: to the needy American maritime industry, as well as to the needy foreign recipient? Why not consider them as part of our overall national subsidy and increase the share for United States-flag ships beyond the 50 per cent level up to as much as 100 per cent if necessary? Certainly there is room for increasing the American share of preferential cargoes when about 94 per cent of our water-borne commerce is available on the open market to vessels of all nations.

What are the implications of this step? The argument of retaliation by other countries does not apply because the United States foots the bill for relief shipments. If other countries desire to extend relief to various needy areas of the world, they also should have the prerogative of deciding whom they wish to pay for all facets of the transaction, including transportation of the relief goods.

 Preferential cargoes should be divorced completely from a foreign trade concept. The former is charity with the inherent right of the donor to make all decisions; the latter is commerce with the ramifications of competition and retaliation. For its imports and exports, our government should exert no controls, allowing free play of
the influences of traders in the foreign commerce market.

A more effective implementation of preferential cargoes would result in increasing the subsidy to the maritime industry. This addition should not promote serious argument because the maritime industry receives only about 3 per cent of the overall national subsidy.

"Runaways." A corollary of aid to the non-subsidized operators is the problem of the "runaways." Our government has refused to adopt any restrictive action on the "flags of convenience" even to the extent of being the sole nation member of the International Labor Organization of the United Nations to oppose such restrictions.

This policy is unrealistic and leaves the government open to criticism of protecting the American financial interests in the "runaways." Permitting fluctuations in and out of the American Merchant Marine allows an operator to skim the cream off the milk of international commerce to the detriment of the operators who pay taxes to the traditional maritime countries. This unrestricted movement in and out of our merchant fleet disrupts the planning and budgets of the operators under all flags. Operation under the "flags of convenience" constitutes a 100 per cent subsidy by the taxation relief and lower standards for labor costs. Under these circumstances, the "runaways" should not be allowed to return to the American flag. The non-payment of taxes removes the right to return. But they should be allowed to go under foreign registry; we should not have a captive fleet. Closing the door for return will reduce the pace of leaving as the consequences are pondered.

As economic conditions induce replacement of those which do leave by new ships, this change will give effect to the government
policy of modernizing the fleet. While labor will lose the jobs on ships that do runaway, the replacements may offset the loss. This policy will also provide a more consistent level of jobs in the maritime industry.

As a supplement to this policy, the United States should join the other maritime nations in subscribing to the minimum labor standards advocated by ILO for ships of all flags.

The argument that these American-owned, foreign-flag ships could be called into service during a national emergency does not hold. They would be compelled to adhere to the dictates of the country whose flag they fly. For example, during World War II Arnulfo Arias, former president of Panama, refused to go along with the United States in arming his merchant fleet. Hence their war-time value was impaired.

Finally, legislators should squarely face the fact that American citizens with their high standards of living are here to stay on American ships. Any program to internationalize the American fleet as an alternative to "runaways" for cheap labor will make little progress because of the strength of maritime labor unions. Such thoughts are unrealistic in view of 100 per cent unionized labor in the maritime industry and the strength of labor federations in our country.

Fringe benefits. While basic wages have increased substantially in the maritime industry during 1948-1958, comparisons with similar jobs ashore disclose a parity. This is not true in the case of fringe benefits. Unions have been excessive in their demands for increased fringes, driving up their costs 323 per cent in the maritime industry during 1948-1958 compared to 200 per cent in manufacturing and 264 per cent in all industry and business.
The high cost of fringe benefits and labor's announced goal of increased benefits defeat the argument that maritime labor unions are merely trying to keep abreast of shoreside rates. Accordingly, if labor is sincere in its declaration of labor-management cooperation, fringe benefits should be reduced until their costs subside to the level of comparable shoreside jobs. This drop in costs should provide a certain measure of relief for the non-subsidized operators. It follows that the government should also realize a savings from reductions in the operating-differential subsidies.

**Abuse of rights.** If labor insists upon its rights rather than its obligations, it negates at the same time its declaration for constructive cooperation with management. Unions should realize that they have an equal stake with management in their uneconomic industry. No real solution will be possible until labor and management recognize common goals. In the cost-provoking abuse of rights, labor should substitute a long-run attitude for its short-run viewpoint. It should relinquish present rights to petty or unethical matters for the prospects of larger returns or a healthier industry in the future. To a distressing degree, the uneconomic maritime industry needs a discerning labor component which can weigh the economic impact of all factors of its egalitarian concept.

**Jurisdictional strikes.** While interunion feuding is not peculiar to maritime labor, the maritime industry sails along a more precarious economic course than its shoreside counterpart to absorb the costs incurred by jurisdictional troubles. Theses costs illustrate
management's claim that unions are concerned only with union growth and not the good of the industry. Ample time has passed since the merger of AFL and CIO unions on December 5, 1955 to come up with a harmony formula to prevent costs incurred by one union's attempt to "muscle in" on another's jurisdiction. Of all costs associated with labor, these rate the least justification because of the 1955 labor merger. Rather than saddle management with such costs, maritime unions should resort to legal remedies such as those contained in Section 301 of the Taft-Hartley law, designed to eliminate jurisdictional strikes. This section sets forth the rights of a union to sue another for raiding. A jurisdictional strike indicates that one union has infringed upon the rights of another. Let the guilty union pay the penalty, not management.

Communication by management. The final conclusion deals with the need for management to tell its story better. Without being pollyannish, management can do much to foster employee support for lower labor costs and improved productivity by narrowing the gulf of misunderstanding between the two. How many seamen understand the relationship of profits to jobs and job security? How many seamen understand the relationship of wage increases to productivity in the maritime industry?

There is no basic conflict of interest between maritime labor and management. The sporadic tussles at the bargaining table and labor's occasional exercise of its economic muscle along the waterfront are conflicts which grow out of misunderstanding.

For example, if management develops a program of better communication, it could demonstrate its obligation to obtain full cargo
LABOR MANAGEMENT RELATIONS

"The one planet we should explore."
and passenger loads as its part of the productivity problem. In turn, this communication would relate the seaman to his job and the problem, leading to reduction of excessive man-power requirements for the under-capacity voyages described in Chapter V.

Better communication will induce the seaman to identify himself with the ship or company, to accept the logic of efficiency, and to unite in constructive cooperation. Industry-wide bargaining should follow to eliminate sporadic negotiations during the year. With these developments, the problems described in this thesis will have little tenure against the combined attack of labor and management.
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