MONEY AND SAILORS

by Timothy M. James

On the oil route from Valdez, Alaska, to the Lower 48, the captain of one U.S. 120,000-ton tanker, in his early 30s, annually earns pay and benefits totaling more than $80,000—and for every two-and-a-half months at sea gets two months off. With overtime, an able-bodied seaman can earn $45,000.

High pay is one reason why the total cost of a typical unionized crew (39 men) on a U.S.-flag ship is about $8,000 a day, twice that of a Japanese crew and six times that of a Chinese crew. Another factor is union-set manning levels. A U.S. general-cargo ship has 34 to 36 crewmen; a similar West German vessel has 22. All this boosts the average yearly payroll for a U.S. ship to some $3 million. The total for, say, a Norwegian ship: $1.3 million.

Moreover, U.S. ship-construction costs are almost triple those elsewhere. A U.S.-built 40,000-ton containership would cost about $90 million; a Far Eastern yard would charge $33 million. To help U.S. shipowners keep the Stars and Stripes at sea in the face of foreign competition, the U.S. government manages subsidy programs that last year, despite Reagan cuts, disbursed $288 million.

Of all merchant marine subsidy programs, the U.S. system is the most open and comprehensive. Other countries provide direct and indirect aid in many forms. For instance, low-cost financing for 80 percent of construction costs is common. U.S. shipowners get similar financing aid, plus other help that is rare elsewhere, notably cash to offset their foreign rivals' lower building and operating costs. Shipping earns needed foreign currency for such nations as Denmark, Norway, and Sweden, but they give no operating subsidies to ocean shippers. Shipowners must pare expenses to make profits.

The Merchant Marine Act of 1936 helped to lift U.S. expenses. President Franklin D. Roosevelt assured Congress that a subsidy "honestly" called "by its right name" would "maintain a reasonably adequate merchant marine." What it did was invite cost increases.

The law's offer of aid to help U.S. owners meet foreign competition while paying "fair and reasonable" wages to U.S. crews intrigued the maritime unions that emerged during the 1930s. Some leaders, such as Paul Hall of the Seafarers International Union, came to oppose subsidies, preferring cargo-preference laws to increase jobs. But, especially after World War II, other powers, notably Joseph Curran's National Maritime Union, viewed the 1936 law as a lever for higher wages. Subsidized owners did not resist.

The prewar earnings of U.S. seamen were about 50 percent above those of Europeans, but under those of the average U.S. factory worker. By the mid-1960s, the earnings of a working able seaman were about twice the average U.S. manufacturing wage and three to five times the pay of a European sailor.*

Today, nearly 90 percent of the operating-subsidy money paid to five federally aided liner firms [U.S. Lines (S.A.), American President, Waterman, Farrell, and Lykes] offsets high wages. The payments average $35,000 per crewman. As early as 1966, a Brookings economist, Samuel A. Lawrence, noted the subsidy's "tendency to create costs," despite Washington's "hopeful expectations."

Compared to other federal handouts, notably agricultural subsidies ($25.8 billion in fiscal 1986), the maritime aid program is miniscule. Support for it is fragmented. Testifying in Congress during the early 1960s, Defense Secretary Robert S. McNamara refused to "overstate" military transport needs, so as not to provide "an umbrella under which a huge ship construction program" might be launched. Today, farm lobbyists oppose the 1954 law reserving 50 percent of federally financed shipments (e.g., foreign-aid grain) for costly U.S.–flag vessels. And the maritime "industry" is divided. Shipowners favor, and shipbuilders oppose, the Reagan proposal to end the penalty for repairing U.S.–flag ships abroad.

For defense reasons, at least, few policymakers argue that the United States should emulate Canada, which after World War II chose to do without a blue-ocean fleet and now relies on competition among foreigners to keep shipping costs down. But the U.S. merchant marine's parlous condition, despite subsidies, is all too plain, and not just in the dwindling numbers of ships and jobs. The age of U.S.–flag vessels is higher—17 years for those in private hands and 33 in the government-owned fleet—than the world average of 14 years. At present, half of the eight surviving U.S.–flag liner firms do not earn enough money to invest in the construction of new ships. So much for Washington's prime goal since 1936: renewing and sustaining a U.S. merchant marine.

*A Maritime Administration report shows that in 1981 able seamen on U.S.–flag ships earned a monthly base wage averaging $1,204 (not including overtime) and employer-provided fringes (such as pension contributions) worth $1,599. Officers fared even better, particularly in the fringe department: Chief mates got a monthly base wage of $3,058 and fringes worth $5,292; for captains, the figures were $5,634 and $9,795. Overall, U.S. crew costs now exceed those of other nations with relatively high living standards by margins as high as 3 to 1.

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