

*The United States*  
NAVAL WAR COLLEGE

THE MERCHANT MARINE AND NATIONAL POWER

by

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It is impossible to rise on the rostrum of the United States Naval War College on Inauguration Day of 1953 without a few moments of reflection on the two decades which began on Inauguration Day of 1933. The turn in the naval-maritime position of the United States during that twenty-year period has been complete and beyond what even the most progressive American naval officer could have imagined as of 4 March 1933, much less would he have predicted it.

Let me say here and at once that I come from a family Republican by tradition and that I have just completed a tour of duty as a member of the Federal Maritime Board, of which by law only two members can be of the same political party and that my two colleagues were both Democrats.

Fortunately, Mr. Franklin D. Roosevelt understood the meaning of sea power in its full import and fortunately too, very fortunately, he had the courage of his convictions. Between 4 March 1933 and 7 December 1941 a new United States Navy was designed and was well along in construction.

New designs for each of the conventional types of men-of-war of 1933 were prepared and many of the new ships had come or were coming into service by 7 December 1941.

Aircraft carriers had gone through three stages of evolution during the period from the Ranger, through Yorktown and Enterprise, Wasp and the Essex Class. Mr. Roosevelt on very slim authority ordered the Yorktown and Enterprise, the

Brooklyn Class of 6-inch Cruisers, the Porter Class of 1850-ton destroyers and the Mahan Class of 1500-ton destroyers on the National Industrial Recover Act (N.I.R.A.) - signed on 16 June 1933. This lead was followed by a steady flow of Replacement-of-Naval-Vessels and later of R.I.N.V. acts and appropriations. Because of his foresight and forthright action, the damage of Pearl Harbor was soon made good and by November 1942 permitted the opening of the counter-march at Guadalcanal and in Northwest Africa.

It is interesting in passing that Mr. Roosevelt took a keen personal interest in the designs of many of these ships. His yachting experience tempered his judgment in many instances, but the fact that the Navy got the escort carrier type and specifically the 50 ships of the Kaiser Class (CVE 55 to 104) and the 9 ships of the Independence Class of light carriers was due to his personal orders - in spite of a decided initial lack of enthusiasm in the Navy's high command.

Mr. Roosevelt appreciated, as had the previous President Theodore Roosevelt, that naval power was not in itself adequate, that mere command of the sea is perhaps satisfying as an abstraction like the possession of a rare jewel or a masterpiece of art, but that it becomes of practical value only when it can be exercised and turned to military-naval-economic value - only when it assures to ourselves the inward flow of supplies of world resources required from overseas by our allies and ourselves and the outward flow of munitions required by our forces and by our allied forces in the theatres of war operations

and by the allied nations to support and to maintain the morale of civilian populations.

The American Merchant Marine had suffered throughout its history waves of adversity. Another such period of deterioration followed World War I. It was due to Mr. Franklin Roosevelt's personal effort that the Merchant Marine Act, 1936 was passed by the 74th Congress if by only a narrow margin.

This 1936 Act sets in its opening section the Merchant Marine Policy of the United States. This Declaration of Policy is as follows:

"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 water-borne commerce and a substantial portion of the water-borne export and import foreign commerce of the United States and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign water-borne 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."

This policy incidentally was reaffirmed ten years later in the Merchant Ship Sales Act of 1946.

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Gentlemen:

Our subject is "The Merchant Marine and National Power". I would like to draw a very simple simile for you. I am not sure how many of you have had the opportunity to visit one of the modern steam-powered electric generating stations which are coming into service in so many cities. Two such new plants are under construction today, one at Clefty Creek on the Ohio River in Indiana will consist of six 200,000 K.W. units, and another at Kyger Creek in Ohio will consist of five such units.

Either of these generating stations is directly analogous to the developing power of the United States. It is perfectly clear to anyone that the boilers, the turbines and the generators of one of these stations, no matter how skillfully they have been designed and built are mere industrial gems of potential value only unless a transportation system is available to bring to the boilers fuel of the required quality and in the required volume. Without fuel, this engineering

masterpiece does not even get up steam. It does not come to life.

Just so is it still completely ineffective until a wire system for distributing the power generated is available. How like this great country! Unless we can import all that is needed to feed the civilian economy, the needle in the pressure gauge on national output will surely drop back to zero and, equally, if there is an open circuit on the distribution system power cannot flow to the areas of need.

Merchant ships are the only means of maintaining both the supply of this metaphorical fuel to the national powerhouse and of distributing overseas of the powerful products of national industry.

I can hear a murmur from the air-lift advocates. Air transport is indispensable today but only for urgent express needs, or for times of critical significance as in the Berlin air-lift or for the support of the advanced troops in difficult terrain, where quantities can literally be calculated in pounds rather than in long tons, and when urgency justifies the cost of speed.

I have used the term "merchant ships" to make the simile we have just discussed more clear. I should have used a broader term, "Merchant Marine" to indicate a "going concern, an operating system" - not another group of inanimate engineering products.

Of what does a merchant marine consist? Clearly the

ships are the "sine qua non" of the industry. Without them, there is only the wish for transportation, for they alone are utterly useless except to gather rust and clutter harbors.

These ships must be manned by competent seafaring men both licensed officers and unlicensed seamen, engineers, stewards and radiomen. These seafaring men must be available in adequate numbers and of established loyalty. Of this more later.

There must be competent management to see to manning the ships, to assembling, manifesting and invoicing the cargo, to provisioning and fueling, to the thousand and one details of outfitting, documenting and getting insurance and clearances for ship and cargo, for settling the many financial transactions, for repairing, for paying harbor dues and tolls, etc., etc.

There must be stevedores and their longshoremen to load and secure the cargoes to be embarked, and to handle that to be discharged. That these activities have been permitted by local politicians to become scandalous cankers about some of our harbors is deplorable, but does not remove the need for an orderly service for loading and discharging ships. There must be port terminals - the points of exchange between ships and the land transportation which moves the cargo to and away from the ships. Insurance also is an integral and indispensable part of all this; for shipping risks are great in size, even if total losses of ships are fortunately not frequent.



Except for very large companies, these risks cannot be assumed safely by ship operators themselves. The risks are so large, in fact, that it is usual for a number of insurance companies to underwrite the risk even for single ocean ships; so that the impact of a maritime loss, should it unhappily occur, is spread over a number of underwriters and does not become a fatal calamity to a single company.

Ships wear and sometimes do get damaged as do all other products made by man for his own service. They need repair, repainting to protect them from corrosion and the attacks of parasitic organisms, and alterations to maintain some level of modernity. Such work is specialized and requires special equipment - dry docks - cranes and trained mechanics and management - in short, ship repair yards.

Ships also grow old like men, like buildings, or machinery. They suffer obsolescence as well as wear and must be replaced by new modern ships - ships which embody the technical development of the times and which are designed to meet the changes which the owners predict in the trade for which the new ships are to be built. This requires naval architects and marine engineers, shipyards equipped to build the ships desired and mechanics skilled in the complicated trades of shipbuilding.

Ships, seamen, and a complete shore establishment are each and all essential. None can be absent without failure of the whole structure. Since this is an industry, a

commercial effort, which we are discussing, manifestly it must have business or "traffic" as transportation men call it. Without traffic any commercial transportation enterprise will wither and die; a shipping line perhaps dies most quickly because its major capital asset, the ships themselves, are mobile and can be readily shifted to other trade routes where promise of success is better or to other owners unless they are obligated by governmental control to hang on in a specific service.

One may ask - in fact, the other maritime nations of the North Atlantic Treaty Organization do ask - why do we not rely on them for marine transport? They have ships and can furnish transportation to us more cheaply than can we ourselves. Some eminent American economists under Mr. Gordon Gray made such a recommendation in 1950 as a means of improving the European dollar exchange situation.

That is a very pertinent question and one which it is impossible to answer on the broad economic philosophy of "free trade". The simple fact is that the maintenance of shipping service to ourselves is so vital that few are prepared to yield its control to even our staunchest friends. This feeling of insecurity when one does not control a vital line of communications is, I am sure, the feeling which motivates the Department of Defense in requiring a large nucleus of merchant shipping completely under the control of M.S.T.S. instead of relying on a national or international shipping pool.

I have much sympathy for their conviction in this regard, although one must recognize and accept the inescapable utilization advantage that comes from the greater over-all service possible by having ships fully available in a pool where their allocations for full use can be planned ahead. The chaplain or the supply officer aboard ship would undoubtedly get better boat service were he assigned a special boat, but the ship's company as a whole gets better service when all the boats except the barge and the gig are pooled under the direction of the executive officer.

The necessity in any area of scarcity of common pools and common stockpiles and inventories is too well established to need discussion. Shipping will be in short supply in any future emergency as it has always been in the past. The maximum in centralized control is essential. The control should be in the hands of an agency which is not itself a claimant for any of the service rendered. The executive officer aboard ship is concerned with the success of all of the ship's departments - not more with the success of one than another. The wartime demands for shipping service will include much beside the export of troops and munitions. To be sure, the armed forces will always get priority but they cannot get exclusive service, if the national support and the continued supply of these munitions is not to suffer.

This is the third of the series of lectures on merchant fleets and their operations. This gives me an advantage and

I would like to refer quickly and briefly to some things that have been said earlier in the series.

Admiral Callaghan emphasized the importance of developing in advance of war the sound basis for cooperation between M.S.T.S. and the Merchant Marine. I want to second that thought most heartily. I want to go still farther and urge that it is vital not only that the basis for cooperation between these two service must be developed but that M.S.T.S. and the Department of Defense must do what is within their power to develop the Merchant Marine itself.

There are some small causes of friction and sources of misunderstanding between the Navy and the Merchant Service which must be recognized and be removed by mutual effort or be discounted by mutual agreement. Men being what they are, these little rough spots turn up in every field and in all walks of life. Tolerance and patience have been virtues over the centuries. I have no illusion that all the angels got in ships flying the house flags of our ship owners any more than they all got into the ships flying the commission pennants of the Navy. I would even agree that during the last war, the merchant service got more than its share of trouble, but the United States of Soviet Russia was an ally at that time. Vigorous measures to suppress its economic philosophies were not encouraged. This situation has changed and will change farther with the passage of time. In fact, I know and can assure you that, had the Korean Incident developed to unlimited

war or should it do so in the future, the principal seafaring unions will give and fulfill "no strike - no lockout" agreements, aside from any laws which may be enacted. Some of the minor unions may have to be absorbed or displaced but, in any case, the hazard of interruption of supplies to troops of which Admiral Callaghan expressed fear, is not a real one.

We worked our way through a longshoreman's strike last year without difficulty and through the seaman's strike on both coasts the year before. I used to take a prejudiced view against the unions as a younger man. I have learned a good deal since then, not that I have become pro-labor by any means, but I have learned that there are some very able men among the labor leaders, men who understand as clearly as you and I how big is the mutual stake in stable government in this country. There are others to be sure, and there are some troublesome spots, but I believe that the unions are quite capable of handling them when and if that becomes necessary. I have found, in fact, that they are capable of much more summary and final action than is management.

So far I have talked about the Merchant Marine as a single rather simple entity. We have considered the four major elements:

- (a) Ships.
- (b) Seafaring manpower.
- (c) Shoreside management and services.
- (d) Ship repair and shipbuilding.

I would like to pause a moment to look more closely at the anatomy of this organism.

We find first

Dry Cargo Freighters designed primarily to handle so-called package or general cargo. The Mariner Class is the ultimate development in this type so far built; 20-knot sea speed, 13,000 tons dead-weight capacity (you will recall from Captain Dodson's lecture that dead-weight is the total weight in long tons between the empty ship weight or displacement and the displacement to the load line shaft corresponding to the summer freeboard - i.e. how much the ship can carry in weight); cubic capacity for baled cargo - 736,000 cubic feet, with 30,000 cubic feet of refrigerated cargo space in addition.

These ships can handle with their own gear single items up to 30 feet by 40 feet, the size of the five big hatches, and up to 60 tons in weight, the capacity of the two heavy-lift or "jumbo" booms.

Bulk-Liquid Carriers or Tankers - We have such building which go up to 45,000 tons dead-weight capacity, but of which 29,000 to 30,000 tons and 17 knots trial speed is the prevailing type now building. There are a few faster tankers under construction but there will be a serious shortage of tankers if an emergency should break and I have advocated very strongly a program of government financed 20-knot tankers to run with the Mariners, and in addition to the 20-knot fleet oilers which the Navy is now building.

Dry-Bulk Carriers - Most of these are designed primarily to handle bulk ore cargoes of heavy density. A number of such ships exist and are employed in the import of high grades of iron ore from Chile and Venezuela. The Great Lakes ore ships are of very special design and unsuited for ocean work. The ocean-going ships being designed for the service are of course very efficient in permitting rapid loading and discharge of cargo with the aid of special terminals. They resemble tankers in this regard and with very short port turn-around intervals make the best show for higher speeds.

We are very short of ships of this type for the import of ores and the export of coal and grain.

The refrigerated ships or "reefers" as they are known are almost none existent in our merchant fleet because meats are not imported as they are to other world markets. There are a limited number of ships in the fruit trade on which we rely except for a few government-owned reefers from the reserve fleets which, incidentally, are all in service supporting the troops in Korea and in Europe. M.S.T.S. has had chartered British flag reefers to augment this service. We shall need reefers should trouble break, in addition to some recently converted for the Navy.

Passenger-carrying vessels are the remaining type, and a most troublesome one to augment in the present state of government regulations. Because of the large crews and the extra space required to accommodate not only passengers but

the extra crew, cubic is always at a great premium. The number of passenger ships available for requisition for troop ship service has dropped to about one-half what we had at the start of World War II. Many new passenger ships have been built abroad, the use of which will become available to us under the N.A.T.O. We have added six new ones during the past two years including the S.S. United States.

So much for ships. We must look now at the types of management and operations.

There are in order -

(1) The fifteen subsidized berth liner operators which are the backbone of the industry. They are all purely shipping companies which own, outright or on mortgage, the essential ships required to serve their selected and assigned trade routes. They are required by their subsidy contracts to maintain regular shipping service on these routes with a minimum number of sailings per year and with a maximum above which the Government is not required to pay operating subsidy.

The operating subsidy is limited to the excess of the expenses for crew's wages, crew's subsistence, insurance, maintenance, and repairs of operating the U.S. ships on the route over the fair and reasonable estimate of what the same items of expense would total were the ship to be operated on the same service under the flag of the principal "direct" foreign competitors. Under special consideration "indirect" competition can be considered.



In turn the operator is limited to a return of 10% on the capital necessarily employed; any excess over this amount be divided half and half with the Government up to the amount of subsidy which has been paid. I would like to note that several of the operators have been in a 100% recapture position recently.

The subsidized operators are also under contract obligation to set aside a reserve of funds for the replacement of their ships on the basis of a 20-year life.

Time does not permit a complete review of the law but the above are the main provisions.

There are some non-subsidized berth operators who prefer the liberty of action which they hold by not having a contract to the security of the subsidy contract in the event of depressed business.

(2) There are also a number of tramp owners. They are principally companies which purchased Liberty ships on the bargain counter after World War II and have been able to stay in business because of low capital-carrying charges, a high freight market, and favorable tax decisions as to the accelerated depreciation of even the low original cost to them of the ships themselves.

(3) There are also a number of industry shipping companies, subsidiaries to big corporations. These companies are run in large measure to assure satisfactory shipping service to the parent company but they serve also as common

carriers in the open market.

Ithmian, Calmar, Ore Steamship, Alcoa and United Fruit are examples.

(4) The tanker fleets which until fairly recently were also owned by parent industries, and still are largely so, with Esso Shipping, Socony, Union, Sinclair, Standard of California, Gulf, Texas, and Sun, among others, all owning fleets of tankers. There have appeared in recent years, however, a new group of tanker owners who charter their ships to the oil companies. National Bulk, Keystone Shipping, Tankers Company, Inc. are examples.

(5) The coastwise and intercoastal service have since the early days of the Republic been reserved to ships built and operated under the American flag. This includes services to the offshore territories of Puerto Rico, Hawaii and Alaska. In return for this protection against foreign competition, these lines are ineligible for subsidy. Traditionally coastwise shipping has been an important segment of our shipping and was a very valuable source of readily available ships for emergency service.

The intercoastal and island services are still struggling along on marginal returns but the coastwise business has almost disappeared due to the rising costs of ships and shipping operations and the competition of motor trucks in quick door-to-door movement over the highways.

Admiral Callaghan showed you an organization chart which

purported to show the agencies involved in the control and coordination of sea transportation, which he described as "rather formidable and complex-looking". His chart began, however, with the President of the United States on one side and with N.A.T.O. Council on the other. On the United States side, he came down through Defense Mobilization, the Defense Transportation and Storage Committee, National Security Council, Mutual Security Agency, and about halfway down the chart to Secretaries of Defense and Commerce, and so on down several parallel chains of command down to M.S.T.S. and the National Shipping Authority.

Fortunately, we did not have all those levels during the last war, so that the time even for major policy decisions for example from one of the Chiefs of State Councils to be passed to action desks in the Navy Department was frequently measurable in hours rather even than in days, and the policy business in shipping was normally done at the War Shipping Authority, Commander in Chief United States Forces, or Vice CNO level or lower down. Actual allocations of ships was done much lower.

The Executive Order under which the National Shipping Authority was established in March 1951 and the delegations of authority from the Secretary of Commerce and the Under-Secretary for Transportation gave the Director of the National Shipping Authority full authority to allocate shipping from the reserve maritime fleet, to set rates, issue charter parties,

and to requisition shipping. For many reasons, we preferred not to requisition either for use which would have been in effect chartering on our own terms, or to requisition for title (commandeer) because of the legal problems involved unless such action became necessary due to unwillingness on the part of some owner to do business by mutually agreeable contract.

As I recall, we have had to requisition during the present emergency in only one case - to cover repossession of some LST hulks which actually were in default on their sales contract but were needed in the construction of the new air base in Greenland.

The National Shipping Authority has full authority to negotiate directly with the Commander M.S.T.S. and to the best of my knowledge has met the defense needs completely. At least I was unable to learn of any cargo that was held up at a pier for the want of a ship that had been requested from us.

We did inquire into the use of ships and pressed to avoid using Government-owned ships in competition with privately-owned and operated American flag ships. We did not exercise requisition powers that were not needed to accomplish the tasks to be done.

Admiral Callaghan observed in his opening remarks that "in all our history we have never had a sufficient number of ships to meet the voracious appetite of war". That is the

*In what?  
Some thing  
two of tanks  
soldiers, etc*

record. The plans of the National Shipping Authority are only intended to assure the fullest utilization of the ships available in the over-all effort. That the military effort has, as I have said, top priority goes without saying unless the highest level of authority decides otherwise. But having top priority carries with it top responsibility to make full use of the ships and not to hoard them.

Reference has been made to ships "owned by the military". This is a misconception which leads to unsound thinking. The title to these ships of the Navy just as of the maritime ships in the reserve fleets is in the United States. They are "public vessels - public property" but assigned to the jurisdiction of one department or another and by specific law subject to re-assignment without reimbursement upon request of the head of one agency and the approval of the agency having jurisdiction of the vessels concerned.

Maritime and the National Shipping Authority will have demands upon them beyond their power to fill. It will be their duty to demand full utilization of ships allocated. It will even more be their duty to fulfill the needs of the military for ships. To do so when the shortage has developed will mean close and mutual confidence, mutual understanding of problems and full cooperation.

I can foresee no inescapable difficulty and many compelling reasons for utilizing the civilian maritime industry to the limit.

- (1) That the industry exists and does not need mobilization.
- (2) It has trained manpower and facilities.
- (3) It can and will use effectively people who are unfit for military service.
- (4) It will preserve an industry in running order which will be sorely needed on demobilization.

Time has permitted only brief reference to the W.A.T.O. shipping plan. This plan provides for requisitioning of all the shipping of the signatory nations and the pooling of this shipping in the common interest. The pool is to be allocated to meet needs of party nations by the Defense Shipping Authority of which there will be an eastern branch presumably in the United Kingdom and a western branch in the United States. Nations using ships allocated to them upon request will pay determined charter hire and make available services as possible.

The plan provides that nations other than signatories may adhere to this shipping plan provided they accept the conditions of operation. The plan goes further in envisaging a ship-warrant system.

You will recall in the quick look at the elements of the merchant marine that there are -

Ships

Seafaring Manpower

Management

Shipbuilding

Shore Services - Bunker Fuel

Ship Chandery

Piers or Terminals

Stevedoring Services

Ship Repairs

Insurance

Without these shore services merchant ships do not and cannot operate. The ship warrant system contemplates that ships which are operating or are willing to operate in the allied cause shall each receive a warrant which will entitle that ship to receive the necessary shore services. Neutral shipping where it is willing to assume the obligations of allied service will qualify for a warrant but, without one, she is effectively barred from allied ports and by the operation of the insurance bar is almost barred from operation anywhere.

This is powerful economic coercion which worked with salutary results during World War II. We do not have legal authority to issue such warrants today, but necessary legislation has been drafted and can be enacted quickly when it is needed.

Gentlemen, I have not covered the Maritime Reserve Fleet, the shipbuilding program, the organization of the Maritime Administration, the transfer of ships to foreign flags, nor the problems of the construction-differential subsidy. Perhaps if some are interested, we can cover them in the discussion period.

This has been a dry presentation for a salt water subject.  
I am grateful for your patience and hopeful that I may have  
reduced, not increased, the confusion which you may have had.

I look forward to the question period later.

Thank you very much.



