

## THE IMPORTANCE OF AN AMERICAN MERCHANT MARINE

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I feel highly honored by the request to address your influential body upon the importance of an American merchant marine in the development of our trade with Central and South America. I wish to present this subject from a practical business standpoint and from long experience in the merchant marine.

To begin with, we will take one country, the Argentine Republic, and one class of merchandise, coal, and show you what can actually be done. The annual consumption of coal in the Argentine Republic is about 5,000,000 tons per annum. So far they have been able to find little or no coal there, so they must depend upon other countries for their supply. Now their coal supply is mainly from England. The last quotation of which I have accurate information is of the date of April 17, the average price of coal in Buenos Ayres is about \$9 per ton. For a number of years the price of coal f. o. b. at the various English ports varying from the very best Welsh steam coal to the poorest coal produced on the east coast was \$8 per ton for the best Welsh coal and \$5 a ton for the poorest quality. The rate of freight at the same time to the River Plate is \$7 a ton. Now this would make the coal delivered to Argentine ports of the best quality of coal \$15 a ton, or poor quality \$12 a ton. The very best American coal f. o. b. at the Virginia Capes, or Lambert's Point, the most convenient ports to ship from (and the best American coal is equal to the very best Welsh) can be placed on board vessels at Newport News or Lambert's Point at a cost of \$3 per ton and even less. We have no American ships to carry this coal, but one of the largest ship-building concerns in England would undertake to provide the actual construction of ships to deliver coal to Buenos Ayres, bringing the ships back in ballast, at a cost less than \$3 per ton, making the difference in cost between American and English coal of \$9 per ton, delivered to Buenos Ayres. This is not a theory, these are facts.

Why have not our large coal interests taken advantage of the opportunity to develop such a trade with the United States? First, and most important, is the fact that all the large consumers of coal in the Argentine are almost entirely controlled by English interests and there is in existence today in England a combination known as the Cambria Coal Combine which prevents business being done by agreements with the American coal interests.

But the reply will be made that American steamship companies in their past experience have not been successful. This is true, but anyone who will make a careful study of the cause and condition governing these various American enterprises will find without exception that good and sufficient reasons can be given for their failure.

Until the beginning of 1914 there existed such a powerful combination in the control of the import and export business from the United States and Europe to South America, upon foreign-owned steamers, that it was impossible for any independent service to attempt to secure cargo, particularly coffee, from Brazil to the United States at any rate of freight whatever. Without going into the details of this, I would call attention to the effort made by a New Orleans company as testified to before a committee of Congress as to the impossibility of securing cargo *at any rate*, so powerful was the combination that any shipper that shipped by any independent service could not secure freight room to any ports, not only American, but also foreign for all future time.

With regard to the profitableness of the operation of steamship lines, it is a very remarkable circumstance that while today, and I quote from the report of the Cunard Steamship Company just issued for the calendar year, ending December 31, their business had been so profitable that they had earned sufficient to pay not only a 10 per cent dividend, but a 10 per cent cash bonus dividend and carried over \$700,000 to the credit of profit and loss, while the only large American company (the International Mercantile Marine Company) on April second went into the hands of a receiver. What do we lack? Is it good management or a lack of interest? In 1903 at the time of the formation of the International Mercantile Marine Company a careful calculation was made and the request made of every steamship company or firm owning 20,000 tons of ocean steamers and over for a statement of their accounts. The

result of this was that reports came in from eighty-nine steamship companies representing 2,530 steamships with a tonnage of 7,433,575 tons. This represented every nationality (except American), namely, British, German, French, Japanese, Austrian, Netherlands, Spanish, Italian, Danish, Russian, Norwegian, Grecian and Swedish. The result for a series of years of these companies showed an average net dividend payment of 6.33 per cent per annum. Another fact, the average price today of steamship securities in England is on an interest basis return, regarded more favorably than almost any other possible investment. I will only quote under date of March 25 the last quotations available: Anchor Line  $4\frac{1}{2}$  per cent bonds are bringing 105; the  $4\frac{1}{2}$  per cent Cunard Bonds 102 $\frac{1}{2}$ ; Peninsular and Oriental Navigation Company  $3\frac{1}{2}$  Debentures 85; this, too, in the time of war. I have been informed that in one hundred years there has not been in the history of the English merchant marine one dollar lost on mortgage investments in the prominent British steamship companies. Can any of our railroads or any of our industrial enterprises show such results? Why, therefore, is it not possible to have in our country a merchant marine under our own flag?

First and most important is the first cost of the ship. This varies, according to the character of the ship from 40 to 60 per cent more in the United States than in any other country, particularly England and Germany. Now, Congress has passed legislation (Act of August 18, 1914) allowing any ship, owned or purchased by citizens of the United States under a foreign flag, to be transferred to American registry without duty, if engaged in the foreign trade, so this provides a remedy.

The second and most important question is that of crews, crews' wages and regulations governing same. These are in a most hopeless state, and until the United States can get all the other important maritime nations to coöperate with her in the regulation of payment of the crews' wages, etc., it will be impossible for an American owner under the American flag to compete in the foreign ocean-carrying trade with other countries. It seems to me that this could be done with the coöperation of other countries. How can we accomplish this?

Let us study what has been done to build up our merchant marine.

The first and most important bill that actually passed at a session of Congress was known as the "Mail Contract Act of March 3d, 1891." Every party platform in every national election has advocated in various forms the upbuilding of an American merchant marine. From the time of the passage of this act in 1891, to the present time, there have been numerous bills introduced, but never could the Senate and the House agree on the passage of a bill, and it has nearly always unfortunately been made a party measure, even down to the last legislation proposed, known as the "Ship Purchase Bill."

In 1911 the post office department, under the terms of the Act of March 3, 1891, advertised for the establishment of services with various ports, especially to use the Panama Canal, and in the proposed service was established a special system of barge service both from Colon and Panama to the north coast of South America and also the west coast, as it was thought there would be an enormous distributing station at both these ports. The only conditions in this advertisement were that the control of any corporation taking advantage of a mail contract should not be held by the railways or by any interest doing business with these countries on their own account. Although this advertisement was twice inserted and was equivalent to a guarantee of 10 per cent on the capital required for the American ships under the American flag, in a trade limited to the American flag, not a single bid was received. The reasons for this could easily be explained, but it would take too much time. But this is only quoted to show the efforts that have been made. Over \$30,000 was expended in the way of placing this proposition of the government (in President Taft's administration) before the public, and yet, as stated, not a bid was received. The proposition, just as it was made, was submitted to a large English interest at present engaged in the steamship business, and their comment was that such a proposition offered by England would have had at least 100 bids. So impressed was one of these interests that they agreed, provided it was agreeable to their New York banking correspondents, to take \$500,000 interest in a company to make a bid. It is hardly necessary to state that these bankers declined to approve of this friend taking any interest.

In my thirty years' active, earnest work before nearly every commission and every important investigation by Congress various

discussions have been brought forward as to how to remedy these conditions, and let me say now that never have I met a senator or congressman from any state that did not think it was a question of vital importance that we should have an American merchant marine. I know of no better suggestion than that contained in an article published in the *North American Review* of January, 1910, by me, over five years ago, and that was that, under no circumstances, could an American merchant marine be established without assistance from the government, and the practical way in which to secure this assistance was by the appointment of a commission of practical, experienced business men who had a knowledge of the subject to outline to the government the necessary assistance, with authority to act and agree with other countries upon condition and regulation governing the operation of oversea traffic. This assistance would vary much according to the different ports to which lines might be established and could only be carried out successfully and to the benefit of our country by men having such practical experience, as to different routes of trade, as it would require a different basis of assistance depending upon the class of ships, and the nature of the business to be developed. This would especially apply to our Central and South American commerce. That this suggestion has not been changed in five years, I would call your particular attention to the recommendations of the Chamber of Commerce of the United States and by a special committee of the Chamber of Commerce of New York, which reported, January 28, 1915, at a special meeting called for the purpose of considering suggestions for the establishment of an American merchant marine, that a commission be created.

Can we not trust good men with practical experience and with a spirit of patriotism independent of what may be their own gain, to carry forward successfully the reestablishment of our merchant marine? The appointment of a commission of such men by the President of the United States under the authority of Congress, to reestablish our merchant marine, giving them full authority to do so, would be a wise move. In the recent bill known as the "Ship Purchase Bill," the main and important objection seemed to be that they could not trust any commission with so much power. How else can it be done? Look at the trust and confidence we are putting, and it has been demonstrated, successfully to our best

interest, in our Federal Reserve Board in control of the finances of the country. Why not do the same thing with the merchant marine?

Did it ever occur to you how jealous and how proud other countries are of the development of the merchant marine in this respect? Do you know that you cannot today, as an American citizen, hold a share of stock in the Cunard Steamship Company which is especially under the control of the British government?

I shall not attempt to weary you further, but I would like to call your attention as to how an American merchant marine was valued by the noted writer, Alexis De Tocqueville in his *Democracy in America*, written nearly one hundred years ago.

The Anglo-American has always displayed a very decided taste towards the sea. The Americans themselves now transport to their own shores nine-tenths of the European produce which they consume, and they also bring three-fourths of the exports of the new world to the European consumer. Thus not only does the American merchant face the competition of his own countrymen, but he even meets that of other nations in their own ports with success. As long as the mercantile shipping of the United States preserves this superiority, it will not only retain what it has acquired, but will constantly increase in prosperity. But I am of the opinion that the true cause of that superiority must not be sought for in physical advantages, but that it is wholly attributable to their moral and intellectual qualities.

Have we the same moral and intellectual qualities which were attributed to us by this noted writer nearly one hundred years ago, or have we lost them all?