AN EXPERIENCE OF STATE-OWNED SHIPS

H. HEATON

IT is a curious coincidence—if it is a coincidence—that three Dominion Governments should be dealing with shipping problems at the same time. But whereas the cabled news suggests that Canada and South Africa might be willing, if need be, to step into the arena of State shipping, the Australian Government is eagerly looking for someone to buy its vessels and thus allow it to quit a field strewn with unpleasant memories. Some account of Australian experience may therefore be of interest to Canadian readers.

If Canada is railways, Australia is ships. To a population strewn along the coastal strip of a continent, local and inter-State shipping is the normal service for handling bulky goods and people who are not in a hurry. Beyond that, Australia's isolation from other large centres of white population makes her overseas shipping facilities a matter of vital importance.

The services available are in many respects adequate and satisfactory. One may travel around the coast in large comfortable vessels, while the passenger traffic to Europe is being conducted more and more by splendid boats ranging between 13,000 and 21,000 tons. True, there has been little speed competition among the various lines for many years, and the run from Tilbury to Fremantle probably takes about as long as it did thirty years ago. The Australian complains that he is bled in exorbitant fares and freights; but the emigrant is brought a 40-day journey for less than £40, against the £17 charged for crossing the Atlantic, and the middle-class man can travel in a style equal to that of a cabin class Atlantic boat for about £85.

A main charge made by critics of our shipping is that the boats, both inter-State and overseas, are controlled by ring or conference agreements. The hand of Inchcape lies heavy upon the Suez and Cape routes, and even upon the Pacific and Australia-New Zealand services. Inter-State lines reached harmony a quarter of a century ago. Before 1900 fierce competition prevailed, so keen that at one time it was said you could travel from Hobart to Sydney free of charge—or at any rate for ten shillings—provided

you brought your own food. Absorption and bankruptcy reduced the number of inter-State lines to seven, and these eventually formed a powerful Steamship Owners' Association. Fares and freights were fixed, routes were shared out, and the deferred rebate device so effectively killed outside competition that by 1910 the rebate could be withdrawn. This strangle-hold over the coastal trade was tightened when the federal parliament passed the Navigation Law, which made the inter-State trade a monopoly of ships on the Australian register, and thus prevented overseas vessels from carrying passengers from one Australian port to another.

It is probably true that these anti-competitive arrangements have allowed shipowners to bleed the travelling and commercial community. At any rate, it is easy to make out a *prima facie* case, especially on the coastal trade. Some companies watered their stock periodically, without adding any new ships, and yet merrily paid a 10 to 15 per cent. dividend. Freights mounted by 50 to 70 per cent. between 1901 and 1914; the rates charged largely nullified the advantages of inter-State free trade, and destroyed the natural protection which Australian manufacturers should enjoy by reason of our geographical isolation. Before the war it cost as much to send a piano from Melbourne to Fremantle (about 1,800 miles) as it did to bring one from Hamburg.

Little wonder, therefore, that stalwart Labour men preached nationalization of shipping! Little wonder either that Tasmanian merchants, veritable high priests of anti-socialism, grew weary of asking for better services from the two companies which controlled the trade between Tasmania and the mainland, and begged the State Government to set up a State shipping line. But before the war nothing happened, except the purchase of one or two boats by the West Australian Government to ply along the lonely north-west coast of the continent. Possibly Labour in power might eventually have grasped the nettle, and bought or built a fleet with which to carry mails to Europe and fight the Inchcape holy alliance.

Then the war precipitated action. Ships were taken off the Australian run and even off the coast, at a time when huge crops were awaiting export. The 1915-16 wheat crop reached the record figure of 180,000,000 bushels, a large part of which, parcelled in three-bushel bags, lay for months or even years on wharves or sidings, waiting for the ships which did not come. Instead came the mice, and then the weevil. Other products piled up in similar fashion, bursting the capacity of storage facilities. The Prime Minister, Mr. W. M. Hughes, was in London during 1916, and

endeavoured in vain to persuade the British authorities to divert some vessels to Australian ports. Montreal and New York were so near, Melbourne and Sydney so far away, and three trips were better than one. So with his innate love of the spectacular *coup* Mr. Hughes announced, almost as he went up the gangway to return to Australia, that he had bought a whole fleet of fifteen cargo steamers, some of them venerable, with a total lifting capacity of 106,000 tons, for £2,000,000. A dramatic stroke, and—as events proved—a stroke of good business.

The little fleet was kept busy during the rest of the war, and was able, even at the official British freight rates for requisitioned ships, to make substantial profits, as the following table shows:—

1916-17	Profit	£ 327,000
1917-18	"	£ 576,000
1918-19	"	£1,160,000
1919-20	"	£ 138,000
1920-21	"	£ 103,000

It is, of course, true that it would have been difficult for any shipping to avoid making profits during the first four years mentioned, but the fact that profits were made strengthened the desire to make the Commonwealth Government Line a permanent part of the continent's shipping service. Even during the war plans were made for building 24 wooden ships and 24 steel cargo vessels, and hence ship-building became an important local industry. In all, 19 cargo boats of about 3,300 tons gross have been launched in Australia, and two large vessels of 9,700 tons gross have also been built. To these were added 19 ex-enemy vessels, so that a large cargo fleet was built up.

Not satisfied with mere cargo-carrying, the Government decided to enter the overseas passenger trade. Five vessels, known as the "Bay" boats because they are named after Australian bays, were built at Barrow and Glasgow, each with a gross tonnage of nearly 14,000, and in the height of the 1919 boom the authorities dreamed of building six similar vessels in Australian yards, thus providing for a fortnightly passenger service through Suez. This dream vanished when the slump awoke us in 1920-21, so the five British-built vessels maintain a monthly service with the Old Country. Hence by 1923 the fleet consisted of 54 vessels, with a gross tonnage of 280,000, and a capital value of nearly £12,800,000.

Almost from the beginning the Line was viewed with scarcely veiled hostility by the Conference lines. The policy of deferred rebates was directed against the State ships, and shippers were

warned that confiscation of their accrued rebates would follow any support given to the new venture. Mr. Hughes replied by offering to reimburse shippers for the loss of any rebates, provided they would in return give the first refusal of their cargo to the Government ships. The Conference met this blow by announcing that they intended to pay interest on the rebates, an amazing admission that the rebates were the property of the shipper, and that confiscation of them would in effect have been theft, or at least embezzlement. Later, the Conference offered to abandon its discrimination against the Line in return for a big reduction of sailings and operations. The reply to this was a general reduction of freights by 10/- a ton. The Conference group was compelled to do likewise, and finally in 1923 it abolished the rebate system so far as the Government ships were concerned.

Private enterprise made another effort, in 1921, to clear the seas of competition. Lord Inchcape ingenuously declared, "I am prepared to recommend the Conference either to buy the Australian Government ships on reasonable terms,or to suggest that they should sell their ships to the Australian Government and leave the latter a free field". To this gesture there was no response. Accumulating losses and labour troubles were still in the womb of time, and the Australian reply was therefore generally expressed as "Either Inchcape is a mug, or he thinks we are".

As the slump deepened in 1921 and 1922, the financial position of the Line completely changed. The balance sheet for 1921-22 showed a total loss, including interest and depreciation, of £1,172,000; the loss in the following year was £1,626,000. The Prime Minister, Mr. Bruce, pointed out in the House of Representatives that these losses were largely due to the shipping slump, especially as most of the Line's tonnage had been acquired during the period of high prices, and each of the Bay boats had cost about £1,300,000. But every country and every shipping agency were suffering in the same way, and large slices of the paper value of ships were everywhere being written off. In these circumstances the Government had to decide whether it would cut its losses and sell the ships, or cut down the capital value of the boats and give them another chance.

Commercial interests naturally said "Sell," and the non-Labour press gave the same advice. Mr. Bruce's own leanings were against State enterprise, but for reasons which are not very clear he decided to give the boats a further lease of life under new control. In 1923, therefore, parliament vested the control of the Line in a Shipping Board of three to five directors, and steps were

taken to remove the Board entirely from political control. The whole of the right, title and interest of the Commonwealth Government in and to the 54 vessels, a big dockyard, and other appurtenances, was transferred to the Shipping Board at a reduced valuation. For these the Board gave debentures to the Commonwealth Treasury; in addition to receipt of interest on these debentures, the Treasury was promised half of any net profits which might be made.

In making the transfer the Government cut down the capital value from £12,770,000 to £4,725,000, a reduction of over £8,000,000. Thus the new Board, when it took control at the beginning of September, 1923, had to earn interest only on about £5,000,000 of debentures held by the Government. That the depreciation had been generous was proved when the Board managed to sell 22 of its ships within twelve months at a price nearly £40,000 above the value assigned to them on the books. The future seemed bright. Yet within eighteen months the Board threw up the sponge in despair, and the Prime Minister announced that the Line was for sale. During the first seven months the income had been £245,000 below the outlay (including interest and depreciation), and the estimated loss for the first thirteen months was £480,000, even without making any provision for depreciation.

The reason for this failure could no longer be sought in over-capitalization, for the Line was now probably under-capitalized. The Board in its first annual report to the Prime Minister says the position is due to three factors,—(1) the high running costs as compared with those of competing lines; (2) incessant labour troubles; (3) unsuitable character of some of the ships. Let us glance briefly at each of these points.

There is no serious complaint that shippers have boycotted the Line, either through fear of the Conference or through prejudice. The big overseas boats generally are as full of cargo as their competitors. They are well suited for the carriage of refrigerated cargo to Europe, and their space is well filled. On at least one return journey the cargo overflowed into one of the baggage rooms. Since the passenger vessels are "all one class"—namely third, but this means, in food especially, much better treatment than one gets on the Atlantic third-class ticket—and since the route is *via* Colombo and Suez, travellers with limited incomes look upon the Bay boats as godsends when they wish to go to Europe. For the greater part of the year, therefore, all passenger accommodation is booked up for the trips both ways. Hence in the field where the Line comes into competition with companies which are not working under Australian

regulations and standards, the State ships are probably earning almost as much as their size and capacity will permit, except for one possibility which will be mentioned in a moment.

The real weight of competition comes from the fact that the boats are on the Australian register, and are covered by Australian industrial awards. Naturally the boats were registered in Australia, and therefore are subject to Australian conditions touching passenger accommodation, manning, wages, etc. Possibly this prevents them from carrying as many passengers as could be accommodated by boats of similiar size registered in Great Britain. The boats must also carry a larger crew, and since the decline in seamen's wages overseas the Australian seaman of all grades is better paid than his fellows on British ships. The eight-hour day is applied nearly all round, with (usually) double pay for overtime, and provision for holidays on full pay is generous.

These conditions, obtained chiefly through the Arbitration Court or occasionally through a strike, made the Commonwealth Line a seaman's paradise. It is not quite untrue to declare that on the Bay boats the officers travelled first-class, the rest of the crew second-class, and the passengers third. Such conditions imposed, however, a heavy strain on the finance of the enterprise, which could be borne only if the work aboard was done with efficiency, economy of time and material, and an all-prevailing sense of goodwill. Apart from outstanding exceptions, it was not. At a score of points it seemed to be nobody's business if equipment depreciated, if crockery was smashed, if drains were stopped up, or if attention was needed outside the scheduled list of duties and roster of watches. The joy of working for the public weal, the zeal with which the best-paid seaman on the ocean shows that he is worth his pay,—these traits are not noticeable. One is glad that Australian workers at sea have escaped the long hours and low pay of other seafarers. But the service given by them does not make competition on the overseas routes easy. Hence the Shipping Board now says quite definitely that "the Line cannot be run without a serious loss while the ships are on the Australian register and covered by Australian awards."

In addition, the Board asserts that the character of the tonnage is unsuitable, even after it has sold 22 vessels out of its 54. At the time of the report 21 out of the remaining 32 vessels were tied up, accumulating interest and upkeep charges, but the Board found this "more economical than placing the ships in commission under existing conditions." The Board pessimistically expresses the conviction that even when the old and unsuitable ships have been

eliminated and the fleet reduced to the lowest possible level, it will not be possible to run the Line on an effective and profitable basis on the Australian register.

The final complaint of the Board is that it has been continuously harassed by labour troubles; and certainly Australian shipping has, along with mining, been held up far too frequeutly during the past six years. Newspapers have given abundant space to "More trouble on the Bay boats," and in consequence the outside world as well as the Australian public holds the opinion that the Government ships have been a hotbed of strife.

It is not easy to disentangle the rights and wrongs of the unrest among the seamen, but one or two facts stand out. In 1919 the sailors, who were then nearly all working under Government control, grew restive when they saw that British and American wages were higher than theirs. Appeals to the Shipping Controller were bluntly rejected, so the men struck. Only then did the Controller appeal to the President of the federal Arbitration Court, asking him to call a Conference. At this Conference the President (Judge Higgins) found that many of the leaders had come from other countries, and were not familiar with or favourable to Australian arbitration methods. The Judge refused to consider the dispute till the men went back to the ships, and the leaders said "Don't". Hence the strike dragged on, until finally the Government, whose Controller had caused the trouble by his refusal to see that the men had a case, called a private Conference, and in effect promised concessions as soon as the men were back at work. Thus the seamen learnt how to get what they wanted.

But this secret settlement did nothing for the officers, the marine engineers, cooks or stewards. Hence a junior engineer found that the firemen under him were getting 10/- a month more than he was. So the engineers followed the lead of the seamen and firemen, struck, and secured their increase. The stewards tried the same method, but failed to get what they wanted. The masters and officers insisted on proportionate increases, and would have struck had not the Prime Minister given in at the last moment. This series of episodes, in which the Government refused any concessions at first, and then submitted under force, left a deep impression on the mind of the shipping world, and incidentally weakened the prestige which the Arbitration Court had hitherto enjoyed. Obviously the short cut to improved pay or conditions was the strike. The Commonwealth Line has had to pay the price of that lesson.

In the last paragraph I referred to the character of the leaders of the maritime unions. Australian workers in general have been

very little attracted by ideas emanating from Moscow; but among the leaders of the mining and maritime unions are men to whom Russia is Utopia, arbitration a foolish device imposed on the workers by capitalist Governments, and the strike an efficient weapon for use on every possible occasion. To these men the social revolution is an event just round the corner, and every strike is *the* battle from which will emerge the Communist commonwealth. And since it is difficult to get all the members of a maritime union together at any one time, power rests primarily in the hands of the central executive and of the union delegates. The dominance of the Left is naturally disturbing, and the Commonwealth ships seem to have been regarded as "fair game" by the leaders in some cases. Get much; then demand more,—that seems to the onlooker to have been the motto.

But one cannot exempt the management from an occasional miraculous ability for doing the wrong thing, or for doing the right thing in the wrong way. Two instances will suffice to illustrate the point. On one Bay boat in which I travelled to Europe in late 1923 a passenger became "mental". As he developed dangerous tendencies, the commander offered additional pay to any stewards who would take charge of the patient. This was done, but the volunteers soon found that the money was hard-earned, and at least one of them suffered injury and abandoned his post. The management scolded the commander for his offer, declaring in effect that the stewards should do the work as part of their normal duties. A malign fate decreed that on a subsequent trip to Europe one or two serious mental cases should develope, with cunning and violent symptoms. The stewards were asked to take charge, but, led by a fiery union delegate, signed a "round robin" refusing to do so unless additional pay was granted. This was technically an act of mutiny, but when the boat reached London no action was taken against the men. Yet when the boat reached Sydney, and the stewards took their discharges—all being given a clean discharge—the charge of mutiny was laid against them, and they were refused re-employment. Admittedly the men were in the wrong, and they admit now that they were; but the circumstances called for a "forgive and forget" attitude on both sides. The stewards' union at first refused to supply a new batch of men, and the boat was held up for weeks before the union admitted defeat.

A second instance, of more serious character, has had more disastrous results. The volume of cargo offering in Europe last summer led the Board to charter two or three British ships. To the question why the Board did not use some of its own ships which

were lying idle in Australian backwaters, the reply was made that the Australian ships were unsuited for the task. This may have been true, but the reason given did not satisfy union leaders, who suspected that the real aim was to use ships working under British conditions of pay, etc., and thus escape the obligations imposed by the Australian navigation laws and Arbitration Court. When, therefore, the boats began to arrive at Australian ports, trouble developed. Attempts were made to persuade the crews to demand Australian rates of pay; wharf-labourers refused to handle cargo; and the whole long story is in patches reminiscent of a Gilbertian theme.

It would be unprofitable to narrate in detail the upheavals since October, 1924. Ships have been declared "black" or "white", and sometimes one body of workers has said they were "white" while another group described them as "black". One of the chartered ships has been on the coast since about last October, and its cargo is not yet all unloaded. Its captain has been accused in court of desertion for having sailed from one port leaving behind members of his crew who had gone on strike. The head of the seamen's union has been imprisoned and released. Union officials have attacked each other violently in print. Arbitration courts have delivered strong condemnations, and unions have tried to compel ship-owners to come to the Communist Hall to pick up gangs of labourers, etc. The *coal* fuel of a mail boat which burns oil was declared black, and the seamen's leader has characterized the editor of a labour paper which criticized him as black also. Meanwhile the Australian public has grown heartily weary of the whole squabble, and has met Mr. Bruce's announcement concerning the sale of the boats with the comment "What else could he do? Good riddance!"

The Government was faced with three possible lines of action when it received the Shipping Board's report. It could retain the fleet, but transfer it to the British register, and man it with Britons under British conditions. This would, however, be a too shocking admission and indictment of Australian legislation. Secondly, the Government could sell the Line unconditionally; but this would mean handing the boats over to one of the Conference lines, and such restraint as the Government ships have exercised on freights and fares would disappear. The recommendation to be made to parliament is, therefore, that the Line be sold subject to conditions "which will ensure its retention in the Australian trade, with guarantee of regular and effective service, and at the same time safeguard the Australian shippers against all risks of

exploitation by any shipping ring or combine" (Mr. Bruce). Tenders are therefore being invited from those who are willing to buy the Line as a going concern, subject to the conditions that (1) a regular and effective service be maintained between Australia and Europe; (2) freights and fares are not to be increased save subject to stipulated conditions which are to be laid down at the time of sale; (3) no arrangement is to be made with any ring or combine. If satisfactory tenders are forthcoming, Cabinet will recommend parliament to sell.

Will there be buyers? The five Bay boats and two or three others are steady, capacious, and should be profitable investments; in fact it is probably true that the Bay boats do more than pay their own way to-day. But the conditions prescribed by Mr. Bruce are not attractive as they stand; and if buyers stand off for a season and allow the Line to lose a little more money, the conditions will probably be watered down. In any case, it is difficult to see how the Government could prevent any buyer from selling the vessels, once they were his property. And the next owner would be free of any restraint, so the ships once sold will in effect pass out of Australian control.

Organized Labour has met the announced sale of the boats with howls of anger, but these sound unconvincing in face of the heavy losses and of the way in which the more militant unions have injured the ships. It is highly desirable that the Line should be retained, in order to supplement our overseas shipping service, and to hold in check any unfair increase of rates and freights. The shipping unions are aghast; for not merely will their members lose employment under the best conditions prevailing afloat, but over 1,000 men will be thrown out of work on an already overcrowded labour market. Hence some of the leaders are talking peace, and offering to guarantee that no more strikes shall happen if Mr. Bruce will change his mind.

These offers are a little too late, and if satisfactory tenders are submitted the ships will probably be sold. Failing this result, it might be possible to make an earnest appeal to Labour to co-operate in making the Line a success. Unfortunately there is no tradition of such appeals in Australian State enterprises, and consequently little goodwill between the State-employer and its workfolk. When all are keenly asserting their "rights", the suggestion that there are obligations, and that men should give their best in the service of the public, falls on deaf ears.