

## CHAPTER 5

### SHIPPING

AMONG the problems of impending war that of shipping took a high place. No one had to be persuaded that it would be a major problem; the conviction of its paramount importance was rooted as much in tradition, prejudice and geographical isolation as in the more immediate investigations of pre-war planners. Australia was an island, even if a large one, and without shipping it was isolated. Education which placed great stress on British history and the Australian link with the motherland, reinforced belief in naval supremacy as a first principle of defence. The great primary industries, despite their declining relative importance, were still key ones in the economy, and claimed a political power which carried over from their earlier dominance. Their markets lay overseas and it was from overseas that a large volume of imports flowed in return. Defence began with the sea and with the protection of shipping. Even the new air force was presented from the first as an aid in keeping the sea lanes open.

Nevertheless Australia owned few ships other than in the coastal trade. She had no oversea service under her own ownership, except the few ships in the island trade. The overwhelming proportion of Australian trade was carried in British ships which, immediately before the war, accounted for three-quarters of the tonnage, the rest coming from Norway, Japan, the United States of America and other foreign powers. Towards the end of the 1914-18 war the Government had acquired a number of ships in an effort to escape some of the restrictions imposed by control of shipping from abroad. After the war it attempted to build these up into a Commonwealth Government shipping line, including some ships built in Australia, the purpose, at least as officially stated, having shifted to a maintenance of reasonable freight rates by competition.<sup>1</sup> This culminated in the sale of the ships in the late 'twenties on the grounds that they were persistently making losses. Conclusion of the transaction was protracted because of depression-created difficulties for the purchasing company, and the episode had not long been finally wound up when the necessity to plan for another war began to promote active discussion and exploration of the war problems of shipping.

There were two spheres of planning: that in England, and the adaptation of Imperial policy within the local administration. So too, there were two influences at work: that of the navy, to whom local Australian shipping was a source of auxiliary vessels, and oversea shipping a vital link to be protected; and that of the export industries, whose special capacity for political and economic pressure has been described. Within Australia the civil administration of shipping generally was placed in the Department of Commerce and although this involved little more than the provision

<sup>1</sup> E. Scott, *Official History of Australia in the War of 1914-18*, Vol XI, pp. 607 et seq. Sale of line reported 632. Scott gives the chief reason for the operation of the line as "a lever for influencing freight and ensuring shipping space".

of navigation services, it is significant that civil shipping administration was handled by the department whose primary purpose was promotion of export sales.

During the inter-war years the English shipping companies had developed machinery for joint action in cooperation with Australian export interests. Early in 1929 when a rise in freights appeared likely, a conference of producers, oversea shippers, and shipowners, resulted in the formation of the Australian Oversea Transport Association aimed at the rationalisation so popular in those years. In conditions of depression no striking positive advantage accrued to the shipowners, but the establishment of an organisation capable of speaking for this section of the industry was to be of importance. Within this association another was formed comprising representatives of all shipping lines trading to the United Kingdom, Europe, Canada, America, New Zealand and the East. This Oversea Shipping Representatives' Association in the early months of the war provided the members for an authority of some importance in the first phase of wartime shipping administration: the Oversea Shipping Committee.

The discussion of export contracts with the Food (Defence Plans) Department in the United Kingdom, after the Imperial Conference of 1937, involved some examination of shipping, but the concern was with shipping as a necessary instrument for executing those contracts, not as a technical problem in itself. There was never any doubt that there might be serious interruption of seaborne trade, but the uncertainties centred on the degree of this interruption. Some estimate of it was essential for the civil side of planning although the basis for any estimate seems to have been the work of the navy. In January 1939 the Australian Navy thought dislocation would be "complete", a statement which caused the British Food (Defence Plans) Department some concern since, if the gloomy forecast were realised, it would demand alteration of the basis of their own planning. An exchange of views by cable produced the adoption of a figure provided by the British Board of Trade of a reduction of shipping to 60 per cent in the first two months. But in these discussions any such estimate was considered only in relation to its effect on Australian exports.<sup>2</sup> Whether after this initial period of dislocation ships could be found to fill the gap, whether Australia could or would charter or requisition, does not seem to have been discussed. Instead the export planners devoted their attention to the effect of the estimated reduction in tonnage on exports.

The core of the oversea shipping problem was the fact that the wartime disposal of ships would be at the discretion of the British Government and that Australia's problem was to discover the procedure for the allocation of shipping to the Australian trade; partly so that she might make representations about the size of her allocation, partly so that she might plan the best use of what she got. Such allocation procedure was not, in fact, worked out at this stage. The information on which Australian

<sup>2</sup> The use of estimates from roughly similar sources had occurred in import plans, described in the previous chapter. Different dates, and revisions in the light of continuous discussions, account for differences in the figures.

oversea plans could be based was still inconclusive and rested upon decisions still to be taken 10,000 miles away, where also lay the ownership of most of the vessels to be used. Australian planners might confer with Australian representatives of British lines but control of the ships was in the United Kingdom and the cooperation of the London representatives of the shipowners was essential. The absence of a Commonwealth shipping representative in London had already been felt.

Within Australia, however, more precise planning could go ahead without waiting for these wider questions, insofar as it was concerned with locally owned ships and oversea ships while in local waters. In chapter ten of the War Book, devoted to shipping, a fairly precise statement of the forms of control then considered necessary was set out:

1. control of the employment of ships on the Australian Register to ensure their utilisation to the best advantage after the requisitioning of ships by the Navy Department;
2. control of the movements of ships, Australian and oversea, in harbour and at sea, to ensure their safe arrival at their destination or next port of call;
3. control of wireless in ships.

Control of movements and control of wireless were naturally seen as the responsibility of the navy. The first item, control of the use of local ships, was partly a reflection of the feeder role of Australian coastal shipping in the 1914-18 war when, as part of the technique of economising oversea shipping, a single port of discharge was adopted for oversea ships, and the Australian transport system, either land or sea, took over local distribution.

Until more finality was reached in London, Australian plans for the use of oversea shipping could proceed only tentatively on the basis of various assumptions. By contrast, as early as March 1938 the Australian Naval Staff had produced a review of local shipping which not only set out definite demands on local services for discussion, but pointed to the problems which shipping authorities would need to explore. The theme of the review was the requisitioning of ships which would be necessary to augment the navy in the event of war.

Basic figures were:

Ships registered in Australia . . .	230
A. suitable for commerce . . .	174
B. trawlers or administrative . . .	56
Required by Navy . . .	109
of which 78 would be ex A.	
Interstate commercial carriers . . .	98
of which Navy would require . . .	27
Intrastate commercial carriers . . .	101
of which Navy would require . . .	48
Large passenger ships . . .	13
of which Navy would require . . .	6
Smaller passenger ships . . .	8
of which Navy would require . . .	3
Large interstate general cargo ships . . .	44
of which Navy would require . . .	4
Large interstate ore ships . . .	11
of which Navy would require . . .	1

The navy did not pretend that such requisitioning would have no serious consequences for the Australian coastal trade, and it emphasised that the railway system, with its differential gauges and single tracks over many important sections, would not be able to carry much of the traffic handled in peace by the ships to be requisitioned. On the other hand they pointed out that the navy contemplated only a small demand on large interstate cargo and ore ships and that the relevant sections of the *Navigation Act* could be suspended so that oversea ships calling at more than one port might be used to supplement the remaining coastal transport.

The navy was perhaps somewhat optimistic in its assessment. Coastal shipping was of very great importance in the distribution of goods for a number of reasons. A high proportion of the population was distributed along the east and south-east coast of Australia and the existence of a number of small harbours had led to the development of shipping services, supplementing or substituting for land transport. In particular there were a number of important cargoes for which sea transport was more important than land. Black coal, for example, then almost wholly from New South Wales, was essential for railway transport and gas production in Victoria, South Australia and Tasmania, and was moved by sea. Iron ore from South Australia was moved to Newcastle in specially constructed ships, as was sugar from Queensland. The Queensland railways system had been developed on the assumption that traffic would be very largely through a number of coastal ports, while Tasmania, of course, was heavily dependent upon sea connection with the mainland. The navy's forecast of requisitioning recognised these problems to some extent, in that it proposed to leave the coal and ore trades practically unaffected, but the reduction in the total shipping available was still a major problem. Available figures do not lend themselves to a direct comparison of coastal shipping and railway traffic, but the rough order of magnitude can be indicated. In 1938-39 interstate cargoes totalled 7,220,000 tons weight, which takes no account of the very considerable movement of goods between ports within the same State. Tonnage of goods and livestock carried by the railways in the same year, over the whole of Australia, totalled 33,160,000 tons, and of this a great deal was the movement of primary products from the interior to ports. Any substantial reduction in shipping tonnage available would throw on to the coastal railways a burden which, in relation to their normal traffic, would be serious.

In another sense any cut in coastal shipping would be serious. A number of key cargoes were handled by procedures which assumed a close relationship in time between production and the availability of shipping, and if curtailment of shipping increased the interval between ships, or introduced fluctuating delays, production would be immediately affected. Among the cargoes concerned were coal, particularly from the Maitland field in New South Wales which was linked by a short rail haul to Newcastle. If colliers were not available the special trucks would soon all be full and production would cease. Similarly the timber trade from the north

coast of New South Wales presumed a regular flow of shipping, as did the sugar trade in Queensland.

In the navy's requisitioning programme were definite and precise demands, and clearly the question was how best to minimise their effect. Reports under five headings were called for in March 1939 to cover:

- Interstate trade (from the Department of Commerce, Oversea Shipping Representatives' Association and Australasian Steamship Owners' Federation);
- Fish supplies (from the Council for Scientific and Industrial Research) in view of the requisitioning of trawlers;
- Lighthouse services (from the Department of Commerce) in view of the requisitioning of lighthouse tenders;
- Rail transport of refrigerated goods (from the Department of Commerce, North Coast Steam Navigation Company Limited, Newcastle and Hunter River Steamship Company Limited, Illawarra and South Coast Steam Navigation Company Limited, and the New South Wales Railways);
- North-west coast trade in Western Australia (from the District Naval Officer and local authorities).

Over a considerable part of the field these reports provided a good deal of information. Thus the first on interstate cargoes estimated that seven steamship lines carried approximately 5,730,000 tons annually classified as follows:—

General cargo . . . .	2,335,000 tons
Coal, coke and ore . . .	1,870,000
Ironstone and limestone .	1,000,000
Raw sugar . . . . .	300,000
Gypsum . . . . .	100,000
Lead . . . . .	60,000
Timber . . . . .	65,000

But the reports did not cover the whole field. They omitted refrigerated cargo and the more important cargo for the Tasmanian run, as well as certain interstate coal and bulk cargoes and the Queensland trade of Burns Philp and Company Limited and the Colonial Sugar Refining Company.

The next step was promoted by the continuing exchanges between the Department of Commerce and the British Food (Defence Plans) Department, and was concerned with what sort of control procedure should be imposed, and by whom. A Shipping Control Board was envisaged, but on 4th May 1939 the formation of a Shipping Advisory Committee, as a preliminary measure, was reported to the High Commissioner in London. The Assistant Minister for Commerce, Senator McBride,<sup>3</sup> as chairman, gave the committee four items to consider:

1. The method of control of shipping and the nature of the organisation to be set up in the event of war to ensure
  - (a) that each branch of the shipping industry should function efficiently, and
  - (b) that the links between the branches should be such that there would be no gaps or lack of coordination and no overlapping.

<sup>3</sup> Hon Sir Philip McBride, KCMG. MHR 1931-37 and since 1946; Senator 1937-44; Asst Min for Commerce 1939-40; Min for Supply and Develop and Min for Munitions 1940-41; Min for the Army 1940; Min for the Interior 1949-50; Min for Defence since 1950. B. Kooringa, SA, 18 Jun 1892.

This would involve consideration of the method of control of shipping to ensure the best utilisation of the available tonnage, whether by

- (i) requisitioning by the Shipping Control Board of all Australian-registered vessels remaining after the navy had requisitioned all its requirements, or
  - (ii) retaining of vessels by their existing owners, subject to whatever control was considered necessary by the board.
2. Extent and method by which British ships might be used to help in the maintenance of the interstate cargo trade.
  3. Advisability of retention of interstate and intrastate ships under the one control.
  4. Necessity for and best means of effecting control of vessels owned and operated by companies outside the Australasian Steamship Owners' Federation, captured and interned enemy vessels, and naval vessels which might from time to time become available to carry cargo.

These were in part a repetition of questions which had already been canvassed, but some advance can be seen in the plans for a controlling authority.

Representatives on the committee covered oversea and interstate shipping companies, the navy and the Government. A shipping company representative suggested that the management of non-requisitioned interstate ships would best be left in the hands of the shipping companies, reminding the meeting that during the 1914-18 war control of shipping had not been undertaken until April 1918, three and a half years after the outbreak of hostilities; but, a government representative retorted, then 112 ships had been taken over for all purposes, whereas now the navy had already indicated its requirements and the first adjustments could accordingly be planned. In summary the position as it was put to this committee was:—

commerce carriers engaged in the interstate trade		89
earmarked for defence services	25	
intrastate vessels		82
earmarked for defence services	41	

It was estimated that the effect of requisitioning would be to reduce intrastate deadweight capacity by fifty-two per cent but interstate by only twenty per cent. This latter figure, however, was misleading, because, of the sixty-four interstate vessels left to commerce, thirty-five were committed to special bulk cargoes regarded as strategic, namely iron ore, coal, zinc concentrates, sugar and limestone, and only two vessels were to be requisitioned from this special group. In fact, therefore, for general cargo the interstate reduction would be thirty-five per cent and the question of alternatives or substitutes was important. It was estimated that oversea vessels moving around the Australian coast could perhaps take about half the deficiency, but they could only be used for general cargo, and even then their size limited them to the main ports.

Sir Thomas Gordon,<sup>4</sup> also a shipping company representative, proposed a plan which, in addition to the Shipping Control Board, would include an

<sup>4</sup> Hon Sir Thomas Gordon. Chmn and Manag Dir Birt & Co Pty Ltd. MLC NSW 1932-33; Rep in Aust of Brit Min of War Transport 1939-46; Dir of Shipping in Aust 1942-45. B. Ardrossan, SA, 26 Apr 1882. Died 5 Jul 1949.

Oversea Central Committee, an Australasian Steamship Owners' Federation Central Committee, and a joint committee to link these two together. These controls, he suggested, would operate only to the extent permitted by the position of the United Kingdom and the requirements of the navy. Only the framework of the plan was as yet necessary, but as the Oversea Shipping Representatives' Association's representative pointed out, it was necessary to have "exact information as to the United Kingdom Government's intentions in limiting ports to say one for loading, one for discharge, one for bunkering and the use of foreign ships. . . ." For oversea shipping, in short, the problem was still centred in the United Kingdom. For inter-state shipping, however, the framework of control could proceed to the stage of draft regulations and the tentative constitution of the Shipping Control Board.

While these developments with direct reference to shipping were proceeding through the Department of Commerce, other authorities were becoming active. The Department of Defence, and later the Department of Supply and Development, initiated investigations which closely concerned shipping, although their central question was supplies from overseas. As a result the Financial and Economic Committee produced its four reports, two before and two after the outbreak of war, on the effects of an interruption of seaborne trade. Their efforts to plan for the interruption of supplies have been followed elsewhere, but like other investigators they turned to the navy for a basis on which to plan. Using 1936-37 figures and estimating France to be an ally and Germany, Italy and Japan to be enemies, the tonnages of oversea shipping coming to Australia in peacetime were set at:

		% of total
British and allied	4,665,000	74
Enemy	540,000	9
Neutral	1,070,000	17
	<hr/>	<hr/>
	6,275,000	100

Estimates were made of the percentages of these normal peacetime tonnages which might be available on the outbreak of war and at the end of the first year:<sup>5</sup>

	Outbreak of war	End of first year
British and allied	70% of 74%: 52%	80% of 52%: 42%
Enemy	nil	nil
Neutral	17%	15%
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	69%	57%

In the third and fourth reports of the Financial and Economic Committee which concerned coastal shipping and were not completed until November 1939, there was stress on the need to establish a special coastal shipping control to determine priorities for cargoes, to develop self-sufficiency as to

<sup>5</sup> Memorandum concerning reduction of oversea shipping in war prepared by the Naval Staff for the information of the [Financial and] Economic Committee, 10 Jul 1939.

stocks within the States, to improve rail transport, and to build vessels adapted to the coastal trades as well as to rearrange shipping routes to economise the depleted fleet. In the Department of Defence, meanwhile, transport committees were also concerning themselves with the problem of coastal and interstate shipping, while in the Department of Trade and Customs the Tariff Board was investigating proposals for a bounty on local shipbuilding. That department was preparing to act as the Australian authority cooperating with the British Ministry of Economic Warfare in the traditional wartime shipping controls of contraband, navicerts, bunkering and the like.

So matters stood when the period of pre-war planning ended. Unfortunately while much had been achieved, indeed repeatedly achieved, in the definition of problems, very little could be claimed towards solutions. In relation to oversea shipping action waited on the policies and procedures of the British administration. In local shipping draft regulations had defined the nature and sphere of control, and the personnel of the proposed authority had been indicated, but the techniques of carrying out control of routing and running of ships were left to the private shipowners themselves.

This was in part the obvious expedient of using knowledge and experience, in part submission to the traditional view that shipping was technically a complex industry. In tonnage, for instance, designation could take three forms—gross, net or deadweight. Cargoes might demand specially designed ships, as with coal, iron ore, molasses or petrol. Such ships were different in operation from the regularly routed liner tonnage and tramp ships. Economical running of ships, both in time and space, depended in a high degree on stowage, and that in turn depended on where cargoes were picked up, and in what order they were discharged. Moreover, the shipping companies were not only strong as shipowners, but carried as well the weight of associated interests, in particular, coal, steel and sugar; the institution of unwelcome procedures and restrictions could be quietly but effectively opposed.

#### THE OUTBREAK OF WAR

So far as pre-war plans went, wartime action in relation to shipping proceeded smoothly enough. The services under the Department of Trade and Customs were instituted, the navy took over ships according to plan, the Shipping Control Board met.<sup>6</sup> But these developments were little more than routine, and the future shaped by the course of war had little use for them. It was in oversea shipping that the war had its important effects, and the energies and ingenuity of the administration concentrated on problems arising there.

The Department of Trade and Customs had adapted the United Kingdom detention instructions, and incorporated into their chapter of the War Book "Instructions regarding the detention services in time of war", which

<sup>6</sup> The inaugural meeting was on 5 Sep 1939: Minister for Commerce, Senator G. McLeay (chairman), Capt G. D. Williams (Controller of Shipping), Capt J. K. Davis, W. C. Stillman, Sir Thomas Gordon, G. R. Rickards, J. L. Webb, F. Bridgman, D. York Syme, Pay-Cdr J. D. Jackson.

set out the duties of customs collectors and covered special clearances for ships, control of radio communications, seizures of enemy ships, and contraband control. Some adjustment of the procedure for clearances was necessary for coastal ships since many of them used small ports at which a senior officer was not stationed. Similar adjustments were necessary in regard to the sealing of ships' radios.

The Department of Trade and Customs had been designated before the war as the authority to act in cooperation with the proposed British Ministry of Economic Warfare. A committee similar to that to be set up in London was planned, and duly established on the outbreak of war, with directions to consider "measures that can be taken to exert economic pressure on the enemy". Important as this was for the British ministry, it had little relevance for Australia, and, as was pointed out in connection with external trade, the Australian Committee of Economic Warfare, though it met once on 8th September 1939, was not active thereafter except to receive the *aide-mémoires* from the British committee. Ships' black lists were sent to Australia but the first, received in November, covered the names of Norwegian ships which had never entered the Australian trade, and although later additions and removals were faithfully noted and circulated to officers, it was not surprising that the Department of Trade and Customs could record that "at no time during the war did any ship listed in any of the categories call at any Australian port while so listed". Similarly, although bunker control and the restriction of repair and docking facilities were weapons of some importance as employed by Britain towards neutral European ships, and their application required decision by the highest authority, in fact no ship which might call for action arrived in Australia. The record of the Department of Trade and Customs' activities, therefore, was in the beginning mainly negative, but it indicates the concentration of the traditional wartime controls within a department traditionally very close to shipping. This concentration later proved of some importance in that it facilitated action by the department in connection with the *Anglo Maersk*, *Romolo*, *Remo* and *Pierre Loti*.

Requisitioning by the navy concerned the following cargo and passenger ships:

Date taken over		gross tons	
Sep 2	<i>Kooraka</i>	300	(voyage only)
4	<i>Warrawee</i>	423	
5	<i>Kanimbla</i>	10,985	
12	<i>Orara</i>	1,297	
25	<i>Doomba</i>	750	
Oct 12	<i>Duntroon</i>	10,346	(voyage only)
14	<i>Manoora</i>	10,856	
18	<i>Tambar</i>	456	
20	<i>Coolebar</i>	479	
30	<i>Bermagui</i>	402	
Nov 2	<i>Westralia</i>	8,108	
3	<i>Uki</i>	545	
7	<i>Nambucca</i>	489	
Dec 2	<i>Bingera</i>	922	

In addition six trawlers and three tugs were taken over in these first months. It is clear that the interference with local shipping by requisitioning was of little importance compared with the pre-war estimates. Of these ships four were large interstate passenger and cargo carriers, one an interstate cargo carrier, four from the New South Wales north coast trade, one from the New South Wales south coast trade, one from Tasmania, and three from other intrastate trades. Pre-war assumptions of a hostile Japan were not realised so that not only did the navy need fewer vessels, but the anticipated drastic interruption to merchant shipping on the coast did not occur.

The Shipping Control Board of pre-war planning had an inaugural meeting on 5th September. Chief among its resolutions was one that "there was no need under existing circumstances for the exercise of any control over the movement of ships and that shipowners should continue to carry on their normal activities until the minister, on the recommendation of the board, decided otherwise"; that there was no necessity either for specific regulations or orders governing the board's operations, although the minister should provide for a code of orders under Regulation 50 of the National Security (General) Regulations which the board could then recommend for adoption as circumstances required. That shipowners were "able to carry on their normal activities" was made possible by the organisation within the Oversea Shipping Representatives' Association of a wartime Oversea Central Committee.<sup>7</sup>

By December 1939 the position of the Shipping Control Board was clear. It had been provisionally appointed, and personnel named and approved by the Government, but formal gazettal of the appointments and promulgation of shipping control regulations were withheld as it became evident that no serious interference with coastal trade would occur, and that the tonnage still available after requisitioning could cope with the demands made on it. It was to deal with such questions that the board had been planned, and there was virtually nothing for it to do. Moreover it was realised that none of the main tasks in the regulation of overseas shipping as contrasted with the local traffic, that is preparation of detailed information, collaboration between exporters and shipowners, reduction in the number of ports of call, allocation of space or the handling of charters, could be performed by it. Indeed the law under which the board was created could not be used for these purposes because the only authority on which the Australian Government could act was that received from the United Kingdom or National Security Regulations for the control of cargoes. Only two of its nine members were shipping experts. Its own recommendation that its operation be deferred was a natural and uncontested consequence.

Instead the interchanges between Australia and Britain over the more real and pressing problems of overseas shipping had produced an advisory

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<sup>7</sup> Its members were: G. R. Rickards, chairman (Macdonald Hamilton & Co.), N. Kingsbury (Macdonald Hamilton & Co.), Sir Thomas Gordon (Birt & Co. Pty Ltd), E. A. Eva (Aberdeen and Commonwealth and Shaw Savill Lines), D. F. Middleton (Port Line), A. G. Potter (Birt & Co. Pty Ltd), S. V. Jones (Blue Star Line).

committee composed of representatives of the Oversea Shipping Representatives' Association, the Department of Commerce, and the Australian representative of the British Ministry of Shipping.<sup>8</sup>

With the outbreak of war Britain had adopted a licensing system on the assumption that "the British shipowner knew his own business best".<sup>9</sup> From the Australian point of view the chief problem was to obtain from the British Shipping Committee a definite statement of policy which would permit the working out of a comprehensive interstate shipping plan for Australia, and the economic handling of oversea steamers on the Australian coast. The official secretary at Australia House was directed to ask, for example, whether, if Australian coastal services were depleted, as then (at the outbreak of war) seemed possible, British ships would be available to assist in overcoming the shortage; whether control of Australian coastal steamers would be necessary as a result of British control; whether separate ports for bunkering, loading or discharge would be desirable. To these no clear reply could be given and thereupon the Australians recommended the requisitioning of all liner space and the shipment of all goods under direction. They pointed to the various export control boards which had been established, from which they proposed small committees should be drawn to confer with shipowners on the handling of space. This was a useful arrangement but it did not touch the most important problems, as these appeared to Australian representatives, namely, the competition for profitable cargoes, and the effects of priorities laid down in England. As the Department of Commerce put it to the High Commissioner in September: "They [the shipowners] have shown every willingness to meet our requests so far, but it is doubtful whether any administration could survive where one line was carrying recognised profitable cargoes while others found themselves asked to carry the less favourable." The United Kingdom was accordingly urged to requisition all British shipping trading to Australia.

By 10th October the Ministry of Shipping was able to provide a list of commodities to which, for the assistance of liner companies, priority space could be allocated. These comprised: foodstuffs, cotton, flax, hemp, hides, skins and leather, jute, non-ferrous metals and metalliferous ores, potash, phosphate rock, rubber, silk, sulphur, timber, wood pulp, wool; and a month later the list was enlarged to cover:

Foodstuffs of all descriptions—particularly cereals in bulk or bags, sugar, oilseeds and oilcase, refrigerated cargo.

Metals—aluminium, antimony, copper, ferro-chrome, ferro-silicon, lead, magnesium, mercury, nickel, pig iron, steel, tin, zinc.

Ores, Concentrates—antimony ore, bauxite, chrome ore, copper ore and matte, cryolite, iron ore, lead ore and concentrates, magnesite, molybdenum ore and concentrates, nickel ore and matte, pyrites, tantalum ore and concentrates, titanium ore and concentrates, tungsten ore, wolfram and concentrates, vanadium ore and concentrates, zinc ore and concentrates.

<sup>8</sup> Members were: G. R. Rickards, E. A. Eva, C. E. Whitaker, D. F. Middleton, S. V. Jones and A. G. Potter (oversea shipping interests), E. J. McCarthy (Commonwealth Government), Sir Thomas Gordon (British Ministry of Shipping).

<sup>9</sup> W. K. Hancock and M. M. Gowing, *British War Economy* (1949), p. 124.

Textile raw materials—coir, cotton (including waste), flax, hemp, jute (including sandbags), silk, wool.

Miscellaneous—asbestos, bristles, candelilla wax, esparto, graphite, hides, skins and leather, mica, monazite sand, potash, rubber, sulphur, timber, tung-oil, wood pulp.

But these were only by way of general indication. The Commonwealth Government was beset not only by what appeared to be a need for coordination between the various departments in the United Kingdom concerned with the problem, but also by the realisation that unless the very best use could be made of shipping the ever-vigilant primary producing interests would be left with large stocks unshipped. Moreover, neutral shipping was being antagonised by the relegation to it of the poorer paying cargoes such as sugar, flour and metals, while the profitable wool, since it was going to the United Kingdom, went in British ships. It was noted that a number of neutral ships had abandoned the Australian for the Eastern trade.

In November and December conferences between the United Kingdom and Australian representatives faced the difficult and complex assessment of requirements against tonnage likely to be available. To this end the Australians presented information on phosphates, timber, newsprint, oil and wheat. For phosphates the British Phosphate Commission had four regular vessels in the trade and nine under charter. For timber the Australian and New Zealand run was reasonably served by two vessels, but orders from the British Ministry of Supply would require in Western Australia one vessel to lift an average of 4,500 loads every six weeks. Newsprint and oil presented no problems. The real source of Australian worry was wheat. To lift the old season's wheat seventeen vessels were required and to keep the railway sidings open for new wheat it was estimated that fourteen vessels a month in December, January and February would be needed.

The wheat position in the United Kingdom was serious and efforts were being made to remedy it, but its very seriousness pointed to seeking supplies closer than Australia and there seemed no way in which accumulation of stocks in Australia could be avoided. Nevertheless, on 5th December of an estimate of 918,000 tons of priority goods which could be handled 457,600 were allocated to sugar and wheat. The remaining 460,700 were divided among wool, steel, zinc, lead, with other priority goods sharing in similar degree. The British ministry estimated that to March 1940, the longest period to which it would commit itself, 850,000 tons of shipping would be available to lift these quantities. There was a gap of nearly 70,000 tons and the British resisted Australian pressure for some reduction in Ministry of Supply requirements, for the benefit of wheat, urging the Australian administration to seek more neutral tonnage.

This should have been reassuring, for at the worst the attitude of the Ministry of Shipping meant that they were prepared to allocate 335,000 tons to wheat and the gap of 68,000 tons for this commodity should have appeared very satisfactory in the circumstances. Australia had been warned

repeatedly before the war that there would be difficulty in the supply of wheat to Britain in the event of war, and a twenty per cent deficiency, by contrast, might have appeared mild. The persistence with which the Australian representatives pressed for an increase in the allocation to wheat at the expense of items which the British regarded as of higher priority, illustrates the basic Australian attitude. Another illustration, in itself trivial, is the way in which the Australian Minister, Mr Casey, at this conference raised the fact that on his journey to England he had seen German vessels laid up in neutral ports and asked whether it was not possible to buy them since they were in difficulties in meeting port dues and other charges. The Australians, with their concentration upon matters of domestic concern and acute sensitivity to the interests of exporting industries, in this as in other cases, in season and out, pressed for assurances about the availability of ships to move all goods which might be offered for export. Indeed it seemed they were seeking assurances not merely in relation to a known situation but about shortages of shipping that might conceivably arise. In fact, as has been noted elsewhere, Australian exports fared well and the exporting interests were in general reasonably well served by shipping.

Nevertheless it is impossible to study the Australian records of the time without being aware of a strong, even excited, local insistence on the vital importance of ensuring shipping for exports. There was some justification for this, in view of Australia's role as it was then seen: primarily a source of supply. In any case the constant Australian pleas for ships went beyond problems of wartime supply, concerning themselves with the much wider questions of disposal of Australian production. In them there was at times a note of panic, of apprehension lest any possible opportunity to secure ships might be overlooked. There was a desire to have safeguards against what might happen rather than satisfaction with what had in fact proved to be the position. Presently this attitude was to find expression in efforts, by way of chartering, purchasing and building, to have ships under Australian control as a way of escape from British policy.

Early in December 1939 the appointment of a representative in Australia of the British Ministry of Shipping was discussed on a basis similar to that for other Dominions. The fortunate choice fell on Sir Thomas Gordon who thus early began his unique career in Australian wartime shipping control. As a representative of the British ministry the priorities laid down in England were transmitted to him and he in turn passed them on to Australian government departments concerned, as well as discussing with the Oversea Central Committee the best use of available tonnage. The Australian administration, however, was concerned about the nature and extent of control which it was possible to exercise in Australian waters over oversea ships. As things were, the Commonwealth Government conveyed its wishes to the Oversea Central Committee of the Oversea Shipping Representatives' Association, but had no authority over that committee, which was under the instructions of its principals in London who conveyed to it the wishes of the Ministry of Shipping.

The Commonwealth Government, therefore, submitted through the High Commissioner the proposal for an Oversea Shipping Committee separate from the Shipping Control Board, to be made up of representatives of the Commonwealth Government, the Ministry of Shipping and the British lines operating in Australia. The British ministry agreed, the arrangement being that the ministry would issue instructions to the lines in London and to Sir Thomas Gordon, and the Australian committee would advise on the handling of ships.

Meanwhile early in January 1940 requisitioning of shipping by the British Government was announced. It was not until 25th January that the Oversea Shipping Committee was formed. Its functions were to advise the Commonwealth Government on all the problems and questions associated with oversea shipping and all matters arising out of the control of oversea shipping in Australian waters, together with questions of policy arising out of priority arrangements and out of the priority of cargoes not covered by British Government policy. It was decided that for the present there was to be no interference with the role of Oversea Shipping Representatives' Association or the shipowners' individual organisations in the control and management of ships.

The Department of Commerce was further concerned at what it regarded as considerable confusion over ports of destination and over the transmission of priorities. With meat shipments, for instance, instructions to exporters from that department about documents had conflicted with those from London to the shipping companies. The department and the exporters believed, reasonably enough, that they should have been notified of the instructions to shipping companies. Similarly the department was irked by instructions about priorities going in the first instance to the British ministry's representative, taking the view that when the shipping committee met, the Australian Government representative should also be armed with the wishes of the British Government. Requisitioning by the British Government altered the procedure so as to avoid confusion over ports, bills of lading being made out for an unnamed port in the United Kingdom and ships directed en route to their destination. It was agreed too that the British representative was to keep the Commonwealth informed, which appeared a quicker method than merely duplicating instructions.

These were rather minor matters but there is implicit in them the Australian discontent with control of the available shipping exercised from London and the conviction that exports must be shifted at all costs. The possibilities of action were necessarily local and in the first quarter of 1940 and increasingly under the impact of the disasters of May and June 1940 there were attempts so to arrange cargoes for ships as to enable them to pick these up speedily and without confusion. To this end the Department of Commerce conferred with export organisations in March. After discussing the disturbances in peacetime practice the Secretary of the Department continued, "it is evident that there is not now enough tonnage for the whole of Australia's export requirements. The liner tonnage could no doubt meet the berth cargoes, but in meeting priority

requirements these ships have been obliged to take cargoes formerly carried by the chartered ships."<sup>1</sup> In peacetime shippers competed for the various cargoes and exporters of the more popular types of cargo could expect to get a ship when and how they wanted it, but under war conditions this must cease. Where, for instance, in peacetime three ships might call at one port for butter from three separate exporters, now one ship would enter to pick up all the butter, notification of the amount of which would have to go to the Overseas Central Committee. The need therefore was for collaboration with the exporter and for the organisation of the various industries so that arrangements for the allocation of space should be in the hands not of the individual exporters but of a body representative of all exporters. The available shipping could then be set against available cargoes and a figure of shipments agreed upon by negotiation. The central shipping organisation could then determine which ships would lift the cargoes and who the agents would be.

Necessarily the priority requirements of the United Kingdom had to form the basis for all these allocations but within these limits it was felt that each industry should have an opportunity for its claims to be considered in relation to those of other industries. There must, too, be consideration of the suitability of ships, the combination of cargoes to secure the most effective use of ships, ports of loading and discharge and so forth, techniques which might not be within the competence of the proposed export coordinating committee but which could be satisfactorily considered in consultation with representatives of shipowners. In many industries an authority appropriate to act with the coordinating committee already existed. As early as October 1939 the Department of Commerce had arranged to bring together representatives of the shipping committees in each of the meat, butter, cheese and egg industries in a coordinating Refrigerated Products Committee. It proposed to establish a parallel organisation for general cargo with shipping committees for each of wool, wheat, metals, sugar and miscellaneous general cargo, which would provide the members for a General Cargo Committee. That for refrigerated cargo was able to submit proposals for freight forecasts and the allocation of space for meat, butter, cheese, eggs and rabbits, in February,<sup>2</sup> while that for general cargo commenced to function in March.

In similar fashion the Overseas Central Committee directed its efforts towards meeting the needs of ships. Initially that committee invited shippers to submit a programme of requirements, but by the end of February Sir Thomas Gordon was planning to reverse the procedure because, as he shrewdly observed, "in fact it might encourage them not to worry about our steamer programme at all, but to ask for just what they require". He was particularly concerned with meat which was a special case because storage space in cold stores could easily be overtaxed in the event of

<sup>1</sup> Conference of Export Organisations, 20 Mar 1940 and first meeting of Export Coordination Committee (General Cargo).

<sup>2</sup> A circular to licensees of the Australian Meat Board of 3 May 1940 set out details of "Refrigerated Freight Organisation". This included details of the State committees to whom proprietors of all cold stores holding meat prior to export were to furnish returns of stocks and estimated deliveries.

non-shipment, and that in turn would hold up the trucking and delivery of beasts to the killing works. He suggested that "I think we would find that if we plan for refrigeration we will be able to fit the wool and general cargo into the picture without much trouble". He saw, too, the opportunities which war and single control offered in the reduction of ports. "We have not been able to achieve very much in this direction . . . [but] there is now a real opportunity to see if we can do something in the direction at which we have been aiming for years."<sup>3</sup>

This was in line with the view expressed by the chairman of the Oversea Shipping Committee to the first meeting of the Export Coordination Committee (General Cargo) that they "must know what the proposed cargo was, where it was to go and when it would be available for despatch, before they could make the best use of the available tonnage".<sup>4</sup> Exporters undertook to supply every Saturday morning to the secretary of the Oversea Shipping Representatives' Association the port of shipment, time, and the quantity, of commodities contributed by each organisation, thus forming a basis for the cable on the shipping position which it was Sir Thomas Gordon's responsibility to send each Monday morning to the United Kingdom. At the second meeting of the Export Coordination Committee (General Cargo) on 10th May the Department of Commerce announced uncompromisingly: "for some time past the shipowners' organisations on the one hand and organisations of exporters of some products on the other have been handling the question of space allocation, but on May 1st all industries come under these arrangements and from this month the securing of space by individual exporters from individual shipowners will cease".<sup>5</sup> The circumstances were that other authorities were laying claim to shipping space—the army, navy, air force, and canteens—and instead of negotiating as units they were to become an "industry" under the title of Defence. The Department of Commerce's representative urged that even if industries had so far found that their product was being moved they should "prepare their schemes for the allocation of shipping space amongst themselves. . . . We cannot say when the time will come when, either because shipping space is insufficient or because the Ministry of Food or Ministry of Supply limits the issue of its licences, the rationing of [space for] a particular commodity amongst its exporters will be necessary". He believed that the relationship between shipowners and the Central Wool Committee needed no further attention, but in other cases, even under the scheme for coordination, there was still unnecessary competition between industries and he concluded:

It would be wrong to say that because the United Kingdom wants their products because they are high on the priority list, industries such as wool, butter, meat, sugar and certain metals are not interested in the scheme of rationalisation. They are, because they are interested in the export trade of Australia as a whole. If the

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<sup>3</sup> A memorandum of 26 Feb 1940.

<sup>4</sup> Commerce Dept File W115/1/26.

<sup>5</sup> Opening statement by E. J. McCarthy.

shipowners as a result of the help they obtain from these industries in managing their ships can provide more space for other less favoured products, I am sure that that help will be forthcoming.

About this time the use of wheat to fill in small quantities of unoccupied space in vessels earmarked primarily for other cargoes gave rise to a blunt Australian statement on desirable policy. The background of this is to be found in the shipping arrangements for non-priority cargoes up to March 1940. In the early months there was some scope for negotiation between the shipping companies and shippers of non-priority goods, and when space was available and especially when the freight offering was of a profitable sort, it was usually possible to arrange shipment. This was a reflection of general policy at this time of disturbing the economy as little as possible, in consequence of which there was a degree of tenderness for the less essential industries which later on would not have been entertained. Sir Thomas Gordon outlined a plan to the Ministry of Shipping: "would it be possible and practicable to coordinate all requirements and arrive at the position of having one priority list, placing each item or allied group of items in the order in which you require them to be shipped?" If this could be done then, he suggested, "we would have a group of items not regarded as requiring priority from the point of view of your Controllers, but all or some of which it may be very desirable to keep moving, in a limited manner at least, in order to avoid certain industries here being put right out of business with all kinds of possible political repercussions". He proposed the setting aside of a proportion—tentatively ten per cent—of every vessel space, for the carriage of some non-priority cargo, the Australian authorities accepting responsibility for allocating it to the best advantage. This would have meant much less than normal shipment of the goods concerned, but it would, he urged, "satisfy Australian opinion and anticipate certain producers rushing to the Government with complaints of being ruined by the stopping of all means of export".<sup>6</sup>

At the beginning of April, however, Gordon announced to the Oversea Shipping Committee that the British policy for non-priority cargo was that not more than two and a half per cent of the total space in any vessel should be used for non-priority goods, and then should be used only if priority cargo was not available; surplus space was to be used for wheat and other cereals. The Government representative at once drew attention to the effect that this would have on commodities such as wine, canned fruit, fresh fruit (and possibly dried fruits, hides, tallow, jam) which, unlike the privileged wheat, were in normal times shipped by liner tonnage. It was this which produced the emphatic statement cabled to the High Commissioner on 6th April. The chief reasons for concern were that the exclusion of items such as these from regular liners as berth cargo left them without means of shipment while the "relief to the wheat transport problem given by putting wheat or flour in parcels in berth liners . . . would be negligible".<sup>7</sup>

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<sup>6</sup> Sir Thomas Gordon to Sir Vernon Thomson 9 Feb 1940.

<sup>7</sup> Dept. of Commerce to High Commissioner 6 Apr 1940.

The source of the argument was no doubt pressure from the interests affected, but the Australian cable went somewhat further in challenging control from Britain

. . . the United Kingdom Government is not justified in exercising unqualified authority in the disposition of the liner tonnage but that the circumstances are such that Australia should have some voice in the matter. Whilst deliberately stating this opinion we must repeat that we recognise that the policy followed by the United Kingdom has up to the present resulted in the moving of the great weight of our exports. Also we wish . . . to have in mind in presenting this viewpoint that we are probably not fully aware of the United Kingdom Shipping problems . . .

The British response, as reported by the High Commissioner was to stress the embarrassing precedent that might be created by allocating the percentage of liner tonnage to be used at local discretion. The British ministry had in fact helped during April in shipping canned fruit and rabbits and the High Commissioner commented: "I feel that we are likely to obtain better results by working with the Ministry of Shipping whose goodwill we now have rather than by continuing to fight for definite allocation."<sup>8</sup> The ministry's Australian representative underlined the reply in June by telling the Overseas Shipping Committee "that it is now more than ever important not to occupy with luxuries and non-essentials any space in liners which could be used for cargoes of high priority". But unfortunately whereas non-priority goods were not permitted transport in vessels controlled by the Ministry of Shipping, their import into the United Kingdom was still permitted. So the self-interested efforts of non-priority shippers to get their goods away could be supported by the argument that since Britain still permitted their import she still needed them. This sectional interest reinforced the more general conviction that Australia could or should get a better deal from Britain in the apportionment of tonnage.

This conviction came out strongly in Australian policy over the seizure of Danish vessels. When in April 1940 two vessels, the tanker *Anglo Maersk*<sup>9</sup> and the freighter *Astoria*<sup>1</sup> were seized, the one at Fremantle and the other at Sydney, the tanker was handed over to the British ministry on 22nd May after her cargo had been discharged in South Australia, but the *Astoria*, after prize court proceedings, was retained by Australia pending the expiration of a time charter made between the Danish owners and the British Phosphate Commission. At this time the *Westralia*,<sup>2</sup> a Danish ship seized at Aden, was also under charter to an Australian organisation, Westralian Farmers, a cooperative selling organisation handling Western Australian wheat; the vessel had been used by the Australian Wheat Board. A little later on 11th June an Italian ship, the *Remo*,<sup>3</sup> was seized at

<sup>8</sup> High Commissioner to the Prime Minister 15 May 1940.

<sup>9</sup> 7,705 tons, seized 14 Apr 1940. Handed over by C'wealth Government to U.K. Ministry of Shipping at Port Adelaide, 22 May 1940.

<sup>1</sup> 4,454 tons, seized 15 Apr 1940. Released by Prize Court 20 May 1940, handed to Dept of Commerce to administer as requisitioned ship.

<sup>2</sup> 4,568 tons.

<sup>3</sup> 9,780 tons.

Fremantle although her sister ship, the *Romolo*, having sailed from Brisbane, escaped the navy's vigilance and was later scuttled by her crew.<sup>4</sup>

To the Australians these ships offered a prospect of tonnage under their own control. "It is hoped," wrote the Secretary of the Department of Commerce to the United Kingdom High Commissioner, "to retain the *Astoria* and the *Westralia* at the disposal of the Commonwealth Government. In taking this view it is necessary to point out that whilst it is freely appreciated that the ships contracted by the Ministry of Shipping or those influenced by them, such as the Dutch and the Norwegians, cater for the greater part of Australia's trade, there is much remaining, and the provision of ships for these cargoes is a source of continuous anxiety to the Commonwealth Government. . . . Commodities that come within this category are wheat, flour, barley, wine, timber, copra and others of lesser value. The activities of the Ministry of Shipping in relation to non-British ships are such that it is becoming increasingly difficult to obtain ships for these cargoes."<sup>5</sup> He went on to instance copra, of which 20,000 tons had accumulated because the British Ministry had requisitioned ships from the trade and ships previously chartered for it were no longer available; and also the Australian Wheat Board which, apart from the United Kingdom contract, had 100,000,000 bushels to sell. The British Government pressed for the handing over of all three ships, particularly the Danish ones, pointing out that it had offered generous terms to neutral vessels which put themselves under British control, and felt a special obligation to Danish owners. The compromise reached by the beginning of July, in response to repeated Australian appeals for control of the vessels and their use for carrying Australian exports, was that the British Government withdrew its claim to the *Remo* and *Astoria* and in the case of the *Westralia* did not use the Australians' argument against the Australians—for that vessel had been seized in Aden by the *British* authorities and if Australia could claim the *Astoria* her rights to the *Westralia* were at best slender. The compromise entailed the formal transfer of the *Astoria* to British register, the Commonwealth accepting the final responsibility for any war damage compensation.

<sup>4</sup> For details of the naval operations in connection with these ships see G. H. Gill, *Royal Australian Navy 1939-42*, in this history.

A civil department—Trade and Customs—also played a part in the delaying tactics which were employed to prevent the ship leaving port: searches for contraband, queries over ship's papers etc. The agents for the Line volunteered to unload the entire cargo of the *Romolo* (which had been paid for) but the department professed to be seeking industrial diamonds, an article which justified the prodding of every cake of soap and the filtering of every liquid on the ship, and might take months. The shipping man offered a deal, that the *Remo* then two days from Fremantle would enter port if the *Romolo* were released. The *Remo* carried urgently needed telephone equipment for Australia and New Zealand and Fiji and the deal was accepted, although, as noted, the *Romolo* escaped the navy. The problem was then to hold the *Remo*, and was complicated by the objections of some members of Cabinet. The Department discreetly organised industrial disputes and go-slow tactics among wharf labourers and the ship was still in port when Italy declared war. The *Remo* was renamed *Reynella*, a town in the constituency of the Minister for the Navy, who had opposed the department's tactics.

<sup>5</sup> 20 Jun 1940. Noting that the United Kingdom was anxious to get the use of Italian ships seized he said, "I am directed by the Ministers for Commerce and Navy to advise you that it is proposed to retain the *Remo* either for use by the navy or to carry Australian export cargoes not catered for by ships contracted by the Ministry of Shipping".

SHIPPING  
CHARTERING

In December 1939, as has been seen, the Ministry of Shipping had turned Australian pleas for additional tonnage for wheat by inviting Australia to seek the use of more neutral tonnage, and in particular drew attention to the relatively safe phosphate trade into which neutral ships might be directed, thus releasing British vessels engaged in the trade. The Australian Government was not averse to exploiting the invitation, and in late January the Cabinet was presented with a report on the position with special reference to wheat. The source of the trouble, as with barley and timber, was that these commodities were catered for by tramp tonnage and that while the British bulk purchases had been accompanied by assurances that the lifting of the goods would be Britain's responsibility, the lag in shipping schedules was producing storage problems. The proposal was that

- (a) the Government arrange with the Wheat Board for the time charter of six ships for twelve months;
- (b) that the Wheat Board control the running of the ships in consultation with the Department of Commerce;
- (c) that an overdraft up to £65,000 be guaranteed by the Government;
- (d) that in the transport of cargoes other than wheat and flour the Commerce Department provide the link between
  - (i) the other export organisations concerned,
  - (ii) the Oversea Shipping Committee which supervised the working of liner ships and other ships sent out by the British Ministry of Shipping. It was important that there should be cooperation between all shipping services carrying Australian cargoes.<sup>6</sup>

It was admitted that securing tramp tonnage had been and would be difficult, but the proposal was approved and sent to the United Kingdom to see if it conflicted with arrangements and plans of the Ministry of Shipping which replied that its main concern was to prevent competitive bidding "leading to excessive charter rates". The ministry asked that the Westralian Farmers organisation, which was the London link named in the plan, should work through the chartering organisation of and in close association with the British ministry.

Nevertheless by 21st March three weeks' effort had produced the charter of only one vessel, the *Brattdal*,<sup>7</sup> mainly because of the reluctance of neutrals to permit their ships to enter war zones, and because of the heavy chartering by the British ministry. The obvious alternative procedure was for Australia not to charter direct but to persuade the Ministry of Shipping to transfer some of its own charters:

Whilst we recognise the United Kingdom Government's right to use British ships to carry the goods she wants and to issue priority lists it is absolutely vital to the maintenance of our economic and national strength that the serious impairment of our export industries be avoided. It would be foolish of course for us to compete

<sup>6</sup> Full Cabinet Agendum 275, 25 Jan 1940; to Economic Cabinet 16 Feb 1940—sub-committee to report. The sub-committee recommended up to ten ships and also that they should be on time charter. A suggestion had been made that the ships might carry phosphates from Ocean Island to Australia and cornsacks from India.

<sup>7</sup> 4,968 tons.

with Ministry of Shipping in efforts to secure time charters, but it seems to us a reasonable request that, of those she has secured, four or five might be spared to us.<sup>8</sup>

The ministry, however, was unable to agree, and complained that Australia was seeking charters in competition with the ministry rather than by the arrangements agreed upon.

Australian success in securing control of *Astoria* and *Westralia* temporarily weakened the pressure for independent chartering, but later in the year the Government was again pressing the United Kingdom for some ships under Australian control. The cable of 7th August 1940 to the High Commissioner set out the attitude of the Australian Government: that their idea in seeking a few ships to be under their own control was to enable them to take care of those exports for which the Ministry of Shipping did not cater.

Whilst in the main the voyages will be to countries other than the United Kingdom we do not wish to be debarred from sending those goods to the United Kingdom which under United Kingdom import regulations are admitted entry but which the Ministry of Shipping vessels will not carry, for example, wine, feeding barley beyond certain quantities, and other commodities small in volume which are important to Australia. Unless the United Kingdom Government take the view that they will only grant import licences for those goods on the priority shipping lists we maintain that we are entitled to send to the United Kingdom in ships under our own control any goods permitted import. If this right were denied we should have to ask whether all other countries were similarly treated, for example, wine from South Africa. Of course the view of the United Kingdom Government might be that they do not object to this so long as we do not ask them for ships. Our answer can only be that we are prepared to charter our own ships, but found that everywhere we turned the Ministry of Shipping appeared to have got in first. Our object is to have these ships available to meet the difficulties we are frequently called upon to face, both overseas and interstate. In practice we work in with the Oversea Shipping Committee and also the Australian Wheat Board, and where gaps of any magnitude appear we try to fill them. Also where the Ministry of Shipping is faced with a problem we endeavour to help. In this connection the *Acadia*, a Wheat Board ship, and the *Brattdal* on charter to us, are at present carrying cargoes of War Office stores and requirements for Egyptian and Palestine Governments to the Middle East. Had we not made these arrangements with Gordon and the shipping companies the Ministry of Shipping would have had to meet the demand. The *Westralia* is also going to Suez with a predominantly army and other governmental cargo. In any case we think we are perfectly at liberty to send the *Brattdal*, *Remo* and *Astoria* where we choose, including the United Kingdom. We agree that under the terms of the charter the movements of the *Westralia* are subject to the approval of the Ministry of Shipping and if they refuse a United Kingdom voyage with some non-priority cargo we must of course accept.

We are planning to send the *Remo* to England with about 6,000 tons of non-priority cargo, principally wine and feeding barley with balance in priority metal. . . . Our object in sending these cargoes is to avoid serious and embarrassing problems with growers of barley and wine grapes.

The following concrete examples of the use we intend to put the vessels to may be of help:

- (a) supplementing coastal services arising out of the requisitioning for Admiralty purposes of large coastal vessels such as *Manoora*, *Manunda*, *Kanimbla*,

<sup>8</sup> Prime Minister to High Commissioner 21 Mar 1940.

- (b) Far East service with wheat, flour, general cargo, some of which is for service requirements,
- (c) phosphates from Nauru,
- (d) extra cornsacks from Calcutta for reserve stocks,
- (e) non-government cargo for Middle East,
- (f) copra, though at present markets are the problem,
- (g) non-priority cargoes for the United Kingdom which United Kingdom traders are permitted to import,
- (h) incidental back loading such as bitumen, timber, potash, sulphur, cargoes not normally carried by the Ministry of Shipping.

The ministry meanwhile was stressing that the shipping situation was becoming more difficult, especially as German occupation of Europe meant that supplies from other sources entailed longer voyages and greater risks. They retorted, not unreasonably, to the Australian representations by pointing out that despite all the problems they faced the Australian proportion of all British imports in the six months of 1940 was higher than it had been for the corresponding period of 1938 and 1939, and that in the eight months since December 1939, of the cargo carried from Australian ports in liners controlled by the ministry, more than six per cent had been non-priority goods. In these circumstances Australian authorities turned again to active search for ships to charter, but found the field extremely narrow, especially because the arrangements between the British Government and the Norwegians and Dutch left little opportunity for Australian chartering. Again, when in October 1940 the Government was offered three small British-owned ships, registered in Hong Kong (two of them in the phosphate trade), the arrangements with the owner broke down because the British ministry promptly requisitioned two of them, and it was agreed that the third should remain with the British Phosphate Commission.

The fact was that the ships which the Commonwealth Government did acquire were acquired as a direct result of the Australian Wheat Board's difficulties.<sup>9</sup> That board on the outbreak of war was the one authority in the Australian administration which had a well established shipping procedure for its products, as the result of which it had direct control over ships. It used as its London link Westralian Farmers who performed the technical duties of chartering for the board, according to the anticipated shipping demands of the harvest. Earlier, on 6th December 1939, the board had indicated its worries in terms of numbers of vessels: seventeen for the old season's wheat and fourteen a month for three months to keep the railway sidings open for new wheat. In normal times the board would have dealt in voyage charters, that is charters for single voyages to and from agreed ports. But when war broke out voyage charters became difficult to obtain and the board resorted to time charters for four, six or twelve or more months, the charterer being free, early in the war, to use the vessel within the limits of the charter party. But increasingly owners imposed limits on the area within which the vessel could trade and by

<sup>9</sup> *Chios* (Greek) 25 Oct 1940; *Hav* (Norwegian) 27 Oct 1940; *G. S. Livanos* (Greek) 29 Dec 1940.

December 1940 the owners' approval had to be secured for practically every voyage.

The need was for vessels which were economical in long voyages and now vessels of this type were almost entirely Norwegian and Greek, and were controlled by missions from these countries operating in London. In November 1940 the board, continuing its search for every possible market for unsold wheat, planned to send flour to China in Norwegian ships, only to be told that Norwegian ships could not go there. Immediately the board chartered Greek vessels explicitly for that destination, but after two had sailed they were told that no further Greek ships could go to China. The Commonwealth Government took over *Chios* for a voyage to the Middle East with equipment, and *Hav* was similarly despatched to the Middle East. Thus, while the ships under Commonwealth Government control were increased, it was at the expense of the fleet of the Wheat Board who in consequence pressed for the inclusion of at least "three vessels of the ordinary tramp type with a carrying capacity of about 8,000 tons" among those which, the board understood, the Government was contemplating for purchase.<sup>1</sup> The board reinforced its plea with a reminder that their ships had "been able to assist other sections of the community by carrying goods on the return voyage to Australia. . .".

#### PURCHASE

The question of purchase had cropped up in June 1940 when Australia had asked the British ministry to transfer to Australian control ships which it had under charter. The message of 21st June ended "if we are unable to secure six ships by the means outlined we will be forced to consider purchase of ships to make up our deficiencies".<sup>2</sup> To the minister the secretary of the Department of Commerce wrote

Under the circumstances I think the time has come when the Commonwealth Government should consider the purchase of a limited number of cargo ships. From enquiries made ships suitable in size, speed and type would cost between £300,000 and £400,000 Australian. . . .

A note of Cabinet proceedings records that the same department had the day before brought up the "purchase of Swedish ships" and the Cabinet agreed to "continue negotiations" but nothing appears to have come of this.<sup>3</sup>

The question of purchase revived towards the end of the year, as it became clear that there was little prospect of securing any large tonnage by way of charter. In November the War Cabinet decided "in view of the general shortage of ships for trade the Australian Minister in Washington is to make enquiries in the United States of America regarding the possibility of purchase of vessels of 9,000 tons and above".<sup>4</sup> The High Commissioner in December reported on the limited possibilities open.

<sup>1</sup> Letter from General Manager Australian Wheat Board to Minister for Commerce 14 Dec 1940.

<sup>2</sup> To High Commissioner 21 Jun 1940.

<sup>3</sup> Full Cabinet Minute 396.

<sup>4</sup> War Cabinet Minute 640, 26 Nov 1940. This arose out of the selection of *Wanganella* as a second hospital ship. The United Kingdom was to be asked the prospects of obtaining another vessel, but if no substitute was available *Wanganella* would be approved.

The position is that very little shipping is available for purchase in countries other than America. Governments of Spain, Portugal and Sweden will not permit transfer from their flags. The Greek Government will no doubt compel Greek vessels transferred to the Panama flag to be retransferred to the Greek flag. South American countries may be neglected. Therefore America alone has shipping available in any quantity. The United Kingdom Government is making purchases from the U.S.A. Maritime Commission and also from private American interests. They prefer to deal with the Commission which sells by auction or by sealed bids. The Commission's ships have been laid up for long periods and need reconditioning. They are usually vessels about twenty years old. In practice it is found cheaper to buy vessels from laid-up fleets and recondition them than to pay the prices demanded by private owners.

The British Ministry was naturally very anxious to persuade the Australian authorities not to undertake competitive purchase, and by this time Australia was perhaps somewhat better informed about the ministry's problems. There runs through the discussions constant reference to the willingness of the Australians to act through the purchasing machinery of the Ministry of Shipping.

It appeared in January 1941 that four ships might be available; one of these was the *Hazelside* just completed in England, a vessel of 9,220 tons but the slow speed of eleven knots. From America three vessels appeared to be available, the difficulty there being that from 1920 to the inauguration of the current United States Maritime Commission's building programme, no tramp type tonnage had been built in the United States. Such modern vessels as had just been completed or were under construction were expensive and probably were not available for sale. The three in question were the twenty-year-old *Oklahoman* of 8,600 tons, the equally old, rather slow *Valiente* of 8,550 tons, and the *Florence D*, a small vessel of 3,850 tons which it was suggested might be used in the copra trade. (The tonnages quoted are deadweight; gross tonnages would be substantially lower.)

The Cabinet approved of negotiations for the purchase of these vessels but in the event negotiations came to nothing. The possibilities of securing by purchase ships for purely Australian control were fading rapidly. Three days after the Australian Cabinet decision the High Commissioner reported that the British Government had just bid for the last twenty-one ships of the United States Maritime Commission which were available, which meant that only the few privately controlled ships on the market were left. Moreover the Ministry of Shipping made it fairly clear that it would not support or act as agent for purchases of vessels intended to be kept out of the Allied pool. The High Commissioner continued:

The Ministry are prepared to act for the United Kingdom and Dominion Governments in the purchase of vessels. It would be understood that vessels acquired would be operated by the Governments concerned in the interest of the joint war effort. The precise allocation of such ships as may be acquired would be a matter for agreement on the highest political plane in the light of relative necessities. I recommend that you should advise me precisely the number of ships you require with all relevant particulars of type, speed, etc.

To this the Prime Minister replied:

. . . we wish for present to purchase up to six vessels if reasonably suitable. We realise that with field limited we cannot be too precise in our requirements. Subject to this our general ideas are 8-10,000 tons d.w. tramp type, minimum speed 10½-11 knots. If modern, motor vessels preferred, but coal, or oil acceptable. If old, coal or oil probably better. Also, if old, inspection enquiries as well as general condition important as on long runs danger of breakdowns has to be considered. One or two at about 6,000 tons might be considered primarily for coast. If anything with refrigerated space available, we would be interested.

But as the message to the High Commissioner reporting the decision to make a firm offer for *Hazelside* stated,

Whilst we are very anxious to get the vessel if it conforms to description we do not wish interfere with Ministry of Shipping. Hence our stipulation that you consult their views.

In a word the Australians were as anxious as ever to get ships, but only if this might be done without upsetting the British ministry's plans.

On 24th January 1941 the Prime Minister left for London, and on 26th February as a background to discussions which he "was likely to hold while in London" the following outline of the shipping position in Australia after eighteen months of war was telegraphed to the High Commissioner:

Difficulties had so far been experienced only in coastal trade and exports; imports with the possible exception of jute and phosphates were coming in steadily, but space requirements for exports were generally greater than that required for imports.

Under war conditions Australian shipping demands could be divided into:

- (a) commodities on United Kingdom priority list; dictated by British policy;
- (b) non-priority cargoes for the United Kingdom; inoperative for some time;
- (c) requirements for the Middle East and Singapore which are almost entirely war service requirements on account of both United Kingdom and Commonwealth governments;
- (d) coastal services, shortly to be limited to essentials only;
- (e) miscellaneous Empire services such as New Zealand, India, Hong Kong, Nauru, Pacific Islands, South Africa—largely essential in character;
- (f) foreign trade with America, China, Japan, which countries were being served more and more by foreign ships as British ships were withdrawn; this trade was valuable to Australian primary industries and as a source of foreign credits.

Steps leading up to the Commonwealth Government expressed policy of providing their own ships were first the limitation of United Kingdom tonnage to the transport of priority goods and the desire of foreign tonnage to take advantage of the most profitable opening; secondly the charter of ships by the Australian Wheat Board to carry wheat sold outside the United Kingdom Government contract and then to carry other goods when not using the ships for wheat; thirdly, the charter by the Commonwealth of its own ships, which were limited by the terms of charter to non-war zones and thus were used to replace ships with a wider range which had been also working the shorter runs. This development referred chiefly to the Middle East where at the end of February there were only two Commonwealth vessels not either in the trade or destined for it.

However in spite of the charter of these additional ships and steps taken by exporters and shipowners to save time in the turnabout of ships in Australian ports cargoes for the United Kingdom, including those on the Ministry's priority list, were accumulating, non-priority cargoes had not been carried for months, space for the

Middle East was insufficient, greater demands for Singapore were expected, and some help from non-coastal vessels would be inevitable if essential coastwise cargoes were to be cleared. It was this position that was forcing the Commonwealth Government to try and obtain more ships by charter, purchase or construction.<sup>5</sup>

### SHIPBUILDING

Construction of merchant ships was no new venture for Australian industry. Locally built vessels had been part of the earlier Commonwealth Shipping Line and for more than a century shipbuilding had been a recurrent and often romanticised theme in the tradition of "development" which has already been remarked in Australian thinking. It had never grown to a major industry, partly because, on the whole, oversea shipping services had been adequate, but still more because extensive shipbuilding, or the building of large ships, were activities demanding both heavy capital investment and an advanced stage of industrial development which had not been achieved in Australia. These conditions were reflected in a higher level of construction costs in Australia, estimated at the outbreak of war as £14 Australian a deadweight ton higher in Australia than overseas, for vessels of medium size.<sup>6</sup> Ordinarily, therefore, local shipping companies sought vessels overseas and were unlikely to place orders locally unless either there were restrictions, for example by way of duty, or subsidies on local building.

In the months immediately preceding the war there were moves, in part at least inspired by ideas of preparation for war, for the promotion of local shipbuilding. In June 1939 the Tariff Board had reported on the establishment of a bounty for shipbuilding. In September, after the outbreak of war, the Ship Bounty Bill was presented to Parliament. This was based upon the recommendations of the Tariff Board and provided:

- (a) The payment of a bounty on iron or steel vessels (other than war vessels) over 100 tons but not exceeding 1,500 tons gross register.
- (b) The rate of bounty to be £12.10s per ton on vessels over 100 tons but not exceeding 750 tons. Such rate to be gradually reduced so that on vessels of 1,500 tons gross register the rate would be £10 per ton.
- (c) Bounty payments to be limited to £50,000 per annum.
- (d) Machinery, boilers and auxiliaries required in the construction in Australia of vessels eligible for bounty to be admitted free of duty from United Kingdom and at 15 per cent from foreign sources.
- (e) The duties on vessels of the type eligible for bounty to be fixed at free (British Preferential Tariff) and 15 per cent (General Tariff).
- (f) The matter to be reviewed by the Tariff Board after the bounty has been in operation for a period of three years.<sup>7</sup>

Nothing tangible had been achieved in merchant shipbuilding before the war began, but such construction capacity as existed was not idle because

<sup>5</sup> War Cabinet Minute 917 1 Apr 1941 approved Minister of Commerce's recommendation to purchase a vessel of 2,320 tons for approximately £100,000. The vessel, he said, was in America and he proposed that purchase should be through the Australian Trade Commissioner in New York.

<sup>6</sup> Full Cabinet Agendum 82, 11 Apr 1940; submission by Dept of Trade and Customs.

<sup>7</sup> *Commonwealth Debates*, Vol 161, p. 1120, 22 Sep 1939. The Bill became Act No. 45 of 1939. The Government varied item (d) of the board's proposals and instead machinery, boilers and auxiliaries were admitted free of duty irrespective of the country of origin.

the navy was engaged on a building programme. Authority was given in principle to the "fullest possible use of local shipbuilding resources".<sup>8</sup> By April 1940 the small pre-war naval building programme had been increased by three Tribal class destroyers and four corvettes; by July 1940 twenty additional corvettes and one boom defence vessel had been ordered. By December 1940 a total of forty-eight corvettes had been ordered.<sup>9</sup> Since 1913 only Cockatoo Island Dockyard, Sydney, had built naval vessels in Australia, but by July 1940 the following shipyards were engaged on naval construction: Cockatoo Island Dockyard, Mort's Dock, Poole & Steele at Sydney; Melbourne Harbour Trust (Williamstown dockyard); Broken Hill Proprietary Limited, at Whyalla, South Australia; Walkers Limited, at Maryborough, Queensland, and Evans Deakin Limited, at Brisbane.

In April 1940 the full Cabinet considered a submission from the Department of Trade and Customs, the department involved in the earlier attempts to establish the industry. This was based upon a report by Mr. A. R. Townsend,<sup>1</sup> who had carried out investigations into the possibilities and problems of merchant ship construction in Australia. In summary, his findings were:

- (1) *The Ship Bounty Act*, 1939, in its present form will have little effect in stimulating shipbuilding in Australia either now or after the war. No amendment of the Act is however recommended until a wartime shipbuilding policy has been implemented by the Government or even until shortly after the end of the war.
- (2) It is unlikely that Australian shipowners will generally have their future ships built in Australia unless the costs of same are as low as the Australian delivered equivalent of overseas costs or market values whichever are the less, and unless Australian built ships can be delivered to them with reasonable promptitude after having been ordered.
- (3) If the Commonwealth Government decides to encourage the establishment of shipbuilding as a war measure the local shipbuilding industry should be guaranteed the Australian market for ships (other than large or luxury passenger ships) for ten years.  
The post-war position could be secured either by bounty, protective duties or both or by a prohibition of imports. Probably the best scheme would be to impose a sliding scale duty sufficient to cover at all times the difference between normal overseas costs and the occasional lower overseas costs and prices plus a revised bounty scheme covering inter alia the difference between Australian and normal overseas costs or prices.
- (4) There is already a pronounced shortage of shipping space for transporting Australian produce overseas and great difficulty in chartering or purchasing ships. This shortage may increase during the war. Therefore Australia should immediately engage in a wartime shipbuilding programme.
- (5) Although established Australian yards are fully engaged at the present time in building naval vessels there is little doubt that sufficient building berths are available or will be made available by State governments to enable an adequate commercial shipbuilding programme to be undertaken.

<sup>8</sup> Full Cabinet Minute 94, 18-22 Sep 1939.

<sup>9</sup> 20 for the R.N., 24 for the R.A.N., 4 for the R.I.N.

<sup>1</sup> A. R. Townsend, OBE, Chief Investigation Officer, Dept Trade and Customs, C'wealth Adviser to Internat Sugar Conference 1937. B. Brunswick, Vic, 3 Mar 1891. Died 24 Apr 1944.

YOO HOO!



- (6) In view of the risks of heavy losses private shipbuilding concerns cannot be expected to take any initiative in building ships during the war and the Commonwealth Government should immediately undertake the responsibility of providing ships to transport Australian produce abroad. The Government should not, however, charter, buy or build ships for war needs unless some definite arrangement is first made with the British Government that the tonnage it now allots for the carriage of Australian exports will not be reduced.
- (7) The Commonwealth Government should create a Commission to advise the Government in this connection but the actual building of the ships should be carried out by proved shipbuilding companies under contracts with the Commonwealth. Furthermore the operation of the ships should be undertaken by experienced shipping concerns under charter or on commission.
- (8) The Government should build vessels of standardised types only, and plans and specifications of such vessels should be obtained immediately from the United Kingdom.
- (9) Vessels built on behalf of the Government should contain only Australian materials and equipment as far as possible. At least 90 per cent of the necessary materials can now be efficiently made in Australia.
- (10) Speedy and economical construction is absolutely essential. Therefore as a condition precedent to the establishing of a large shipbuilding programme an undertaking should be obtained from the industrial unions directly or indirectly concerned in shipbuilding that they will agree for the duration of the war and until all ships uncompleted when the war ends are actually completed, to dilution of labour where necessary, continuity of work, and piecework where practicable. A Tribunal (or Panel) should be established for prescribing conditions relating to these matters for safeguarding the Unions concerned against exploitation thereunder and to consider any dispute outside the scope of Arbitration Awards. The Tribunal to be composed of one representative of the Unions, one representative of the employers and a Chairman mutually agreed upon, or, failing agreement, nominated by the Commonwealth Government.
- (11) The net profit for shipbuilders building vessels on behalf of the Commonwealth Government should be limited to 5 per cent and guaranteed at that amount.  
The Accountancy Panel of the Department of Supply and Development to consider and recommend equitable methods of restricting profits to that level.
- (12) Multiple orders and continued operations in all yards are essential to low costs.
- (13) It is estimated that the excess costs of building standardised cargo ships in Australia when Australian shipbuilding is well established would not exceed the costs of similar quality ships in the United Kingdom by more than £10A per ton dead weight and may become less than United Kingdom costs or world market values under future war conditions.
- (14) It would be wise in order to avoid or reduce capital loss, for the Government to sell the vessels built on its account as soon as possible after the war ends.
- (15) An endeavour should be made to obtain certain experienced technicians from the United Kingdom or United States of America.
- (16) Action should immediately be taken to train sufficient officers and crews in Australia to man any vessels built on behalf of the Commonwealth Government.
- (17) An approach should be made to the British Government asking whether it is desired that Australia build vessels on behalf of the United Kingdom and if so on what basis of payment.

These views and conclusions were to recur again and again in subsequent discussions of the problem, whether derived from this report or arrived at independently.

The Minister for Trade and Customs, as might have been expected, urged the case for financial aid to develop construction because of the position, actual and feared, of export products, but the Cabinet contented itself with referring the matter to a sub-committee, while, in view of the obvious interests of the United Kingdom, the views of the Ministry of Shipping were sought through the High Commissioner, who asked whether the United Kingdom would be prepared to buy vessels built in Australia, and whether the ministry would prefer the Commonwealth to sell or charter ships to private companies. The ministry cautiously replied to the first question of purchase by Britain, that it was unlikely to arise. The ministry was inclined to favour a policy of arranging for private companies to manage ships as agents for the Commonwealth rather than outright sale or charter, but suggested that if the Commonwealth were afraid of a collapse in ships' values at the end of the war and therefore wished to sell immediately on completion, it would be desirable to attach a condition that during the war the use of the vessels should be subject to Commonwealth approval. Unasked, it added the clear indication that it did not favour construction in wartime of liner tonnage and raised the question whether Australian yards would not be fully occupied with naval construction, on which it was probably desirable for Australia to concentrate.<sup>2</sup> There may have been in this some reflection of a British desire that wartime considerations should not build up a new competitor for the post-war period, but it was a fair point.

In May 1940, before this answer had been received, the Cabinet sub-committee reported in favour of the building, as promptly as possible, of standard ships designed for transport of primary products. They had before them preliminary plans from the Caledon Shipping and Engineering Company of Scotland which they regarded as adequate basis for an invitation to local shipyards to tender. The sub-committee thought that ten ships of the class covered by these plans should be considered as a first step and reported that Broken Hill Proprietary Limited were prepared to enter the industry, building either two or four ships on a cost-plus basis, starting in July. The Cabinet would not go beyond directing that full plans should be obtained from the Caledon Company and a new sub-committee be authorised to explore the possibility of arranging for established shipping companies to take over and run the ships. Meanwhile all other questions raised by the proposal were reserved.<sup>3</sup>

The following month the Department of Trade and Customs sought to keep the matter alive, an effort of some difficulty in view of the pressure of oversea events and the preoccupation of the executive with major de-

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<sup>2</sup> High Commissioner to Prime Minister 19 Jun 1940.

<sup>3</sup> Full Cabinet Agendum and Minute 82, 22 May 1940. The plans were for a single-screw vessel of 9,250 tons deadweight. The proposed speed of 11 knots was regarded as inadequate in the light of Townsend's advice, "almost universal" from experts, that 9,000 to 10,000 tons ships' most economical speed was "12 plus an additional 3 knots".

cisions. It proposed that "certain important matters should immediately be decided in order to prevent any avoidable delay both in calling for tenders and ensuring speedy construction of ships".<sup>4</sup> The matters on which it wanted decisions were approval of the construction of ten ships; the establishment of a shipbuilding commission; the obtaining from interested trade unions of industrial guarantees as foreshadowed in the Townsend report; administrative arrangements for the operation of ships; and determination of a policy for sale of the ships after but not before the end of the war; search for skilled labour in the United Kingdom and United States of America; training programme for officers and crew; curtailing of shipbuilders' profits; and a forecast of ten years support for the industry by the Government. The submission carried a draft press statement by the Prime Minister announcing the decisions the department sought.

In the circumstances of early June 1940 this was very optimistic. No record of any decision appears, except that a note of 27th June exists recording that the Minister for the Navy was to have authority to draft regulations relating to shipbuilding, which probably represented no more than that department staking its justifiable claim to a leading place in any extensions of the development which, insofar as it meant actual construction, had been until then its exclusive concern.<sup>5</sup>

Apart from the pressure of other urgent matters, the major decisions in the supply field taken in May 1940 had imposed heavy immediate demands for materials and labour for munitions, while, as part of the general increase in service programmes, the navy had placed orders for further naval building. When these orders were reported to the Cabinet it was with the warning that "it is considered the completion of the construction programme by the end of 1941 will entail the fullest use of all Australian shipbuilding resources".<sup>6</sup>

But the question of local merchant shipbuilding was not likely to be dismissed in this way while interests as potent as those of exporters remained unsatisfied. Attempts to charter had produced poor results; attempts to purchase, none at all; local construction therefore appeared as the last alternative by which shipping under Australian control could be secured. A report in the Melbourne *Herald* on 30th October 1940 precipitated the final chain of decisions. This concerned negotiations by the British Ministry of Shipping with the United States authorities for the construction of ships in that country for the ministry. The Prime Minister pointed out to the War Cabinet that:

as the immediate Australian shipbuilding capacity is being devoted entirely to the construction of naval craft and in view of the trend towards decentralisation of the Empire's productive resources of munitions as well as certain strategical considerations, the proposal might have some interest for Australia should it be found possible to transfer the necessary labour for the establishment of yards here.<sup>7</sup>

<sup>4</sup> Full Cabinet Agendum 82, 11 Jun 1940.

<sup>5</sup> In the weekly progress report to the War Cabinet on 4 Jun the Chief of the Naval Staff emphasised the importance of coordination of such activities with naval shipbuilding to prevent competition. To this end he considered that the Director of Engineering should be a member of any ship construction body which might be constituted. War Cabinet Minute 295.

<sup>6</sup> War Cabinet Minute 470, 29 Aug 1940.

<sup>7</sup> War Cabinet Minute 621, 4 Nov 1940.

The British reply to an official inquiry whether Australia might not be used as the location for the building of ships made it plain that the United Kingdom could not consider sending out labour, equipment, or materials, without which a substantial Australian construction programme seemed impracticable.

The War Cabinet was at the same time presented with a memorandum from the Chief of Naval Construction, Engineer Rear-Admiral McNeil,<sup>8</sup> dealing with the position of shipbuilding in Australia and the practicability of further development of facilities. He stressed that "the ordering of merchant ships is not merely a matter of calling public tenders and accepting the lowest, but one of first creating the facilities for carrying out the work and then organising its execution so that . . . all resources will be used to the best advantage".<sup>9</sup> Recounting the development for the previous fifteen months he went on to point out that the time for serious consideration of building ships for the oversea trade had arrived, but warned that this would demand much preparation and much greater expenditure, and in particular that there was a very serious shortage of labour, especially in managerial staff and experienced men of the draughtsmen and foremen classes. He expected construction work of the naval programme would start to taper off about September 1941 and that it would therefore be practicable if action were begun immediately to have five or six berths equipped for the building of merchant ships.

Walsh Island Dockyard in New South Wales was a good illustration of the gap between local aspirations and popular ideas of what was possible on the one hand, and hard technical requirements of construction on the other. The possibility of reconditioning this yard had been raised in the War Cabinet as early as April 1940. In August the War Cabinet stressed the importance of use being made of the resources at Walsh Island as the non-use of this yard figured so largely in the public mind as to discount to a considerable degree the claim that the fullest use is being made of all shipbuilding resources. It was noted that the Premier of New South Wales has been advised that the Commonwealth is prepared to place an order for patrol vessels immediately on the rehabilitation of the works as a shipbuilding concern.<sup>1</sup>

In his report McNeil said there had been much misleading publicity, and agitation by former employees of this yard for a revival of construction there, creating the impression that all that was needed was the placing of orders. The facts were, he said,

that while there is still a quantity of useful shipbuilding plant on the Island, such plant represents only about 50 per cent of a complete hull-building unit, whilst the engine shops have been completely gutted, the buildings allowed to fall into an advanced state of decay, the building berths have been rendered useless by the removal of cranes and the harbour in way of the building berths and fitting-out wharves allowed to silt up.<sup>2</sup>

<sup>8</sup> Eng Rear-Adm P. E. McNeil, CB, Dir Engineering R.A.N. 1931-40; 3rd Naval Member and Chief of Naval Constn 1940-43; Dir Shipbuilding 1941-48. B. Melbourne, 25 Sep 1883.

<sup>9</sup> War Cabinet Agendum 269/1940, 9 Dec 1940. By March 1941 naval vessels built or under construction were: 3 Tribal class destroyers; 2 sloops; 26 corvettes (16 for the R.N. 10 for the R.A.N.); and 3 boom defence vessels.

<sup>1</sup> War Cabinet Minute 470, 29 Aug 1940.

<sup>2</sup> War Cabinet Agendum 269/1940, 9 Dec 1940.

The War Cabinet decided that the Board of Business Administration and McNeil should jointly review the problem of local building, covering the various issues involved in a merchant shipbuilding programme, including the initial financial cost and organisation which should be provided, "deferring its allocation to any particular department".<sup>3</sup> The Director-General of Munitions should be consulted and the possibility explored of securing from London someone to supervise construction. The report so produced was the statement from which executive action was taken in the final phase, although it may be noted that, as with other documents, it echoed again the essential points of the Townsend report:

- (a) Preparation of shipyards for building merchant ships of not less than 9,250 deadweight tonnage should be commenced immediately.
- (b) Director-General of Munitions should be responsible for the supervision and direction of merchant shipbuilding and should be associated with Rear-Admiral McNeil as Director of Shipbuilding who might retain his present position on the Naval Board. Mr. Nixon, Director of Finance, Munitions Department, would be responsible for the general finance administration of shipbuilding.  
By this direction of munitions production, merchant shipbuilding and navy shipbuilding could be synchronised and coordinated. This appears to the Board to be absolutely essential if the three programmes are to proceed without overlapping and competition.
- (c) Unless the United Kingdom Government is prepared to purchase ships when built and provide progress payments as work proceeds, only other practicable alternative would be Commonwealth Government to finance the project at an estimated cost of £5,697,400.
- (d) There should be an agreement with industrial unions providing for continuity of work, dilution, training, etc. Industrial panels should be set up to regulate matters in industry as they arise.
- (e) Ships when built should be placed with shipowners as agents for the Commonwealth Government. It should be stipulated that they should be used primarily in the Australian trade.
- (f) It is desirable that the services of a well qualified man with experience in merchant shipbuilding in the United Kingdom should be secured to supervise hull construction and also a supervising engineer, such appointments to be dealt with when the question of control is settled.<sup>4</sup>

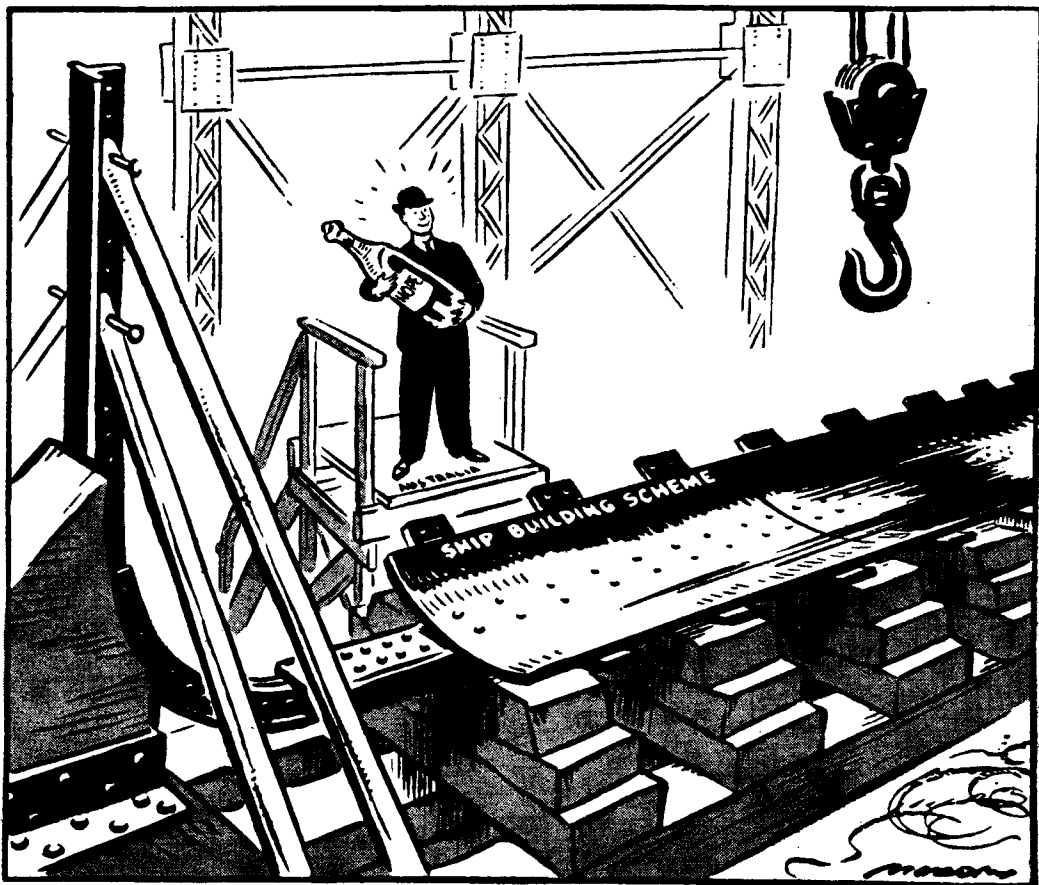
The suggested Shipbuilding Board went to the Advisory War Council for approval and thence, in March, under the guidance of the Minister of Munitions to the full Cabinet.<sup>5</sup> The outcome was the shipbuilding regulations.<sup>6</sup> The constitution of the board as laid down in the regulations settled the question of administrative control by attaching the board to the Department of Munitions, while providing for the special experience and interest of the navy. The chairman, it was prescribed, should be a "person of

<sup>3</sup> War Cabinet Minute 668, 12 Dec 1940.

<sup>4</sup> War Cabinet Minute 758, 4 Feb 1941.

<sup>5</sup> The personnel of the board, when constituted in March 1941, was: Hon F. P. Kneeshaw (chairman), Eng Rear-Adm P. E. McNeil (Dir. of Shipbg), S. W. Griffith (finance member), A. S. McAlpine (employees' member), A. L. Nutt (secretary). From 4 Aug 1941 A. Percival, Surveyor-General and Chief Property Officer of the Commonwealth and chairman of the old Aust. C'wealth Shipping Bd, was a member.

<sup>6</sup> Statutory Rules 1941, No. 63, 26 Mar.



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*Mahony in Daily Telegraph (Sydney), 16 Jan 1941.*

business experience".<sup>7</sup> There was to be a finance member who was a public accountant, and two other members, one of whom was to be a representative of shipbuilding employees. The only *ex officio* member was the member of the Naval Board responsible for naval construction who was not only to be deputy chairman but also the Director of Shipbuilding and who, under the board, exercised executive authority. According to the regulations that authority was intended:

To control the building of all merchant ships and their repair and maintenance and, so far as may be necessary, to control all dockyards and other facilities required for such building, repair and maintenance;

To make arrangements or enter into agreements for the building of merchant ships and for all action incidental thereto (including all preparations and facilities required for such building);

To make arrangements or enter into agreements for the supply of engines, boilers and all other equipment for merchant ships and, at the request of the Naval Board, for the purpose of the Naval Board.

Concern about the possible cost of the programme was indicated by the specific limitation of the exercise of these powers to "the limits of available finance" and the reservation of all expenditure exceeding £25,000 for the approval of the minister.

The programme envisaged was ambitious, totalling sixty vessels, but the beginning was more modest: the placing of orders for eight ships, two each at Mort's Dock, Cockatoo Island, Evans Deakin and the Melbourne Harbour Trust. The sixty-merchant-ship programme was not fulfilled. Even given favourable conditions it probably never could have been, but in the conditions which did prevail in 1941 and later years to have insisted on its fulfilment would have been unrealistic. Ultimately many ships would be built, but the shipbuilding programme, like other ambitious plans, had to be reviewed and recast in the light of events which placed increasing and urgent demands on construction and repair resources.

#### THE SHIPPING CONTROL BOARD

The search for ships whether by charter, purchase or building was only one of the pressures which, at the end of 1940, converged to produce a decision that the time had come to implement the pre-war plans for a Shipping Control Board. This, it will be recalled, had been allowed to lapse at the beginning of the war. The navy felt the need for some civilian authority to cooperate with it in the matter of requisitioning; after the disasters of May 1940 the building up of emergency stocks of civil goods was a live issue and clearly depended upon problems of transport, and primarily of interstate sea transport; the Department of Commerce was increasingly concerned by the manner in which coastal shipping resources were being inefficiently used and luxury cargoes securing preference over essentials; there was also the special problem of coal, which was becoming much more serious. Finally the adoption of a policy of active shipbuilding

<sup>7</sup> Official approval directed that an extra member with a knowledge of merchant shipbuilding be appointed which appears to have been replaced by this requirement in the regulations.

implied that in due course when the ships were built there would be a need for some authority to control their use.

After December 1939 naval requisitioning throughout the first half of 1940 called only for trawlers and tugs for minesweeping and anti-submarine operations; except for the large interstate vessel *Manunda* which was taken over as a hospital ship in the middle of May. After June 1940, however, the intrastate trades lost nine vessels to the navy (excluding vessels requisitioned for voyage only) and by November 1940 the total requisitioned stood at:<sup>8</sup>

Interstate vessels	6	representing 48,374 tons gross
Intrastate vessels	16	representing 9,931 tons gross
Tugs, trawlers and miscellaneous craft	20	

These losses came at a time when a new task was planned for coastal shipping following the review of the Australian position after June 1940. As a result of this review the "supply and distribution of essential goods to meet an emergency" had been the subject of various Cabinet submissions. At the beginning of October a conference of Commonwealth and State representatives found itself

unable to avoid the transport problems which have been delegated to special committees under the Department of Defence Coordination. The necessity for stocks cannot be estimated until the authorities concerned are able to judge the transport facilities likely to be available in the emergency. The evidence available to the Conference indicated that transport facilities were already inadequate to build up the stocks desired, and that they might be so hard pressed during an emergency with respect to essential and bulky materials for munitions and for public utilities, as to be unable to carry adequate foodstuffs for the community.<sup>9</sup>

In deciding that "coal was the weakest element in the situation" and that transport was required to enable stocks to be increased in Victoria, South Australia and Tasmania, the conference report pointed out that

even if the present high rate of production is maintained, and adequate transport facilities are available, it is doubtful whether more than three months stocks could be built up in less than twelve months in Victoria or that stocks could be substantially increased in South Australia.

The special committees had been given the task of assessing the local transport problems involved in the emergency stocks policy. The principal committee met a standing committee of the "supply and distribution of essential goods" conference on 10th October, when they decided

In view of the difficulty now being experienced in lifting cargoes on the Australian coast, particularly bulk cargoes, the Principal Committee affirms its previous decision that the Commonwealth Government should give immediate consideration to the constitution of the Shipping Control Board along the lines provided in the War Book.

If the full provisions of the War Book are not to be implemented for the present, consideration should be given to the whole shipping problem with the object of providing more adequate facilities for the handling of bulk cargoes such as coal, iron ore, timber, etc. on the Australian coast.

<sup>8</sup> Full Cabinet Agendum 503, 26 Nov 1940.

<sup>9</sup> Report of conference in full Cabinet Agendum 471, 8 Oct 1940.

Meanwhile, within the Department of Commerce the question of introducing shipping control was actively canvassed both in general and with particular reference to emergency stocks. A departmental memorandum of 16th September declared:

Evidence is growing that coastal ships now available are not able to meet full requirements and that it is likely that this position will become accentuated. Moreover, it is clear that extra demands on shipping arising out of the building up of emergency stocks cannot be met. For example, poor paying cargoes, such as coal and ore, are accumulating; freight for Queensland timber to Sydney cannot be obtained; removal of *Zealandia* from the Sydney-Hobart run has led to complaints from Tasmania; urgent defence supplies could not be carried last week from Newcastle to South Australia.

It went on to point out that the fact that some freights were more profitable than others, either because of higher rates or easier handling, meant that without control the scarcity of shipping produced the result that "general luxury cargo is being fully carried with essentials like coal and ore left behind". The bringing in of ships chartered by the Government would upset the pooling which made it possible for profitable cargoes to offset the unprofitable, and the hire of such ships would be more costly than the running of Australian-owned ships. The department therefore urged that

- (a) The Government should take power to direct the order of priority of cargoes to be carried and the order in which the ports be served, or
- (b) The ships should be requisitioned by the Government on the basis of a hire agreement, shipowners continuing to run the ships as managers, as one fleet, augmented where necessary by chartered ships.

In December the Government representative on the Overseas Shipping Committee had explored the possibilities of oversea vessels assisting in the movement of cargo, accumulating at certain Australian ports, which could not be lifted by the reduced tonnage of interstate vessels; such assistance to be consistent with the principle that it was vital for vessels in the United Kingdom and Middle East trades not to be delayed on the Australian coast. Sir Thomas Gordon made it clear that such steamers could not be delayed, so cargo carried would need to be of a type quickly worked, and to be loaded and discharged at the same time as oversea cargo; that oversea companies could give no forward programme in the homeward trade in view of the day-to-day alteration that occurred in their programmes; and that interstate companies should be given to understand that it was not possible to depend on oversea steamers carrying any appreciable quantity of coastal cargo; moreover that crews were likely to claim coastal rates of wages as they were already complaining about the amount of overtime worked.

Last there was the effect which the worsening of the supply of shipping and the absence of control was seen to have on supplies of coal, which were transferred interstate mainly by sea. In October the Ministers for Navy and for Commerce reported to the War Cabinet that

if additional merchant ships were requisitioned for naval purposes in the event of the further deterioration of relations with Japan the already unsatisfactory position of stocks of coal throughout the Commonwealth would become gravely acute.<sup>1</sup>

The naval point of view was put by their representative on the principal committee in Defence Coordination:

. . . ships are selected primarily for their suitability from a naval point of view for the service required of them. . . . It would be of benefit to commerce generally if there was an effective authority readily available and with full knowledge of the requirements of the various Australian coastal trades to whom Naval Board could say 'Our requirements are so many ships of such and such a type. Please tell us which ships of this type could best be spared from their normal commercial service'. It appears to the Naval Board that this function could be carried out by the Shipping Control Board if that body were operating.

A submission to the War Cabinet in January 1941 suggested that objections might be expected to proposed requisitioning by the navy of "certain vessels now employed in interstate and intrastate trade", and reported representations from certain companies that the navy was not getting the best use out of requisitioned ships; that it used them only eight hours a day, while in the United Kingdom vessels would be in continual use, up to twenty-four hours daily.

The matter was deferred, but in February 1941 the chairman of the newly-established Shipping Control Board could be consulted, and his view was that the requisitioning of the vessels in question could be effected without unduly interfering with trade.

This brought the total number of vessels requisitioned for minesweeping to thirty-seven. Replying to the allegations, concerning use, the minister said: "trawlers that have already been requisitioned are being used as much as the endurance of ships and men will allow. In comparison with the United Kingdom we have fewer ships to do the necessary work and it is probable that ours are being worked as hard as theirs". To this the Naval Chief of Staff added that the ships were working "continuously and were only docking for boiler cleaning and relief of crews". It was impossible to work as minesweepers during hours of darkness.

As will be seen, the vital issue in overcoming the problem of coal supply was not so much that of the volume of shipping as that of synchronising the availability of ships with the flow of coal to the ports. But the fact that the supply of this vital commodity was threatened by shipping difficulties meant that, when added to other arguments for shipping control, it was sufficient to decide the issue. The Ministers for Commerce, Supply and Development and for Trade and Customs, who had formed the Cabinet sub-committee, reported in November. They had examined the problem in the light of the following matters:

- (i) the supply of shipping;
- (ii) the difficulty in securing freights for certain basic commodities such as iron, coal and timber under present conditions;
- (iii) the necessity for building up stocks of essential commodities in the States;
- (iv) the provision of a local scheme for war risk insurance on ships and cargoes;

<sup>1</sup> War Cabinet Minute 573, 9 Oct 1940.

and they now recommended:

1. the gazettal of regulations (already in draft form) to provide for the control of coastal shipping under the Minister for Commerce;
2. the appointment of a shipping controller to whom the Minister for Commerce would delegate the necessary powers under the regulations;
3. the establishment immediately of a local scheme for war risk insurance on ships and cargoes;
4. the fixation from time to time by the Commonwealth Prices Commissioner in consultation with the Shipping Controller of rates of freights and fares that will provide reasonable compensation to the shipowners against loss incurred on account of
  - (a) an increase in the proportion of cargo carried at relatively low freights; and
  - (b) increased costs.<sup>2</sup>

The decision was taken forthwith (it was cited as established fact in another submission on coal three days later); and regulations for control were issued on 5th December.<sup>3</sup> These did not provide for a shipping control board and vested control in the Minister for Commerce, but their issue was followed immediately by conferences with shipping interests "in regard to their cooperation in the administration of the regulations".<sup>4</sup> The day after the regulations were issued the rationalisation and control of interstate and intrastate shipping were discussed at a conference between the Ministers and Assistant Ministers for Commerce and for Supply and Development, twelve shipping companies, as well as the representative of the Commerce Department's Marine Branch.<sup>5</sup> Among the items on the agenda was the organisation to be set up for shipping control, but the formal record of the conference does not disclose the attitude of the shipping companies beyond their desire that they should be left to administer the policy and run the ships subject to oversight by the minister. By 17th January the Government's desire to appoint a control board under the regulations was made known to a further conference of shipping interests under the chairmanship of Sir Owen Dixon<sup>6</sup> who had been invited, as he

<sup>2</sup> Full Cabinet Agendum 503, 26 Nov 1940.

<sup>3</sup> Statutory Rules 1940, No. 275.

<sup>4</sup> Prime Minister to Advisory War Council, Minute 60, 6 Dec 1940.

<sup>5</sup> The subjects for discussion were:

1. Best use of coastal ships with particular reference to their routing and cargo priority.
2. Coal, iron ore, timber and civil supplies generally.
3. Elimination of luxuries and non essentials.
4. Supplementing use of oversea ships for carriage of interstate cargoes and liaison with oversea shipping organisation.
5. Use in interstate trade of the four ships run by the Commonwealth and of Wheat Board ships when necessary.
6. Methods to be adopted in selection of further ships for requisition by Navy as required. Study of general effect of naval requisitioning.
7. Organisation to be set up for shipping control:
  - (a) to decide policy,
  - (b) to administer policy and run ships. Assistance which shipowners' organisations can render through their Traffic committees; State committees etc.
8. Liaison with coal control.
9. Accountancy arrangements.
10. Adverse influence of low freight rates on coal and iron ore.
11. Question of requisitioning for commercial running—form of charter agreement, rate of payments, conditions of running.
12. Mechanical appliances at ports—loading and unloading.

<sup>6</sup> Sir Owen Dixon, KCMG. Justice of High Ct of Aust 1929-52, Chief Justice since 1952. Chrmn Central Wool Ctee 1940-42, Shipping Control Bd 1941-42, Marine War Risks Insurance Bd 1941-42; Aust Min to Washington 1942-44. B. Hawthorn, Vic, 28 Apr 1886.

announced to the conference, to preside over the proposed board. So it was that, at the end of the month, the first set of regulations was replaced by those which brought into existence the Shipping Control Board.<sup>7</sup>

A much smaller body than that planned immediately before the war, it was to remain the authority over shipping for the rest of the war years. It comprised, in addition to the chairman, who was required to be a High Court judge, the secretary of the Department of Commerce, and a shipowner nominated by the chairman after consultation with shipowners.<sup>8</sup> The board was empowered to exercise control over ships on the Australian register wherever they might be, ships under charter to any company or person resident or operating in Australia if the ship was in Australian territorial waters, and British ships engaged in regular trade between Australian ports and ports outside the United Kingdom, once again while such ships were in Australian waters. The board might give directions as to the trades in which a ship should engage and the voyages it should make, its cargo or passengers, the terms of hire for the ship itself, and rates for cargo and passengers, priorities for cargoes, ports of loading and discharge and similar matters. Ships or space in ships might be requisitioned for either cargo or passengers and the owners in such case might be required to act as agents for the Commonwealth. No ship registered in Australia might in future be chartered except with the approval of the board, which might attach conditions to its approval, a provision which took care in advance of the control of ships to be constructed by the authority then being planned, and shortly to emerge as the Shipbuilding Board.

#### SHIPPING COSTS AND CONTRACTS

The proposals of December 1940 preceding the first shipping regulations had embraced marine war risks insurance. This was one of the major factors in the claim of shipping companies for increased freights, and once extensive requisitioning of local tonnage was foreshadowed it was clearly necessary, in arriving at local charter rates, to consider the cost of marine war risks insurance.

The Prices Commissioner had necessarily taken a leading part in discussions of freight rates. Control had been compelled early by the action of the Associated Shipping Companies on 2nd October 1939 in increasing shipping freights by a surcharge of twenty per cent without consultation with government authorities. A rapid preliminary examination by the commissioner led to this surcharge being halved a week later, a decision which was confirmed by more thorough investigation, and there the rates remained until the whole question was again reviewed in September 1940 after a request from the companies for a substantial increase. In accordance with the general policy of price control the examination took account

<sup>7</sup> Statutory Rules 1941, No. 20, 30 Jan.

<sup>8</sup> Those appointed were: Sir Owen Dixon (chairman), J. L. Webb (Assoc. Steamship Owners), J. F. Murphy (Secty, Dept of Commerce). From 27 Mar 1941 J. F. Brame (Assoc. Steamship Owners) became Chief Executive Officer, and H. Sullivan secretary of the board. From 28 May 1942 Mr Justice T. S. Clyne replaced Sir Owen Dixon as chairman, after the latter had been appointed Australian Minister to U.S.A.

of the financial position of the companies, their increased costs, including in particular war risks insurance, the effect of the requisitioning of certain ships by the navy, and the revenue from cargo and passengers. The decision was to permit a further increase of five per cent in freight rates and, in addition, a ten per cent increase in passenger fares, although the companies did not immediately take advantage of the latter because the passenger trade was already affected by wartime risks of travel.<sup>9</sup>

The commissioner stressed the fact that war risks insurance appeared to be not only the most important element in increased costs but the one most open to local control. Then done through outside brokers in London, it had first been arranged through the official war risks associations there. Necessarily the rates fixed by these associations were heavily affected by the severe losses experienced in other parts of the world and the companies had sought to contract themselves out of the war risks associations and to insure through outside brokers. By this time all the Australian companies had done this and the rate for the current quarter ending November 1940 was 30s sterling per cent. At this rate the total cost for the Australian interstate ships covered by the Associated Steamship Owners would amount to £350,000 a year which was responsible for more than half of the 15 per cent surcharge in freights which had been allowed. Thus war risks rates based upon the dangers of Atlantic travel accounted for more than half of the increased costs of running ships on the Australian coast.

There were clearly disadvantages for the Australian owners in these arrangements. If they adhered to the war risks associations they would be accepting an undisclosed and unpredictable obligation for losses in the waters where the risks were far heavier, which would demand a higher general level of insurance rates and necessitate therefore a greater surcharge on freights. Insurance with outside brokers could be obtained at lower premiums but these rates too were fixed in London outside the control of the Australian Government, which was in a position to assess the risks of particular voyages and, if necessary, to direct ships to remain in port. A lesser disadvantage was that a substantial amount of premiums was remitted to London, involving a drain on Australian reserves abroad, a matter which was still, at this stage, regarded with concern; although, of course, in the case of loss, payment would in most cases be remitted to Australia.

A local scheme for Australian coastal shipping was therefore urged, primarily as a means of restraining the rise in costs and therefore of freights. The nature of the coastal fleet made it comparatively easy to

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<sup>9</sup> The discussion concerns local freight rates. The Government was to be concerned about overseas rates also, in particular those charged on mechanical transport for the Services to the Middle East. A report asked for in March 1941 was presented to the War Cabinet six months later (War Cabinet Minute 1351) and this revealed that a three-ton army van, for example, cost £155 Australian on deck and £242 below. Explanations included the contention that the rates were the same as those for shipments to the United Kingdom, and the O.S.R.A. stated that rates to the Middle East had "never been less than those to the United Kingdom even in pre-war days".

The Cabinet directed its oversea business and financial representative (S. J. McGibbon) to take up with the United Kingdom Government the question of a reduction, with retrospective effect; he was instructed to make a strong representation of the Australian case.

organise a scheme with a reasonably clear definition of maximum financial risks.

The total value of the inter-state ships operated by companies members of the Associated Steamship Owners and excluding requisitioned vessels, is approximately £4,900,000. There are altogether 56 vessels of which one is valued at £520,000, one at £375,000, one at £256,000 and three at varying values between £200,000 and £225,000. There are six at values between £150,000 and £175,000 and five at values between £100,000 and £150,000. Of the remaining 39 vessels, 26 are valued at less than £50,000, nine at between £50,000 and £75,000, and four at between £75,000 and £100,000. Nearly half the number of vessels have a value of less than £50,000 and over 75 per cent of the total are valued at less than £150,000.<sup>1</sup>

These figures meant that if the three most expensive ships were omitted the risk on any one vessel would be less than £250,000 and there were only three other vessels for which the risk would be above £175,000. In the then state of the war, therefore, a local scheme would not be exposed to the risk of crippling financial loss.

It was also contemplated that the scheme might extend beyond insurance of hulls, which was the primary source of price control interest, to cargoes. Insurance of cargoes was undertaken through the branches in Australia of insurance companies with head offices in London, and the rates charged were fixed in London, then predominantly at the rate 10s per cent per voyage, which was regarded as higher than the rate appropriate for risks on the Australian coast.

If the arguments were accepted, then action to bring a scheme into being by the end of February 1941 appeared desirable, since most of the current quarterly insurance contracts would be due for renewal at the beginning of March. The full Cabinet on 7th February approved arrangements "by the Commonwealth Government of a scheme for war risk insurance on hulls and machinery of vessels on the Australian coast and trading in Australian waters", subject to discussion between the Treasury, and the Departments of Commerce, and Trade and Customs. The outcome was approval of recommendations made ten days later:

- (a) the scheme to be administered by the Treasury;
- (b) that T. S. Douglas,<sup>2</sup> President of Federal Council of Marine Underwriters of Australia be appointed as an adviser in the Treasury on war risks insurance;
- (c) that a War Risks Insurance Board be appointed consisting of the Chairman of the Shipping Control Board, a representative of the Treasury, a representative of the Prices Branch of Trade and Customs, and the adviser on war risks insurance mentioned in (b); the Chairman of the Shipping Control Board to be chairman;
- (d) that duties of the board should be—
  - (i) to fix premiums and the period of insurance, the risks to be covered and the valuation of ships; and

<sup>1</sup> "Shipping Freights and War Risk Insurance", memorandum dated 21 Nov 1940 attached to full Cabinet Aegendum 503.

<sup>2</sup> T. S. Douglas. Member Federal Council Marine Underwriters of Aust 1917-45, President 1923-26 and in four subsequent years. Member C'wealth Marine War Risks Insurance Bd 1941-46. Died 13 Jun 1948.

- (ii) to report to the Government upon the desirability of the Government assuming responsibility for war risks insurance on cargoes.<sup>3</sup>

The proposals were incorporated in Marine War Risks Insurance Regulations which established a board of four to administer the scheme.<sup>4</sup> At this stage the scheme was confined to hulls and was not extended to cargoes until 1942. To avoid setting up an elaborate new organisation the Commonwealth and New South Wales Governments agreed that the administrative work of insuring the vessels under the scheme should be carried out by the Government Insurance Office of New South Wales, an arrangement which continued until 31st March 1943 when the Commonwealth established its own office in view of the operation of the complete cargo scheme from the middle of 1942. From the beginning all the larger coastal vessels were insured with the board and when risks in the Pacific grew worse many smaller vessels, previously not insured, came into the scheme. Initially the Commonwealth provided cover for 150 vessels valued at about £9,000,000 and was able to operate immediately by guaranteeing that for the initial three months its rates would not exceed those charged on policies then expiring. Eventually, as the details were worked out, and the board acquired experience, it settled upon a premium rate of 12s 6d per cent per month for three months policies with an intention of avoiding, if possible, increases of premium. This was in fact possible, the rate being maintained until March 1944 after which it was steadily reduced. This policy meant that for some time the Commonwealth was carrying losses, but the final outcome by the end of the war was that these were covered by total income.

One major decision of policy went to the full Cabinet in April 1941—that of reinsurance. The case for following this accepted practice was that the early sinking of a large vessel, for example, would be an embarrassment to the fund and the Commonwealth would have to carry any deficiency. On the other hand, many of the companies with which reinsurance might be effected were offshoots of the oversea companies, so that to that extent the principle of an Australian scheme would be cancelled. The Treasury took the view that there was a fair chance of making a profit, and reinsurance would have the effect of transferring these profits to private enterprise. Moreover reinsurance might well become very expensive, and, as the primary purpose of the scheme was to restrain the increase in freights, the Government should be prepared to face possible loss. The decision was in accordance with the Treasury view that the Government should take the risk and re-examine the possibility of reinsurance within Australia if these risks proved uncomfortably large. In fact no reinsurance was done.

<sup>3</sup> Full Cabinet Agendum 573, 17 Feb 1941.

<sup>4</sup> Statutory Rules 1941, No. 47, 27 Feb. Those appointed to the board were: Sir Owen Dixon (Shipping Control Board) chairman, W. C. Balmford (Commonwealth Actuary), Professor D. B. Copland (Prices Commissioner), T. S. Douglas (President, Council of Marine Underwriters Association of Aust.). Mr. Justice T. S. Clyne replaced Sir Owen Dixon in 1942 after the latter was appointed Australian Minister to U.S.A.

The chairman of the Shipping Control Board now found himself chairman of the Marine War Risks Insurance Board. A further responsibility next emerged in the matter of charters which, with the institution of control and the likelihood of extensive local requisitioning and charter, required decisions as to rates to be paid for the charter of ships, matters which had not so far unduly worried the Australian Government. It will be recalled that the Australian Government had agreed to use British machinery so as to avoid pushing up rates by competition, and by and large they had been content to accept the rates demanded for such oversea tonnage as they had been able to obtain.

The prospect of extensive government chartering or requisitioning of local ships for commercial purposes meant that for the first time the Government had the opportunity to determine a policy of hire rates for ships, and was compelled to do so. Requisitioning for the navy had been in a class apart and the Admiralty payments were not ungenerous. In the search for oversea ships to charter the Government's position had simply been that unless it paid the rates demanded it did not get the ships. Moreover, the number of ships likely to be concerned was now very much greater than had ever been considered before for local commercial use. In addition to the problem of relating rates of hire for ships taken over by the navy and charter rates for ships used commercially, there was emerging a need for some general policy as to the return to be allowed to owners of property of all kinds taken over, particularly aircraft.

An inter-departmental committee in September 1940 had reported on the rates to be paid for ships requisitioned for the navy and aircraft chartered for war purposes. The report established a general basis for compensation which "provided for the return on the capital value of the asset at the time of hiring or chartering to be assessed at a rate of one per cent additional to the market rate of return on government securities".<sup>5</sup> The navy had sought the adoption of Admiralty procedure which involved higher rates, but the War Cabinet took the view that "notwithstanding the advantage of uniformity of practice by the United Kingdom and the Commonwealth . . . it was more desirable that there should be uniformity of practice by the Commonwealth in its treatment of all owners of property"; that is, payment for ships chartered should be on the same basis as that for aircraft. The inter-departmental committee was to be reconstituted as a central authority on rates and return on requisitioned property, with a chairman from the Department of Defence Coordination (with which department the committee was associated), and representatives of each of the Treasury, the Attorney-General's Department, and the Departments of Navy, Army, Air, and Civil Aviation.

Thus matters stood when shipping control was inaugurated and the requisitioning of local tonnage by the Australian Government for commercial purposes was known to be imminent. The Department of Commerce as the centre of shipping administration pressed upon the Cabinet

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<sup>5</sup> War Cabinet Minute 530, 24 Sep 1940.

the difficulties inherent in applying the arrangements made in September to the hire of ships for commercial purposes. The navy and the Department of Commerce had not been members of the committee, although the advice of the navy had been considered; the committee had not directed its attention to the problems involved in requisitioning coastal ships for commercial running under the management of their owners. Nevertheless the Cabinet had agreed that other government departments should be required to conform to the principles recommended by the departmental committee, which the navy had found great difficulty in applying to navy requisitioning, and much dissatisfaction had emerged in shipping circles.<sup>6</sup>

The solution adopted was to refer to the chairman of the Shipping Control Board, Sir Owen Dixon, the task of investigating the terms and conditions under which coastal ships should be requisitioned, and the outcome was a comprehensive memorandum which included a standard time charter party to be used in all cases and set out daily rates of hire for a large number of ships individually.<sup>7</sup> Under the standard charter party it was the obligation of the owners to maintain the ships and their gear and to meet all running costs, except that the Commonwealth was to refund the cost of additional pay to crew above the rates ruling at 1st July 1941. The shipping company concerned was to be paid, as a management fee, commission at the rate of six per cent on the freights earned by a ship, and rates were prescribed for supervising, hire of gear and the like, apart from the daily charter rate. That rate, computed separately for each ship, was based upon an investigation in detail of running expenses, a five per cent per annum depreciation allowance and a four per cent per annum return on the capital value of the ship.

The full Cabinet approved of these proposals although there emerged immediately a short-term difficulty arising from the effect of the introduction of these rates on price control policy. It had been the practice of the Prices Commissioner to determine percentage increases of freights as costs rose from time to time. There had been three determinations: that of October 1939 for 10 per cent increase, that of October 1940 for a further 5 per cent, and that of April 1941 for further increases up to a maximum of 22½ per cent above pre-war levels (17½ per cent for Western Australia and Tasmania). The Prices Commissioner met the problem of realised profits exceeding or falling short of the standard profit margins determined at the beginning of the war by modifying the particular freight rates determined. Had freight rates remained under the Prices Branch a number of shipping companies which had experienced losses or profits less than the standard margin would have been compensated at the next determination. The rates determined by Sir Owen Dixon while otherwise endorsed by the

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<sup>6</sup> In addition to the general basis of compensation providing the return of 1 per cent additional to the then market rate of return on government securities "the following annual payments would be made—

An amount of 1 per cent on the difference between the initial cost and the depreciated value of the asset at the time of charter. Reasonable allowance for depreciation, obsolescence, repairs and other reasonable expenses incurred by the owner". (Full Cabinet Agendum 584, 19 Feb 1941.)

<sup>7</sup> This was included as the schedule to Shipping Requisitioning Regulations, Statutory Rules 1941, No. 230, 18 Sep.

Prices Commissioner did not include provision for these accrued losses. The solution was a compromise worked out between the two authorities for an addition to the charter rates averaging £2 a day for periods which the two authorities agreed would provide fair compensation.

Meanwhile the navy fell into line with the Naval Charter Rates Regulations.<sup>8</sup> For certain vessels for which charter rates had been established by the chairman of the Shipping Control Board but which had been requisitioned for naval purposes, the navy adopted the charter rates so fixed.<sup>9</sup> For all other vessels which had been or might be requisitioned for naval purposes the Naval Charter Rates Board was established to determine charter rates and other conditions.

### THE MACHINERY OF SHIPPING CONTROL

While the chairman of the Shipping Control Board was engaged personally in these investigations his organisation was taking shape. This coincided with the extensive development of requisitioning in which it was planned that requisitioned ships should be operated by their owners as agents for the board. Consequently the plan of executive machinery was directed towards the provision of committees on which representatives of the shipping companies and technical experts could meet to coordinate policy and management. In July 1941, on the same day as the first requisition recommendations were made,<sup>1</sup> a Shipping Management Committee was established consisting of representatives of the Shipping Control Board and of the principal shipping companies whose vessels were to be requisitioned.<sup>2</sup> It was concerned with the management, direction and control of requisitioned ships, the making of recommendations in respect of freight rates, freight contracts, wharfage and harbour facilities and the like. With it was associated a Central Traffic Committee modelled upon a similar body, which had long been operated by the Associated Steamship Owners, which met daily to collate information concerning cargoes, availability of tonnage, allocation of ships and similar matters; it was assisted in due course by branch Traffic Committees in each State and sub-committees at many smaller ports. The model of organisation already in the industry was followed in establishing a similar but separate Tasmanian

<sup>8</sup> Statutory Rules 1941, No. 232, 17 Sep.

<sup>9</sup> Full Cabinet Agendum 710, 7 Aug 1941, had recommended the adoption of Dixon's rates for the five interstate ships requisitioned by the navy and the Minister for Commerce had added "I understand that the Navy Department desires to be associated with this recommendation".

<sup>1</sup> On 1 May 1941 (War Cabinet Minute 1014) the War Cabinet agreed that in pursuance of the powers conferred on him under the National Security Regulations, the Minister for Commerce should decide to requisition all Australian coastal ships, if that course appeared necessary after consultation with Sir Owen Dixon.

Page referred to Dixon's examination of principles and rate of compensation to govern the requisitioning of Australian coastal tonnage, and said that "while the task of determining the actual rate of charter is proving rather longer than was expected, the work is approaching completion".

Britain, he said, had requisitioned shipping before she commenced to examine the terms of charter. In Australia the general conditions to govern the chartering of ships were well worked out; only the rate was not yet determined.

In accordance with the previous decision of the full Cabinet the actual rate of charter money would be submitted to Cabinet before being decided.

<sup>2</sup> Members were: Sir Owen Dixon, J. L. Webb, J. F. Brame (Shipping Control Board), D. York Syme (Melbourne Steamship Co.), J. C. McCann (Australian Steamships Pty Ltd), F. W. Radford (non-associated steamship owners), S. T. Edwards (McIlwraith McEachern Ltd), F. Bridgman (Adelaide Steamship Co. Ltd), and D. G. F. Mackay (A.U.S.N. Co. Ltd).

Traffic Committee in view of the special problems of that trade. All three committees were subject to the direction of the Shipping Control Board and, on important matters, to confirmation of their decisions by the board.

Requisitioning began in July 1941 and sixty-three vessels had been taken over by 7th August.<sup>3</sup> At the same time the Shipping Control Board drew attention to the probable exception from requisitioning of ships engaged in special trades such as those engaged in the transport of ironstone and coal, and those in the Eyre Peninsula and Spencer Gulf trades in South Australia, and the north and south coast trades in New South Wales. In the same class were the Colonial Sugar Refining Company's ships used for the

## VESSELS REQUISITIONED BY SHIPPING CONTROL BOARD

Date	Interstate steamers	Intrastate steamers	Trawlers, Launches, Ketches & Small Craft
1941			
Jul-Dec	77	—	—
1942			
Dec-Jun	24	1	37
Jul-Dec	3	1	47
1943			
Jan-Jun	7	5	3
Jul-Dec	1	—	1
1944			
Jan-Jun	—	9	—
Jul-Dec	1	2	—
1945			
Jan-Jun	1	1	—
Jul-Dec	2	—	—
Total	116	19	88

transport of molasses and sugar.<sup>4</sup> Their special treatment, pointing to the peculiar conditions of shipping in those fields, was itself one of the strongest reasons for establishing an authority which could examine the withdrawal of any ships from their normal activities.<sup>5</sup>

One other piece of machinery, the Salvage Board, was created at this time in association with the Shipping Control Board. This originated in a conference of the navy, Department of Commerce, and shipping interests

<sup>3</sup> Full Cabinet Minute 710. Excluding ships requisitioned for a voyage only, the navy took over seven ships in 1941 which are not included in the numbers above.

<sup>4</sup> Very early this point had been established. In considering the production of power alcohol on 14 Dec 1939 the full Cabinet was told (Agendum 262) that the C.S.R. Co had been informed by the navy that its ships were likely to be requisitioned for "the transport of water to Singapore". At the time the argument was put forward that the tankers of another company could be procured for this purpose and readily adapted, while to convert the Refining Company's vessels would be costly.

The Acting Minister for Supply and Development recommended that the company be given an assurance "bearing in mind the vital nature of the trade" that the vessels would not be requisitioned. No decision was recorded on requisitioning. (The associated problems of molasses supply are considered elsewhere in connection with the production of power alcohol.)

<sup>5</sup> Even so special industries protested. In July a protest from the president of the Association of Country Sawmillers at navy requisitioning of *Kianga* and *Allenwood* was referred to a Cabinet committee of Navy, Commerce and Transport.

in October 1941, although the Salvage Board did not come formally into being until March 1942. It was charged with the duties of organising facilities and gear for the salvage of ships on or near the Australian coast, and in the course of the war, particularly as casualties multiplied in 1942 and 1943, organised the salvage of many vessels.

While the administrative organisation for the control of coastal shipping was proceeding the shortage of oversea tonnage continued.<sup>6</sup> The decision to build ships clearly did not justify discarding charter as a provisional solution. The Department of Commerce continued the search for ships, maintaining a close liaison with the British ministry through the Australian High Commissioner, and working side by side not only with the Wheat Board but also with the British Phosphate Commission, whose ships operated in the Pacific and whose problems had much in common with those of the Commonwealth. In fact the produce carried by the commission's ships was of vital importance to the Department of Commerce itself, and at one remove the commission's shipping problems were also part of those of the department.

As has been seen, the voyages of such neutral ships as were available were being more and more restricted, and their charter rates moved steadily upward despite British efforts to peg them at a reasonable figure. Negotiations with neutral, Allied or refugee governments for the use of ships were beyond the influence of Australia, but since these efforts were the source from which ships could be chartered the negotiations were an important, if unpredictable, factor in Australian efforts.

When the question of chartering neutral ships first came up the Economic Cabinet in mid-February 1940 had decided that six should be chartered and that a sub-committee of the Treasury, the Departments of Supply, and of Commerce, and the Director of Economic Coordination should have power to act. Under these arrangements particulars were furnished to the committee, any specific charters being submitted to Fisk.<sup>7</sup> The most important link between the British ministry (as the source of tonnage) and the Australians was Westralian Farmers.<sup>8</sup> The High Commissioner reporting to the Prime Minister on 18th January 1941 on the negotiations between Britain and the Greeks for their ships went on:

Westralian Farmers have in the past consulted the Ministry but I am anxious to put them into still closer contact with status as agents of your Commonwealth instrumentality. This is most important as the Ministry by reason of its control is

<sup>6</sup> There were difficulties outside the civilian sphere. On 9th April 1941 the War Cabinet was told that in the problem of getting reinforcements to the Middle East the bottleneck was not the raising of personnel "but the availability of shipping". The navy was to investigate the possibility of improved rate of despatch of reinforcements by provision of speedier shipping arrangements subject to the necessary convoys being available.

<sup>7</sup> It was under these arrangements that by October 1940 four ships were operating (*Brattdal*, *Westralia*, *Astoria* and *Reynella*) and by 31 Dec 1940 the *Hermion* (chartered for 6 months), *Hav* (chartered for 6 months), *Eidsvold* (to be delivered to the Commonwealth Government in February) and *Chios* (taken over from the Wheat Board for one voyage only) had been added. In May 1941 the Commonwealth Government had 15 ships on charter and the Phosphate Commission 8 and another 8 new charters were sought.

<sup>8</sup> In June 1940 it had been they who suggested to the High Commissioner that Australia should seek representation on the Committee of Allocation of Inter-Allied tonnage, and the High Commissioner had thought this proposal had merits. The Department of Commerce also supported the view and formal submission for representation was made to the High Commissioner on 21 June 1940.

able to exert pressure on allied and neutral tonnages which is to our advantage financially and otherwise. They will of course act only in capacity of agents of Commonwealth Chartering Board and Australian Wheat Board.

This liaison the Prime Minister described as "most helpful".

The identification of purpose with Britain was further instanced in March when, following discussions between the British ministry, Canada, South Africa, Australia, New Zealand and India with a view to evolving a scheme to bring under control neutral tonnage which was running free and for which ruinous rates of charter were being charged, the British Government sought the good offices of the Australians in dissuading the Phosphate Commission from accepting the charter of *Atlantic* at \$9 a ton, "a rate which was considered grossly excessive by the Ministry".<sup>9</sup> On 23rd April 1941 the High Commissioner reported that the Americans had been asked to join in measures to check competition, and the High Commissioner himself held off in negotiations for at least one Norwegian ship because he felt the figure was too high. The negotiations were on behalf of the Phosphate Commission as well as the Commonwealth.<sup>1</sup>

At the end of May the High Commissioner could report renewal of three Greek charters on the condition that the ships continued in the same employment; one Greek ship had been obtained for the Phosphate Commission, all four at the rate of \$7.50. In addition he reported that the United States was enacting legislation to enable the administration to exercise an effective check on charters and to stabilise charter rates. By August, after negotiations between the British Ministry of War Transport and the United States Maritime Commission, that Commission had announced a detailed schedule of rates for time charters which it was proposed should be observed by the United States and Empire countries.

Greece, in whose ships Australia was particularly interested for charter purposes, had ceased to be neutral in October 1940, and in April 1941 had been occupied by the enemy. The British Ministry of War Transport was able on 20th May to reach agreement with the Greek Government under which all ships over 4,000 tons with the exception of thirty were chartered to the ministry for the duration of the war. Of the 30 excepted vessels 10 were to be maintained on the United States-Middle East run, and the remaining 20 were to trade free, 10 being already chartered to the Swiss Government and the others free to earn dollars in safe trades approved by the Anglo-Greek Allocation Committee in London. The Greeks did not consider the Middle East trade safe but the ministry hoped to persuade them to allow their ships to proceed as far as Suez, the plan being to use them in Dominions trade at a controlled rate of \$7.50. This growing identity of action with the United Kingdom, as well as the developing assurance in Australia's attitude to oversea negotiations, had a natural outcome in the establishment of a central chartering organisation for the Department of Commerce, the Wheat Board and the Phosphate

<sup>9</sup> Message from High Commissioner 26 Mar 1941.

<sup>1</sup> Australia supported these efforts but "felt that possibly ships were being forced thereby into trades outside the Empire" (3 Apr 1941).

Commission. The Commonwealth Government Ships Chartering Committee included the general manager of the Phosphate Commission which agreed that the committee should handle the charter of its ships.<sup>2</sup> The committee's functions were to arrange the chartering of vessels to cover the needs of all three bodies and to allocate the vessels between the Commonwealth Government, the Wheat Board and the Phosphate Commission as well as arranging voyages to meet their respective needs. The Wheat Board was to continue to manage the ships, while Westralian Farmers continued to act as London representatives; established shipping companies acted as agents for the Commonwealth on a commission basis. Including ships already operating, the vessels under the Committee up to the end of 1941 are shown in the accompanying list.

Vessel	From whom originally chartered or obtained	Date of commencing first charter
<i>Brattdal</i>	Westralian Farmers	2 Mar 1940
<i>Astoria</i>	Commonwealth	15 Apr 1940
<i>Westralia</i>	Westralian Farmers	22 July 1940
<i>Reynella</i>	Commonwealth	31 July 1940
<i>Chios</i>	Greek owners	25 Oct 1940
<i>Hav</i>	Norwegian owners	27 Oct 1940
<i>G. S. Livanos</i>	Greek owners	29 Dec 1940
<i>G. M. Livanos</i>	Greek owners	1 Jan 1941
<i>Acadia</i>	Norwegian owners	23 Jan 1941
<i>Zvir</i>	Yugoslav owners	10 Mar 1941
<i>Recina</i>	Yugoslav owners	2 Apr 1941
<i>Anatina</i>	Norwegian owners	26 Apr 1941
<i>Aspasia Nomikos</i>	Greek owners	7 May 1941
<i>Herstein</i>	Norwegian owners	15 May 1941
<i>Theofano Livanos</i>	Greek owners	10 May 1941
<i>Atlantic</i>	Panamanian owners	1 Jun 1941
<i>Guatemala</i>	Panamanian owners	10 Jun 1941
<i>Hermion</i>	Norwegian owners	12 Jun 1941
<i>Chloe</i>	Greek owners	7 July 1941
<i>Nordnes</i>	Norwegian owners	10 July 1941
<i>Anna Odland</i>	Norwegian owners	16 July 1941
<i>Carola</i>	Panamanian owners	19 Aug 1941
<i>Nortun</i>	Panamanian owners	4 Oct 1941
<i>Elisavet</i>	Greek owners	7 Nov 1941
<i>Lidvard</i>	Norwegian owners	8 Nov 1941
<i>Vito</i>	Norwegian owners	17 Dec 1941
<i>Evi Livanos</i>	Greek owners	24 Dec 1941

#### THE END OF 1941

Australia's modest success in securing ships was attained in the face of developments in shipping overseas which not only made it difficult for her

<sup>2</sup> Established by ministerial order, July 1941. It consisted of J. F. Murphy (Secty, Dept of Commerce) chairman, H. H. Gaze (British Phosphate Commission), J. Thomson (Aust Wheat Bd). Sir Thomas Gordon replaced J. F. Murphy when the committee went to the Dept of Supply and Shipping in October 1942.

to secure ships, but underlined the fact that Australian shipping was necessarily bound up with the shipping services of the Allies. Commenting on the shipping position in the light of his visit abroad the Prime Minister told the War Cabinet it was "... entirely on account of shipping difficulties

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MERCHANT SHIPPING UNDER THE BRITISH FLAG

Summary of gains and losses of tonnage: Vessels of 1,600 gross tons and over.

Thousand gross tons	Gains	Losses	Net gain (+) or loss (-)
1939			
September	50	149	-99
4th Quarter	347	312	+35
1940			
1st Quarter	295	335	-40
2nd Quarter	901	473	+428
3rd Quarter	717	892	-175
4th Quarter	467	956	-489
1941			
1st Quarter	558	992	-434
2nd Quarter	429	1,227	-798
3rd Qtr	606	505	+101
4th Qtr	503	355	+148
1942			
1st Quarter	347	855	-508

Source: *Statistical Digest of the War* (London, 1951)

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OVERSEA SHIPPING: VESSELS ENTERED, AUSTRALIA  
(Steam, Motor and Sailing)

Year	Vessels	Net Tons
1937-38	1,905	7,128,404
1938-39	1,876	6,710,999
1939-40	1,674	6,465,665
1940-41	1,316	5,378,921
1941-42	1,276	5,174,118

Source: *Commonwealth Year Book*

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that it was necessary to cut down imports in the United Kingdom from Australia". His remarks were directed primarily to the position of export industries, the effect on which he saw as "disastrous". In his view, however, there was

no hope of improvement except by combined pressure on the United States of America to give as much help as possible as quickly as possible . . . and every effort to improve shipping repairs in the United Kingdom and to cut out delays in the turn round.

In June the reports of losses, in the Gulf of Mexico and the Caribbean, of ships carrying war supplies to Australia, raised the question of transfer of shipping on the Australian run to the west coast of the United States and Canada. Even there, however, in the following months the question which was being actively canvassed was the removal from west coast trades of United Kingdom ships to be used on more dangerous runs for which the neutrals were not available, with a partial replacement by United States ships. In the middle months of the year 30,000 tons of nitrates from Chile, primarily for munitions, were only shipped with considerable difficulty, while an equal amount of cargo of essential classes was accumulating in Australia for India.

Nearer home there had been losses from mines or raiders as early as August 1940;<sup>3</sup> convoys had been instituted for oversea vessels from the beginning of the war; the latter part of 1941 saw the preparation of plans for coastal convoys although these were not begun until 1942.

If there were any lingering beliefs that Australia by building or chartering could organise herself immunity from the shipping losses of the war, these events must have dispelled them. It no longer made sense to seek more ships for exclusively Australian use. From now on the problem was—as, of course, it had been in some degree from the beginning—that of making the best use of what ships were available, with a constant and continuing threat that what was available might be sharply curtailed. From December with the entry of Japan into the war the threat to Australian oversea communications was immediate and direct.

<sup>3</sup> In 1940 raiders sank the following vessels in or near Australian waters: 16 Aug *Notou* (2,489 tons), 20 Aug *Turakina* (8,706 tons), 20 Nov *Maimoa* (8,011 tons), 21 Nov *Port Brisbane* (8,739 tons), 26 Nov *Rangitane* (16,712 tons), 6 Dec *Triona* (4,413 tons), 7 Dec *Vinni* (5,181 tons), 8 Dec *Triadic* (6,378 tons), *Triaster* (6,032 tons), *Komata* (3,900 tons).

In the same year vessels lost on the Australian coast from mines laid by the raiders were: 7 Nov *Cambridge* (10,846 tons), 8 Nov *City of Rayville* (5,883 tons), 3 Dec *Nimbin* (1,052 tons). Thereafter there were no attacks until November 1941 when H.M.A.S. *Sydney* was lost.

For details of enemy activity in Australian waters see the navy and air force volumes in this history.