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The decline of Australian shipping since World War II

an address[1] to the Institute on 29 January 2008 by
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At the end of World War II, the Australian-flagged merchant shipping industry, a coastal industry of some 180 ships, was a vital sector of the Australian transport system, but the industry contained the seeds of its own destruction. In the post-war period, it was unable to withstand the competitive forces ranged against it and, when it was offered its best chance of survival, purchase of the Commonwealth Government's own merchant fleet in 1949, dissension among shipowners proved too great and the Government withdrew the offer. The Government eventually established its own Australian National Line (ANL) which out-competed the private shipowners in many trades, but political decisions imposed on ANL led to its eventual unprofitability and sale in the 1990s. Australia's extensive shipping needs are now met primarily by foreign-flagged and foreign-crewed vessels. The current condition of Australian shipping is unlikely to improve without the adoption by the Commonwealth Government of policies that are favourable to the industry.

Coastal shipping is one of Australia's oldest industries. It played a vital role in the opening up and development of the colonies and after Federation it served the country well in two world wars. By 1939, it was a vital sector of Australia's transport system, carrying passengers and cargo to most coastal centres.

Since 1945, Australian-flagged shipping has declined in importance and status. It is, of course, not unusual for industries to change with technology and community needs or to be replaced by more efficient substitutes. Yet the principal features which made shipping so important to Australia's economy remain. For instance, the country's size, long coastline, trading importance, and coastal location of major cities, have not altered. Shipping is competitive with other land transport over long distances, pays a higher proportion of its infrastructure costs than its substitutes and, unlike them, the employment of more vessels is virtually free at the margin. Importantly in these days of environmental consciousness, shipping consumes less energy than other transport modes and emits lower levels of pollutants per tonne carried than air transport. It uses half the energy per tonne/kilometre than the accident-prone trucking industry, whose safety record it far surpasses.

Nevertheless, today, an industry that has made, and remains capable of making, an important contribution to the national economy, is neglected by the Government[2]; is almost unknown, and certainly unacknowledged, by the present generation; and continues to decline. Why? The reason is not a mystery. It is because post-war shipping has not been sufficiently profitable as will be explained herein, starting with a look at the industry's principal features in 1945 as Australia emerged from the Second World War.

Australian Shipping in 1945

In 1945, the trading fleet of an essentially coastal industry, 95 per cent of which was owned by private companies, consisted of some 52 firms and 180 ships most of which had been requisitioned by the Government since 1941. The fleet's average age exceeded 20 years and, having run hard during the war, its vessels needed either refurbishment or replacement. The fleet carried about 1.6 million tons of bulk cargo and 7.6 million tons of general cargo. The companies, which had gravitated towards specialising in different trades, comprised four distinct sectors: interstate, integrated, intrastate and government.

Interstate sector

The firms in the interstate trades collectively owned 107 ships in 1945, almost 60 per cent of the Australian trading fleet. These firms comprised three groups. The most important, the Australasian Steamship Owners Federation[3] (ASOF), negotiated on

[1]Attended by 86 members and guests.

[2]In this paper, "the Government" refers to the federal government of the Commonwealth of Australia. Other governments are referred to by specific jurisdictional name.

[3]It comprised: the Adelaide Steamship Company Limited; the Australasian United Steam Navigation Company Limited; Howard Smith Limited; Huddart Parker Limited; McIlwraith McEacharn Limited; The Melbourne Steamship Company Limited; The Union Steamship Company Limited; and James Paterson and Company Proprietary Limited.

behalf of its members with government, port authorities and others. The Commonwealth Steamship Owners Association (CSOA) represented the ASOF members in labour relations; and the Associated Steamship Owners (ASO), a trading cartel, shared the available work among the ASOF members and apportioned the profits according to each member's shares in the cartel[4].

Another interstate group was the Independent Steamship Owners Association (ISOA), which represented its members[5] in labour relations. It was similar to the CSOA, but had none of the features of the ASO cartel.

There were also a number of minor companies in shipping's interstate trades which between them owned 18 vessels[6]. A further 16 ships were owned singly.

Integrated sector

The integrated sector comprised 21 ships belonging to several large companies[7] having no cartel, association or formal relationship with each other and whose owners operated them in trades relating to their main businesses. Being vertically integrated with their owners' main business, their employment was assured and there was no need or opportunity for them to compete for cargoes in the market. They were largely insulated by the financial strengths of their owners from the market forces and their ongoing existence was not determined by profitability.

Intrastate sector

Intrastate shipping services were historically important links in Australia's transport chain. In 1945, strong intrastate services still operated in New South Wales, South Australia, Queensland and Western Australia[8]. The combined fleets of the intrastate companies totalled 41 relatively-small vessels, the capacity and facilities of ports serviced dictating vessel size.

Government sector

The government sector comprised: the (Commonwealth) Shipping Control Board[9], which operated most of the coastal fleet under requisition and 19 foreign-owned vessels under charter, as well as 8 vessels built for the Government during the war; and the Western Australian State Shipping Service, which serviced the state's northwest, operating at a loss.

Legislative Underpinnings

The *Navigation Act 1912* (Commonwealth) prescribed the regulatory framework for safety at sea and the conduct of Australian ships in the international and interstate coastal trades. Still extant, it seeks to ensure that the benefits of trading on the Australian coast accrue to Australian companies, and to preserve the safety and working conditions of Australian seamen. Any ship engaging in the interstate trades must be licensed. Foreign vessels may be licensed for the coastal trade, provided they comply with Australian safety standards and pay Australian wages to their crews. When it is deemed to be in the public interest, however, a single-voyage or continuing-voyage permit may be issued to an unlicensed vessel, provided licensed ships are either unavailable or incapable of providing the service.

Labour Organisation

Eight labour unions[10], seven representing the crews of Australian vessels and one representing stevedoring workers, impacted on shipping's operations.

Industry Characteristics

For several reasons, Australia's shipping industry was not structurally robust.

- ***Lack of competition:*** The competition necessary for an efficient and viable industry was absent.
  - In the coastal trades, substitutes were unable to mount effective competition. Roads were inadequate, equipment inefficient and trucks taxed to protect railways. Breaks of gauge at state borders and old rolling stock rendered rail inefficient. Airports were few and air travel expensive.
  - Shipping's cartels and associations severely restricted competition among their members;

[4]The Union Steamship Company did not join the ASO. Each ASO member chartered its vessels into a pool, operated by the ASO separately from the ASOF, subject to a company-specific maximum gross tonnage limit (pool points). The ships were then deployed on voyages according to their suitability, availability and positioning. After defraying ASO's own operating costs, the surplus (or loss) was apportioned monthly among members according to their pool points.

[5]Its members were: the coal distributor, R. W. Miller; and the general cargo traders, John Burke Limited, James Patrick, and Scott Fell & Company Limited (a BHP associate).

[6]The most important were: Wm. Holyman & Company Limited and W. R. Carpenter Limited, which traded mostly to Tasmania and the Pacific islands, respectively; and H. C. Sleigh Limited in the New Zealand trades.

[7]The Broken Hill Company Proprietary Limited (BHP), a steel maker; Burns Philp and Company Limited, a Pacific Islands trader; Colonial Sugar Refining Company Limited (CSR), a sugar producer; and the British Phosphate Commission, which delivered the phosphate products of Nauru to Australia and New Zealand.

[8]In New South Wales, the North Coast Steam Navigation Company Limited ran general cargo services to ports as far north as Queensland, while the Newcastle & Hunter River Steam Navigation Company Limited operated a similar service between Sydney and Newcastle. The Illawarra and South Coast Steam Navigation Company Limited provided a shipping service to ports south of Sydney. Two main intrastate bulk trades existed: sugar (seasonally) from the northern rivers area to Sydney; and coal from the Hunter Valley mines to Sydney, lifted in small bulk carriers, known as 'sixty milers', which carried fuel for Sydney's power stations and industry, and for coal-fuelled ships. South Australia's intrastate trades were dominated by the Adelaide Steamship Company and Coast Steamships Limited, the former's wholly-owned subsidiary. The principal Queensland company, John Burke Limited of Brisbane, operated passenger and general cargo services between Brisbane and northern ports, Thursday Island and several missions.

[9]Later renamed Australian Shipping Board.

[10]Merchant Service Guild of Australia (ships' masters and officers); Australian Institute of Marine & Power Engineers (marine engineers and electricians); Federated Shipwrights & Ship Constructors Union (shipwrights); Seamen's Union of Australia (ratings and uncertificated deck and engine-room hands); Marine Cooks, Butchers & Bakers Association (on-board cooks, butchers and bakers); Federated Marine Stewards & Pantrymen's Association (marine stewards); Professional Radio & Electrical Institute (radio officers); and the Waterside Workers Federation.

and specialisation restricted competition between sectors.
  - o The *Navigation Act* discouraged entry to the coastal trades by other Australian companies and international competition from foreigners.
  - o Labour costs, which had become higher than the international norm under the protection of the arbitration system, precluded competitive international trading.
- ***Lack of focus:*** The companies that provided shipping services also had other interests. Coal, sugar, real estate, share portfolios, airlines, engineering and radio provided other financial interests. Many shipowners were also stevedores.
- ***Equipment:*** The fleet was run-down, obsolescent, and needed new vessels[11]. Overseas shipowners with fleets in like condition immediately set about repairing and replacing their vessels. For reasons explained later, Australian shipowners were unable to do likewise.
- ***Management:*** Senior management derived almost exclusively from internal promotion. While these managers probably were no less capable than their contemporaries in other industries, a comprehensive knowledge of the *status quo* was to prove insufficient to meet the challenges of the future.

Australian Shipping after 1945

Australian shipping's post-war lack of profitability and ultimately its decline are attributable to six competitive forces, five external and one internal to the shipping industry:

- production-factor (ships, labour) supply restrictions;
- shipping substitutes (alternative forms of transport – road, rail, air);
- users – shippers and charterers;
- technology – vessels, equipment and systems;
- rivalry among existing shipping firms; and
- government policy.

Some of these forces were a consequence of the war, while others developed post-war. Not all existed at any one time nor did they have equal strength or impact evenly on all sectors of the industry. It was their collective impact on industry profitability that was important.

Production-factor supply restrictions

The factors of production are the resources needed to produce a product – usually land, labour and capital. When a company's production factors are in short supply, it incurs the costs of lost opportunities. In the case of shipping, its labour and capital include its ships and crews and, in the early post-war years, their supply to Australian shipowners was restricted at a time when they were urgently needed.

Restrictions on ship supply

In 1945, most merchant shipping was still under Government control[12]. To protect Australian shipbuilding, the issue of licences to import ships had ceased and all new ships were required to be built in domestic shipyards that were occupied for years ahead by Government construction.

This raised some vital questions for private owners. Would the Government make available some of its high-cost Australian-built ships to the private owners? Would their cost be subsidised to avoid them trading at a competitive disadvantage? Was it intended to derequisition the shipowners' ships or did the Government intend to retain them as a basis for industry nationalisation, which it had attempted with banking and airlines? Or did the Government intend to use the large fleet it was accumulating in competition with them? Would they have to buy the standard designs of the Australian Shipbuilding Board or would they be allowed to design ships more suited to their general cargo trades?

Although derequisition of the ships in 1947 (some passenger ships two years later) allayed fears of nationalisation, these questions were not fully answered until the introduction of the Government's *Shipping Bill* in 1948 that realised some of the shipowners' worst fears[13]. These uncertainties and restrictions were not conducive to future confidence. Investment stagnated and only four new ships joined the industry during the first four years of peace. Consequently, the industry was not well prepared for the challenges which shortly emerged.

Restrictions on labour supply

Labour supply restrictions derived from two sources – government regulation and trade union activity. In 1941, the Government had established two agencies, the Stevedoring Industry Commission (SIC) and the Maritime Industry Commission (MIC), which controlled the supply and discipline of waterfront labour and of ships' crews, respectively. The interpositioning of these agencies between them and their labour was not popular with shipowners, who accused the agencies of over-generous payments in settlement of disputes, costs the owners would bear after derequisition. The unions, while happy to accept the largesse, either refused to accept, or reacted strongly against, the application by these agencies of their disciplinary powers. For instance, the MIC failed to curb the use by the unions of artificial manpower shortages as an

[11]The average age of the fleet exceeded 21 years and some units were over 30.

[12]Notable exceptions were the ships of BHP and CSR that mostly maintained their owners' usual trades.

[13]Subsequently enacted, it had not been proclaimed when a new government was elected in late 1949.

industrial weapon to delay ships, while wharf labour reacted angrily against the application by the Australian Stevedoring Industry Authority (ASIA), the SIC's successor, of its right to deduct long-service leave credits as a disciplinary measure. The MIC was wound up in 1952, but regulation of stevedoring continued until 1977.

Like the interruption of a factory's production, the delay of a ship, whether by accident or deliberately, for any cause, however justifiable, imposes costs on its owner. Fears of reversion to the Great Depression's conditions drove a post-war wave of industrial unrest in Western economies, represented in Australia by the maritime unions' campaigns for improvement of their members' working conditions. There is little doubt that maritime and stevedoring industry working conditions were lower than those to which employees at an equivalent level ashore were entitled. The industrial campaigns on which the unions embarked, however, reduced the profits of shipping companies that bore both the costs of the delays and losses of revenue when clients abandoned shipping for more reliable transport of their goods.

Shipping substitutes

Air, road and rail transport were inherently more suited to carry some of shipping's cargoes than it was. Pre-war, these substitutes had been unable to effectively compete with sea transport due to their inefficient equipment and infrastructure, and taxation. War-time developments that continued afterwards turned these substitutes into competitive forces that, from the late 1940s, made deep inroads into shipping's profitability.

Air transport

Passenger vessels faced strong air competition when they belatedly returned to service after post-war refits. During the war, the Government had spent heavily on building new airports and improving the infrastructure at existing ones. With peace, these facilities passed to the air industry at less than cost[14] and improved its efficiency. New technology, such as improved aircraft propulsion, further boosted efficiency. The Government's two-airline policy, introduced in 1949, further improved airline competitiveness as air travel cheapened. Few passengers would prefer, say, a 12-day voyage to Fremantle when the journey could be accomplished in hours at the new, cheaper fares. The airlines' domestic passenger numbers tripled between 1946 and 1949 from 0.5 to 1.5 million.

Road transport

Pre-war road transport was unable to compete with shipping as road surfaces on major routes were poor; large trucks suitable for interstate traffic were unavailable; and state governments taxed road transport to protect their railways from competition.

From the late 1940s, however, road transport, with its convenient door-to-door service, made deep inroads into shipping's lucrative general cargo trades. Road transport's competitiveness had been enhanced by Government wartime construction and improvement of strategically important roads. With peace, this infrastructure became available to road transport at less than the cost of construction and maintenance. The post-war availability at low prices of large American ex-army trucks, well suited to carrying interstate general cargo efficiently and economically over the improved road system, attracted many returning ex-servicemen to becoming owner-drivers in road transport. In 1954, road transport received a strong boost when the Privy Council declared the New South Wales tax on interstate road movements *ultra vires*. The decision reduced road freight charges and attracted more entrants to the industry, increasing competition further. The labour costs of this new road transport were low compared to sea and rail; and its short terminal times maximised driver and equipment usage.

Rail transport

Rail transport pre-war was hampered by breaks of gauge at state borders and many single tracks. Like shipping, the railways were worked hard during the war and, by 1945, badly needed refurbishment and new equipment. The need for restoration of their condition and modernisation was recognised early by the state governments, some of which ordered new rolling stock and diesel engines before hostilities ended. As modernisation continued, the railways began aggressively seeking cargoes to recoup some of their costs. A substantial component of rail's total costs are fixed, encouraging freight rates to be cut, provided terminal and line-haul costs are recovered with a contribution to the fixed component. This put rail in a strong competitive position with regard to both road transport and shipping on routes between port cities, because Australian railways were regarded by their government owners as public utilities and not required to be profitable. So a freight cost-cutting war between road and rail developed in which coastal shipping on competing routes could not afford to participate. The Government's favouring of land transport continued with the provision in 1957 of financial assistance to standardise rail gauges between New South Wales and Victoria, followed two years later with the *Commonwealth Aid (Roads) Act* that agreed to match funds spent by state governments on road works.

Effects on shipping

The first casualties of these new competitive forces were the three New South Wales intrastate companies. They went into voluntary liquidation in the early 1950s, to be followed progressively by the others. The fight

[14] By 1956, the charges levied on air traffic were 21 per cent below full cost-recovery.

back of the interstate companies was too little and too late. The ASO, the cartel through which they marketed their services, disintegrated in the early 1960s. The last major mainland interstate general cargo service was destroyed by government railways that, in a climate of high inflation, maintained loss-making freight rates while their shipping rival was obliged to accept its full increases in costs. By 1976, the only important general cargo trades were those across the Bass Strait that were incontestable by land transport.

Users – shippers and charterers

Buyers reduce industry profits when they force down prices, demand better or more services, or play rival service-providers against each other. By the mid 1950s, the loss of their general cargo trades to alternative forms of transport led the ASO group shipowners to seek other trades for their ships. Since the war, they had received several invitations from BHP to enter its booming bulk trades on a permanent basis. These, and the bulk trades of other developing miners and manufacturers, now represented the best prospects for future employment of ASO vessels. In 1957, all except one of the former associates in the general cargo trades decided to accept BHP's proposal and, over the next few years, several bulk carriers were built by these owners for BHP's and other bulk trades, which proved far less rewarding than the general cargo trades had been in an earlier era.

This opportunity was supplemented by developments in the coastal oil trades. Except for the tankers of the Australian company, Ampol Limited, oil cargoes were carried pre-1963 by foreign-flagged vessels visiting Australia, which operated under single-voyage or continuing-voyage permits issued by the Government. Then, in 1963, R. W. Miller obtained the Government's permission to import first one, and then two more, oil tankers for the Australian register and invoked the *Navigation Act* to claim that the oil companies provide them with cargoes. A counter-claim by some oil companies, that the vessels were operationally deficient, was not demonstrable, and the Government's insistence on employment of Miller's vessels, coupled with threats by unions to delay foreign tankers unless Miller obtained work, ensured employment for the ships. To prevent other Australian shipowners from following Miller's lead, the oil companies responded by obtaining Government permission to import their own Australian-flagged tankers. All companies importing tankers, however, including Miller, were required to undertake to replace them with Australian-built tankers, which provided work for Australian shipyards. In the 1980s, the oil companies again yielded to union pressure and agreed to put several larger Australian-flagged tankers into the crude-oil import trades.

In the early 1960s, the Government, realising that Australia's traditional markets were about to be eroded by the creation of the European common market, began to foster the development and expansion of Australia's mining industries. One important step was to permit the export of iron ore but, ominously, without securing a share for Australian ships. Other opportunities developed in the coastal trades. In 1959, an Australian National Line (ANL) vessel loaded at Fremantle the first bauxite cargo mined in the Darling Ranges for discharge at the new Bell Bay aluminium smelter. Disappointingly for the private companies, none was approached for this important new trade. From 1966, the large-scale mining of the Cape York bauxite deposits provided employment for four 70,000-tonne vessels, two owned by ANL and two by the American-owned Clutha Development Proprietary Limited, to carry the bauxite to the Gladstone refinery of Queensland Alumina Limited. The opportunity for Australian participation in bauxite export was not pursued by the Government. Several ships were also needed to carry the manufactured alumina to plants in Geelong, Bell Bay, Newcastle and Bluff, New Zealand, for smelting into aluminium.

By the 1970s, the remaining Australian shipping firms should have benefited substantially from the opening of these new trades and investment in their associated shipping needs; but they did not, because of the bargaining strength held by the new users – mostly international companies, owners of large fleets overseas, with the expertise to operate their own Australian ships. The oil companies, however, to avoid the risk that marine labour problems and employment conditions would flow into their main businesses of oil refining and distribution, retained ownership of the vessels, but employed the Australian companies as managing agents. An exception was Howard Smith that, like R. W. Miller which it subsequently took over, penetrated the oil industry as owner of several tankers.

The practice grew as other companies followed the oil companies' example in meeting their shipping needs. So, rather than financially strengthening the Australian shipping industry, the introduction of tankers and the growth of Australia's mining industry have promoted the philosophy of separating capital ownership from its management. A consequence of Australian mining and industrial development, therefore, has been that remaining Australian shipping firms have been mainly excluded from the income expected by suppliers of complete shipping services. They have been relegated to a lesser and poorly rewarded role of managing for a fee ships beneficially-owned by others.

Technology – vessels, equipment and systems

Technology usually replaces labour with capital. Shipowners use it to reduce voyage times and labour costs so as to increase efficiency, productivity and profitability. They adopt new technology when the savings yielded are expected to exceed the capital costs and improve competitiveness – by reducing freight rates, which attracts cargo. The process has fallen broadly into three areas – improvements in vessel design; better cargo handling methods; and reductions in crew numbers and waterfront labour. Unintended consequences, however, can reduce shipping profits.

The development of the large bulk carrier and unitisation of general cargoes, especially by containerisation, are the two most important developments in post-war shipping design. Both were adopted early by Australian shipowners. The new designs were complemented by on-board technological improvements common to both types of vessel. Examples are the removal of on-board cargo-handling equipment, replacing labour-intensive derricks with cranes, the provision of power-operated hatches, self-tensioning winches to facilitate mooring, control of main engines from the bridge and long-lasting paint systems. All these features were built into approximately 70 new vessels that joined the Australian fleet between 1965 and 1976.

Technology requires increased capital investment in ships and often in specialised ancillary shore facilities to service them, which deters the less-dedicated and financially-weaker companies – they often withdraw. It also increases the cost of delays due to whatever cause. But advances in marine technology are also accompanied by social costs; for instance disuse of port facilities and loss of jobs.

Thus, the expected increase in efficiency can be thwarted in the short term by the actions of labour resisting loss of employment, unless they are compensated. This extends the period before owners recoup the capital costs of their investment and widens the competitive gap between shipping and substitute transport modes. The rewards of technology are further trimmed if the solution requires more capital expenditure or if concessions are required to compensate labour, as these costs must be recovered by freight-rate increases. This was the experience of Australian shipping as it gradually embraced technology and, for the workforce to accept it, required the long-overdue establishment of shipping and stevedoring industry pension funds, severance payments and an over-generous two-crew leave system. By the 1980s, crew-related costs formed 67-68 per cent of the annual cost-differences between Australian vessels and vessels registered overseas. Thus, notwithstanding technology's long-term benefits, in the medium term, the extra investment, labour disputes and concessions granted to obtain its ultimate acceptance, imposed costs on the shipping industry.

Rivalry among existing shipping firms

Rivalry within the shipping industry is a competitive force with similar features to competition from outside the industry. Late in 1949, the Liberal/Country Party Government, newly-elected on a platform of support for free enterprise, invited the Australian shipowners to make an offer to buy the Government's fleet of some 40 vessels. Conditions were that they acquired the whole fleet, maintained all trades and supported the shipbuilding industry. However, procrastination and dissension among the shipowners, and six years of fruitless negotiations between seller and buyer, led to the Government withdrawing its offer in 1956. As the vessels were fully employed maintaining trades, the only course of action available to the Government was to retain and operate them itself, for which it created the Australian National Line (ANL).

Having remained a shipowner against its better judgement, the Government used its powers to ensure the success of the large investment of public funds that ANL represented. ANL's rivalry became another competitive force, complementing that of shipping's substitutes to which ANL itself was also subject.

ANL was established on commercial lines. Its government loan of $30 million to acquire its fleet of 46 ships was low, as was the 6 per cent interest on it compared with the cost of funds to most private companies. Captain J. P. Williams (later Sir John), who was appointed to head up ANL, was a well-respected seaman and successful businessman under whom ANL flourished for almost 15 years, making further inroads into private shipping's trades, while paying a dividend to the Government and meeting its annual commitments.

ANL's decline dates from 1968 when the Government informed Williams that ANL was now a 'political instrument' subject to control by Departmental officers. In 1971, Williams retired. Soon after, the effects of a deep international shipping recession, exacerbated by unwise financial and trading decisions made by the Government on ANL's behalf, led to ANL becoming chronically unprofitable. By 1984, ANL's assets were exceeded by its debts (including $110 million of accumulated losses) and ANL received two injections of Government capital to save it from bankruptcy. Losses continued until 1991 when the Government, faced with a $13 billion budget deficit, included ANL in a list of Government enterprises to be sold off. After controversy and union resistance, ANL's piecemeal sale to foreign and Australian companies was completed in mid-1998.

The competitive force of ANL's government-assisted rivalry had two effects. Firstly, by its penetration of the private sector's trades, it reduced these companies' profitability. The other effect had deeper industry implications. The Government built up ANL to dominate the industry, substantially at the expense of the private sector. This led to some of the major surviving companies concluding they had no future in the Australian industry and they either withdrew from shipping completely or invested in overseas shipping where they prospered. So, when the Government sold ANL and quit shipping, it left behind a vacuum which the remains of the private sector was unable, or unwilling, to fill. Investment ceased and a shipping shortage developed that was filled by the Government admitting foreign-flagged vessels to the coastal trades.

Government policy

The competitive force of Government policy on post-war shipping has been all-pervasive in its effect on industry profitability and was first felt by the private sector. As already noted, air, rail and road transport received benefits from wartime infrastructure improvements, but the Government did not recover the costs it had incurred from those industries. Then, the Government withheld disclosure of its shipping policy until 1949, leaving unanswered the private sector's questions on industry nationalisation, new ship availability and the purpose of the Government's fleet – the uncertainty created resulted in a pause in investment and industry stagnation. The Government's attempts to sell its fleet were well-intentioned and their failure, leading to the ANL's establishment, was not its fault. Nevertheless, the effects of ANL's rivalry were real.

In 1976, during a period of high inflation, the Commonwealth and Western Australian Governments did not pass on to customers the increased freight costs incurred by Railways of Australia's express container service between Western Australia and the eastern states until after Associated Steamships' competing service collapsed.

But the worst impact of government policy on private shipping was the Government's direction of ANL into unprofitable trades and under-funding. An early example of the former was the ANL's direction in 1958, against opposition by its management, into the Christmas Island phosphate trade at international freight rates which, for an Australian ship, were not profitable. ANL's entrance into the container trade to Darwin was similarly unprofitable.

The effects of ANL's 'political instrument' were most apparent in its general and bulk cargo ventures into the international trades. In 1969, the Government first introduced ANL to the international general cargo trades by joining the Australia/Japan Conferences in partnership with Japanese 'K' line, to which both contributed two ships, the ANL's substantially funded by debt. This was referred to in Government circles as the 'window' principle – acquiring a window into trades with the minimum investment of capital and 10 ships. Over the next few years, the risky window principle was used to put ANL into trades to Europe, the east and west coasts of the United States, north-east Asia and south-east Asia. In 1973, during a shipbuilding boom, ANL also chartered four large expensive bulk carriers from Europe for the Japanese iron ore trades, without prior discussion with the ships' prospective charterers, Japan's steel mills. Meanwhile, an international recession drove charter rates down and, when the first two bulk carriers were delivered in 1976, ANL was forced to accept rates too low to cover their cost. The following two vessels were not introduced for two years, during which ANL bore their lay-up costs. It is doubtful that these ships ever traded profitably.

The international depression that began in the early 1970s was the worst for 50 years and, by 1983, 1,740 ships were laid up for lack of work worldwide due to over-building – too many ships chased a relatively small amount of cargo, forcing down freight rates. The large international container companies reacted by amalgamations, rationalisation of services and investment in larger vessels. To a small player like ANL, with heavy borrowings requiring high interest payments from declining revenue, the situation was catastrophic.

By 1981, the Government professed itself concerned at the condition of Australian shipping, especially its own line, and embarked on a series of revitalisation initiatives. A number of committees, comprising shipowners and unions, were appointed. The committees discussed means of increasing the industry's efficiency and were very successful. In return for Government financial assistance, crews were reduced to international standards and capital costs to approximate parity with those of other OECD countries. Most importantly, the revitalisation initiatives brought shipowners and unions to a respect for each others' position that significantly reduced industrial disputation and introduced an era of cooperation. Unfortunately it was too little too late.

An early decision of the new Government elected in 1996 was to withdraw the financial assistance package negotiated with its predecessor, and by 1998, the ANL's continuing decline brought about its sale. The consequent slump in investment led to the admission of foreign-flagged vessels to the coastal trades, many with foreign crews, and many owned or chartered by Australian companies, as described earlier. This brought Australian shipping to its present condition and reliance on the mining and manufacturing industries for employment.

Discussion

Was there at any point in shipping's post-war history an opportunity when the process of decline could have been halted or even reversed? If so, it was when the Government offered to sell its fleet to the private sector owners and they failed to accept the offer. It cannot be said, though, that, if they had acquired the fleet, their future position would have been assured. What can be said fairly certainly, however, is that once they decided not to buy the fleet they could not survive. For, with the sale's failure and the ANL's creation, it could be expected that the Government would direct strong political and financial aid to its line and the substantial public investment it represented, against which private owners could not expect to compete.

Which of the six competitive forces had the greatest effect on shipping's loss of profitability and decline? Undoubtedly, it was the Government's pervasive influence in four of the six competitive forces – supply factor restrictions, competition by substitutes, ANL rivalry and its own shipping policies. Alternatively, it could be argued that meeting the challenge of competitive forces is the normal duty of management. But there is no effective managerial response to a government policy framed with scant regard to its impact on their business. This does not imply that Government policies were deliberately anti-shipping in general or its private sector in particular. With one exception, Government policies towards shipping post-war have been at worst neutral and at best well-intentioned, albeit inadequate, attempts to help the industry.

Thus, the current condition of Australian shipping is largely due to past Government policies (or lack thereof) and is unlikely to improve without a revision favourable to the industry.

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