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The New Guinea goldfields between the wars



an address to the Institute on 26 June 2012 by

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In the 1930s, the New Guinea goldfields were the second-largest gold-mining province in Australasia and the main source of the territory's revenue. This was made possible by world-leading air transport and was ended by Japan's invasion in 1942. Australia's indifferent administration of the territory under a League of Nations mandate was a lost opportunity.

Key words: New Guinea; Australia; Japan; League of Nations; World War II; goldfields; air transport; colonial administration.

Today, few people know much about Australia's colonial experience in New Guinea between the wars, when the territory was administered by Australia under a League of Nations Mandate. Destruction of records by Japanese and Australian troops left the historical record poorly documented. Research into my grandfather's activities in connection with gold mining in New Guinea between the wars left me with many fascinating stories and facts about the period and resulted in a book on which this address is based¹.

The goldfields were the key to New Guinea's survival between the wars. Most economic activity was linked to them and they were the main source of revenue for the Administration. Despite considerable transport and communication difficulties, New Guinea emerged during the 1930s as the largest gold mining province in Australasia, other than Western Australia. The story of how this happened is a remarkable one.

Australia's New Guinea Mandate

At outbreak of war in 1914, Germany had a significant naval force in the Pacific. There was a coaling station at Rabaul, the capital of German New Guinea, which was also part of a chain of wireless stations connected to Berlin. In view of this threat, an Australian Naval and Military Expeditionary Force was despatched from Sydney a fortnight after war was declared. It arrived at Rabaul on 11 September and, by the end of the day, the wireless station had been captured. A military administration then operated until 1921.

At the Versailles Peace Conference, Australian Prime Minister Billy Hughes argued strongly for the full annexation of German New Guinea by Australia. The development of the territory and welfare of its people mattered little to Hughes. Along with Papua, his interest in New Guinea was as a bulwark against possible future Japanese aggression.

In the end, a compromise was reached, with Australia being given a mandate to administer New Guinea on

behalf of the League of Nations. The Mandate imposed various obligations on Australia, in particular requiring it to "promote to the utmost the material and moral well-being and the social progress of the inhabitants of the territory". The *New Guinea Act*, which provided the framework for the Administration's activities, pointedly excluded any reference to this obligation. The government was far more interested in expropriating German property and businesses, both as reparation for some of its war losses and the employment opportunities they would provide for returned soldiers. On 9 May 1921, a new civilian administration took over from the military administration.

The government's indifference towards New Guinea was reflected in several early decisions. The new Administrator, Brigadier-General Evan Wisdom, was not a good choice. He lacked any experience in colonial administration and was strongly opinionated. Preference was given to World War 1 veterans when appointing Administration staff, most of whom were untrained and unsuited to the challenges ahead. The government further impeded the scope for effective administration by providing that all important decisions regarding the Territory's administration were to be made in Australia by the Minister for Home and Territories and his department. Finally, the government imposed a financial strait-jacket on the Administration, explicitly stating that it would not contribute to the Territory's budget.

At this point, the outlook was far from promising. The non-indigenous population was tiny. In 1922, there were only 1500 Europeans in New Guinea and a similar number of Chinese, whose immigration had been encouraged by the German Administration because of the need for cooks, tailors, carpenters, mechanics and market gardeners. Most Europeans lived in Rabaul or on copra plantations, the largest of which were on New Britain and New Ireland. Others were on smaller islands and scattered around the coastal fringes of the New Guinea mainland. Copra produced 90-95 per cent of New Guinea's exports. With a lacklustre Administration, a narrow revenue base and virtually no infrastructure, it seemed inevitable that New Guinea would remain a backwater. However, the outlook changed for the better with the discovery of gold.

¹Michael Waterhouse (2010). *Not a poor man's field: the New Guinea goldfields to 1942 – an Australian colonial history* (Halstead Press: Sydney). It may be purchased through bookshops or directly from the author through his website www.notapoormansfield.com.

Morobe Goldfields

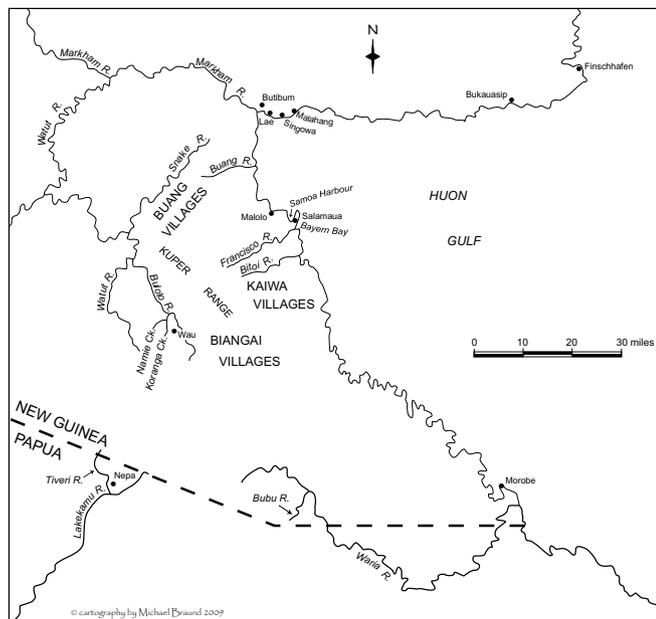
Gold was discovered in the interior of the Morobe District in 1926. At the time, Lae was little more than a camp used by the occasional patrol. Salamaua, a narrow, sandy isthmus 18 miles down the coast, was the only place with a safe anchorage. In the years that followed, it was to be the focal point for miners moving inland and the administrative centre for the Morobe District.

Edie Creek

The first major gold discovery was at Edie Creek, 32 miles inland from Salamaua. A prospector found gold so concentrated that each dish he washed contained up to 20 ounces. Shortly afterwards, using simple sluice boxes, two others recovered 7600 ounces in 6 weeks – worth more than \$1 million today. This discovery led to a rush from Australia, despite the best efforts of the Administrator to discourage it, and despite the fact that, to get there, miners with teams of carriers and labourers had to hike for 6 to 8 days through mountainous, jungle-covered terrain.

The long trek in from the coast to Edie Creek was the catalyst for the arrival of aeroplanes, the first of which reached Wau in April 1927. Within a few months, a motley collection of planes were struggling back and forth between the coast and Wau.

These early planes were fabric-covered, single-engine plywood biplanes, some of them ex-World War I bombers, designed neither for freight nor New Guinea's climate. The glue that held them together deteriorated quickly in the high humidity, so crude hangars were constructed out of local timber, held together with vines and thatched with leaves from sago palms.



Map showing the relationship of the Morobe goldfields to Lae and Salamaua [Map: Michael Braund]

Bulolo Valley

The second discovery, though not as rich as Edie Creek, was much more extensive. The Bulolo River opened out into a broad valley that was a mile or more

wide and 10 miles long. In 1929, a small Canadian mining company, Placer Development, tested the alluvial gravels and confirmed the presence of significant quantities of gold.

This was the catalyst for extraordinary events. The only practicable way of working such a large area was by dredge. But given the difficult terrain between it and the coast, getting a dredge there was never going to be easy. In the absence of any road from the coast, Placer's directors decided to use planes in a way never previously used anywhere in the world to support mining in remote and inaccessible places. All the components of each dredge were to be flown in on large planes so they could be constructed where they were to operate. And despite the onset of the Great Depression, they convinced investors to provide the capital required to buy two planes and construct a hydro-electric power station and two dredges.

The challenges were endless. There was no infrastructure of any kind in the Bulolo Valley. Jungle would have to be cleared for an airstrip, roads built and power lines erected, while a huge dredge and a hydro-electric plant were constructed by a labour force that had not yet been recruited.

The company established to work the leases, Bulolo Gold Dredging (BGD), began its build up in 1931 and the first dredge was launched on 21 March 1932. Over the next few years, two more power stations and a further seven dredges were constructed, the last dredge being launched in November 1939.

Up to the cessation of mining in January 1942, BGD's dredges produced 1.3 million ounces of gold and 600,000 ounces of silver – more than 60 per cent of the field's production. Most importantly for the Administration, it was a major source of revenue. Royalties, fees and import duties paid by BGD contributed around 25 per cent of the Administration's revenue during the 1930s.

The company's success was only possible because of the operations of two Junkers G31 aircraft – each of which could carry nearly three tons of freight and, at the time, were among the largest planes in the world. It was an extraordinary achievement. Everything required for the construction and maintenance of the dredges, power stations and two townships was transported, mainly on these two aeroplanes. The frequency of their coming and going, as they made five or more round trips a day between Bulolo and Lae, led to them being named 'Peter' and 'Paul', after the children's nursery rhyme. Not a bolt was ever lost. Their performance attracted mining experts and aviation enthusiasts from all over the world. There is a photo of 'Peter' on page 26.

In 11 years, the two G31s, supplemented on occasion by a third, flew 14,000 trips over 1.4 million miles, carrying nearly 40,000 tons of freight and around 7000 passengers. To put this in perspective, planes in Australia flew a mere 5000 tons in the pre-war period. Junkers had engineers and mechanics in New Guinea throughout the 1930s, and it has been suggested that reports on the performance of the G31s in New Guinea were used in German planning for the supply of troops during World War II.



The Junkers G31 transport aircraft, 'Peter', being unloaded.

Wau's population swelled from a handful of Europeans in 1927 to more than 1000 ten years later. By 1938, there were 1800 Europeans in the Morobe District, 12,000 New Guinean labourers and 200 or so Chinese.

The operations of the Junkers G31s were complemented by those of a myriad of smaller planes flying a highway in the sky between Salamaua and Wau. Wau's aerodrome, constructed on the lower slopes of Mt Kaindi on a 1-in-12 gradient, quickly became the hub of the goldfields. When supplies arrived from the coast, pilots would load up their planes with supplies for miners working in remote locations and fly these in to crude, often hair-raising, airstrips perched precariously on the sides of mountains.

This frenetic but sustained activity meant that, throughout the 1930s, New Guinea led the world in commercial aviation. Planes there flew more than half as much freight as all those in the United States, Canada, Germany, France and the United Kingdom combined. In no year did any other country's planes carry more freight than in New Guinea. The contrast with Australian air-freight levels is even starker – they carried 20 times the freight of all planes in Australia.

The Administration

Australia's performance in discharging its responsibilities under the League of Nations Mandate at this time was lacklustre. The challenges the new Administration faced in 1921, though, should not be underestimated. The indigenous population was widely dispersed over inaccessible country, spoke hundreds of languages and had no hereditary chiefs to whom administrative responsibilities could be delegated. The country was virtually unexplored. On the mainland, few Europeans had ever travelled more than 10 miles inland from the coast. And the Australian government was determined that New Guinea should be financially self-supporting.

Australia was required to report annually to the League of Nations on its obligations under the Mandate. This report was audited by the League's Permanent Mandates Commission. Article 2 of the Mandate required Australia to promote the well-being and social progress of the Territory's inhabitants. However, if the League expected Australia to translate these high-sounding

words into concrete policies, it was very much mistaken. The Commission was soon expressing concern about Australia's lack of financial support for the Territory.

In this, it was given a 'free kick' when the government appointed a former British colonial official, Colonel Ainsworth, to review the system of administration in New Guinea. His 1924 Report was scathing, concluding that: *"The Territory cannot, from its present resources, provide for an effective administration and at the same time make provision for the many urgent and absolutely necessary requirements, such as roads, communications, and other essential public works."* The government responded with several small annual grants for native welfare. However,

the Commission saw them for what they were – a token gesture.

There was also a darker side to the financial relationship. Australia was required not to exploit the Territory for its own profit. However, it did so by systematically creating dubious liabilities, then ensuring that the 'loans' to which they gave rise were repaid as soon as practicable. These liabilities included amounts paid to the Prize Court for ships captured from the Germans – despite the Commonwealth Auditor-General's view that the ships were practically worthless. A further significant liability was for stores supplied and services rendered for civil purposes up to seven years earlier – even before the commencement of the civilian administration. The debts arising from these and other unexplained liabilities were duly repaid – the Administration twice having to borrow from its trust funds to do so.

The Administration's ability to promote the well-being and social progress of the Territory's inhabitants was further impaired by its own rigidly conservative fiscal policy. Already burdened by the need to generate sufficient revenue to service and repay loans to the Commonwealth, the Administration recorded a cumulative budgetary surplus every year from 1926-27 on. Administrative salaries and departmental contingencies often exceeded 80 per cent of total outlays, leaving little scope for expenditure on social or economic development. Thus, in the 1930s, education never accounted for more than 2 per cent of total expenditure.

By 1941, after 20 years of civilian administration, very few New Guineans could read or write. Most were employed as unskilled labourers. Where they were employed for their skills, these had usually been acquired while working for mining companies.

Expenditure on health was greater, with campaigns at the village level against yaws and hookworm. However, no action was taken to prevent many labourers in the Wau-Edie Creek area dying from pneumonia and dysentery or to treat tuberculosis on plantations, despite its high incidence among labourers there.

No-one had a potentially greater impact on achieving Article 2 of the Mandate than District staff. They undertook patrols to extend and consolidate Administration influence, conduct censuses, collect taxes, settle disputes, investigate complaints and crimes, appoint

village officials, inspect villages, undertake medical inspections and give basic advice on crop growing. And yet after 1926-27, expenditure on district staff increased at only two-thirds the rate of overall Administration expenditure. As a result, little more than 40 per cent of the Territory was deemed to be under control in 1940, with 30 per cent beyond the scope of any administrative activity.

The revenue from gold should have provided a platform for the development of a more diverse economic base. In fact, it had the opposite effect – by removing any incentive to develop the Territory's infrastructure or its agricultural, pastoral and timber industries.

An insight into the mindset of the Administration can be gained from the fact that, while world aviation records were being set regularly on the mainland, it saw no need for an aerodrome in Rabaul until 1938. Until then, there was no air link with the mainland, officials preferring a more leisurely form of travel – by ship.

The Administration also had a strained relationship with mining companies. Remote from the mainland, the reputation of Rabaul bureaucrats for obstructing rather than facilitating development was an enduring source of frustration. Process was more important than progress. Despite poor communications between Rabaul and the mainland, rarely were decisions of any importance delegated to District staff.

In consequence, the legacy of Australia's colonial experience in New Guinea was so much less than it might have been. Australia was to bear the cost of its narrow vision after the war, and Papua New Guinea arguably still does so today.

World War II

It is ironic that, at Versailles, Billy Hughes had fought to annex New Guinea so that it could be a bulwark against possible future Japanese aggression. Even when Japan withdrew from the League of Nations in the mid-1930s and fortified the Caroline Islands to New Guinea's north, successive governments did nothing to prepare the Territory for the forward defence of Australia.

It is true that the Mandate limited military preparations, but successive governments paid little heed to other restrictions imposed under the Mandate. Had they chosen to establish a military presence, particularly after the Japanese threat began to develop in the mid-1930s, there is little the League could have done.

It was only after the outbreak of war in Europe in September 1939 that the government finally authorised the Administrator to form a part-time volunteer defence force, comprising 20 officers and 400 other ranks – known as the New Guinea Volunteer Rifles (NGVR). However, they were under-resourced, with antiquated weapons and insufficient ammunition.

Until the arrival of Lark Force in Rabaul in April 1941, there were no Australian troops in New Guinea. Nor was any effort made to train New Guineans to assist in the possible defence of the Territory or to establish fortifications on the mainland that might be used to resist an invasion.

Japanese aircraft began bombing Rabaul on 4 January 1942. Intermittent attacks followed, leading up to

a major attack on 20 January. The following day Japanese fighters and bombers attacked Lae, Salamaua and Bulolo. The Junkers G31, 'Paul', had just landed at Bulolo with 200-dozen bottles of beer for a thirsty mining community, when it and the other two G31s owned by BGD were attacked and destroyed by five Japanese zeros. The Japanese missed Wau on this occasion, but returned twice in the following weeks, bombing the airstrip and neighbouring buildings.

With few troops available to defend the mainland, a scorched-earth policy was central to the Army's strategy. At Lae and Salamaua, every building and all remaining fuel and stores were destroyed within a few days of the Japanese attack, leaving virtually nothing of the coastal townships which for so long had been pivotal to the goldfields' success. BGD was able to secure a commitment from the Army that the dredges at Bulolo would be immobilised rather than destroyed, but preparations were made to demolish everything else.

On 5 March, during an attack on Bulolo, a bomb landed outside the Machine Shop, setting off the demolition charges there and in nearby buildings, so completing the job for the Japanese. Three days later, 3000 Japanese troops landed virtually unopposed at Lae and Salamaua in the pre-dawn darkness. Fearing an attack by airborne troops, the officer-in-charge at Bulolo promptly ordered the destruction of the three hydro-electric power stations, three bridges, the refrigeration plant and hospital.

For the next three months, 250 thinly scattered NGVR troops were the only military force on the New Guinea mainland. In late May, a new guerrilla group called Kanga Force, comprising the NGVR and 450 reinforcements, established its headquarters at Wau. Its role was to harass and destroy enemy personnel. The Force was led by the youngest lieutenant-colonel in the Australian Army, 25-year-old Norman Fleay. In late August, believing a Japanese attack was imminent, despite intelligence to the contrary, he ordered the destruction of every building remaining on the goldfields. The Japanese never occupied Wau or Bulolo. In January 1943, they were turned back with heavy losses at the foot of Wau aerodrome.

Conclusion

Australia's narrow vision towards New Guinea in the inter-war period, supplemented by a lacklustre Administration, meant that, despite the richness of the Territory's gold mines, there was little effort to develop the physical infrastructure or social capital that might have provided the basis for future economic development. Arguably, Papua New Guinea and Australia are still suffering the consequences.

The Author: Michael Waterhouse is an economist and historian, who served in senior positions in government (the Commonwealth Treasury) and business (with Westpac); and as a consultant. He studied anthropology at the University of Sydney, and economics and economic history at the Australian National University. [Photo of Mr Waterhouse: Colonel J. M. Hutcheson, MC]