

# Shipping Act 1949

High in order of priority among those industries which the Labour Party has, at one time or another, declared that it is determined to nationalise, stands the Australian shipping industry, which now directly employs some 60,000 people to whom it annually pays over £20,000,000 in wages. It is therefore surprising that, in their speeches in support of the Shipping Bill, which has recently been passed by the Federal Parliament, so many Labour politicians were at pains to state that neither would the Bill permit of the nationalisation of shipping and shipbuilding, nor had the Government any intention of achieving that end by an indirect method. Nevertheless, it is beyond doubt that many of the provisions of the legislation confer such far-reaching powers upon the Minister administering the Act that nationalisation of shipping may well be the end result, and that their enactment is unnecessary if the Government has nothing in mind apart from the purposes which it has adduced as the ostensible *raison d'être* of this contentious measure.

## General Purposes of the Legislation.

On introducing the Bill to the Senate, the Minister for Shipping and Fuel stated its objectives to be threefold:—First, to provide for the maintenance of the Australian mercantile marine; second, to provide for the maintenance of the shipbuilding industry in Australia; and third, to provide for the establishment of a Commonwealth line of steamers. He argued that at the outbreak of the last

war the Australian coastal fleet was hardly adequate for the tasks which it was later called upon to face, and as a sufficient merchant fleet was essential for the defence of Australia, the Government was unwilling to leave the mercantile marine to the accidents of commercial chance. By prohibiting ships which had reached the age of 24 years, or which had not been built in Australian yards, from operating in Australian coastal waters, it was proposed to ensure that the merchant fleet would be maintained in a reasonably modern condition, and that Australian ship-building yards would be maintained at full capacity. No reason for the establishment of a Commonwealth line of steamers was given by the Minister in his opening speech, but later Government speakers urged that such a line would provide a market for the shipbuilding yards, would assist in opening up undeveloped areas, and, by engaging in competition with local and overseas shipping companies, would ensure that freight rates were maintained at reasonable levels.

## The Threat of Socialised Shipping—Real or Imagined?

Strangely enough, the Shipping Act has received little publicity in the daily press, and the shipping companies have made no protests of the kind that might have been expected had they believed their very existence to be menaced. On the other hand, the Leader of the Opposition (Mr. Menzies) declared that the measure involved certain nationalisation, and said:

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"It goes beyond nationalisation as we understand it, and may again understand it in the case of the banks; for it includes not only nationalisation, but also confiscation of the assets of those already engaged in the shipping business. . . . This legislation, which deals with something not so easily understood as some people would think, is worse than the Banking Act, because it means that the business of the great shipping companies, which for years have existed here, are to be acquired, not on just terms, but by the process of elimination."

It may be that the Leader of the Opposition was wrong in regarding the Shipping Bill as another manifestation of the nationalising propensities of the present Government. *Nevertheless, there is no doubt that if this, or any future government, were to decide that the shipping companies should be nationalised, ample power has been conferred by the Shipping Act to enable this to be done without any further consideration by Parliament, and irrespective of whether or not such a course had the approval of the public.*

It is provided in Part 3 of the Act, which deals with Licences, that no ship may engage in trade between places in the Commonwealth after it has reached the age of 24 years†; that no new ships may engage in trade unless they are built in Australian yards; that no new ships may be built in Australian yards unless the Minister decides to grant a licence for such construction; and that no ships on

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†The Minister is given a wide discretionary power to license any ship he chooses, to enable him to ensure that the provisions of the Act do not conflict with his appraisal of the public interest.

the Australia register, irrespective of age, ownership or country of manufacture, may be sold without the consent of the Minister. And so the operation of the artificial guillotine rule that after they have reached the age of 24 years, ships must be scrapped, broken up, or sold (provided the Minister consents), means that ships will either be sacrificed as junk or sold on a buyer's market, and that, in any event, shipping companies must inevitably be denuded of their present ships. The continued existence of these companies will therefore depend entirely upon their success in securing from the Minister licences to obtain new ships, and although the present Minister may not intend that this power should be used to squeeze the shipping companies out of existence, there is no safeguard whatsoever to prevent any future socialist Minister from putting just such a policy into effect.

The dangers of delegating powers to a Minister to enable him to nationalise a great industry at will cannot be overstressed, and the oft-reiterated statement that, "of course, the powers will not be utilised," is not in the least reassuring to an electorate already alarmed by the present Government's decisions on private banking. Sir Oliver Franks,\* a man who has risen to great eminence under Labour rule in England, and who has had wide experience in such matters, once said: "The most difficult act of those in positions of great power is the deliberate decision not to use it." One may well ask why the power to nationalise shipping by

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\*Present British Ambassador to the United States.

process of attrition has been included in this legislation if it is never intended to use that power.

### Shipping and Security.

While the nationalisation of shipping would probably receive little support except in extreme socialist quarters, the Government's decision to maintain the strength of the ship-building industry and the mercantile marine must receive the commendation of all thinking people. In view of the paramountcy of defence needs, there is a clear obligation on the Government to ensure that, in the event of war, we shall be in a position to build, man and repair a sufficient fleet of ships. At the outbreak of the last war, the Australian coastal fleet was not all that could have been desired from a defence standpoint, and the ship-building industry had been allowed to languish. In some quarters, there is a tendency to reproach the shipping companies for this unsatisfactory state of affairs, but it is the duty of Parliament, rather than of the shipping companies, to take such action as is necessary to ensure that there exists a mercantile marine which will be able to contribute effectively to the defence of the country in the event of war.

Shipping companies naturally conduct their businesses for profit and, in so doing, provide the public with efficient services at minimum cost. They are primarily concerned with economic and not with defence considerations. The blame for any shortcomings in the Australian mercantile marine, as it existed in 1939, must be borne equally by all Parliamentary parties. If successive Governments failed,

in the period between the wars, to ensure that the merchant fleet was maintained at sufficient strength for defence purposes, neither did members of Opposition parties show any greater awareness of the threat to our defence position. The policies pursued by private shipping companies in their own economic interests, coupled with the neglect by Parliament of its responsibilities in the matter, inevitably led to a position where a great portion of the coastal fleet was not entirely satisfactory for defence purposes. There is no reason to believe, however, that a strong and efficient organisation could not be built up provided the private shipping companies receive the sympathetic co-operation of the Government. The subsidising of Australian-built ships purchased by these companies and the encouragement of the scrapping of old or obsolete ships by appropriate tax concessions are methods which the Government might adopt in pursuance of such a policy. Along these lines the Government could assist the shipping companies to equip themselves with modern and efficient fleets at a minimum of cost to the taxpayer. Only if the private shipping companies refused to co-operate to this end ought consideration be given to the nationalisation of shipping and ship-building, and provisions such as those included in the Shipping Act. Instead of approaching the matter in this light, however, the Government has enacted many proposals of dubious merit and two which are thoroughly bad:—First, the imposition of a complete embargo on new ships from overseas; and second, the decision to establish a Government Shipping Line.

### Creation of an Australian Ship-building Monopoly.

In order to protect the Australian ship-building industry, the Government has determined that the industry shall be assured of a permanent market for all its products. As all ships for the coastal trade must be built in local yards, and as these ships must be sold or scrapped after reaching the age of 24 years, ship-building firms can rely on a seller's market in perpetuity. All ships built by them, irrespective of cost, are to be purchased by the Minister, with the concurrence of the Treasurer, with funds obtained from the people of Australia. It will doubtless be easy to see that it is not the Minister's own money he is using. There is to be no encouragement for efficiency among ship-builders; there is to be no stimulus supplied by keen competition; we are to have, on the other hand, a ship-building monopoly, wherein all the vigorous powers inherent in private, competitive enterprise have been atrophied by neglect.

During the course of the debate on the Act, a Labour member drew attention to this danger:—"What would a ship-building organisation care how much it costs to produce a ship in its yards so long as the work was being liberally subsidised by the Government? High production costs would be a charge not to themselves, but to the Government." It seems a pity that with a body in existence such as the Commonwealth Tariff Board, able to enquire into the ship-building industry and to recommend appropriate assistance in the form of tariffs or bounties related to efficiency and cost reduction, the Government should have adopted the complete

embargo policy. It is particularly to be regretted that the country which will suffer most from this embargo is the United Kingdom. The British ship-building industry is the most efficient in the world, and, in the absence of devices restricting trade, could be relied upon to make a substantial contribution to the export income upon which the hard-pressed Britons so sorely depend.

### Creation of an Australian Shipping Line

It is not clear what ends the Government hopes to serve by establishing a second Commonwealth shipping line, but a study of statements by Government speakers suggests that ever since the sale of the original ill-fated Commonwealth Line, many Labour politicians have been filled with nostalgic yearnings for another such venture. The first Commonwealth Shipping Line was established during the first world war by Mr. W. M. Hughes and in its early years, performed invaluable services and earned profits. Later on, in common with most other shipping enterprises, it fell upon hard times and incurred huge losses, as a result of which the Bruce-Page Government decided it should be sold. Mr. Hughes has never repudiated the venture, but then to quote his own words: "The line is my progeny and whether it be unique or a monstrosity, I am still attached to the poor thing." Certain it is that many politicians who were in a position to know the true facts considered the sale of the line the wisest course; this notwithstanding, others have represented its disposal as a betrayal of the Australian people. It is perhaps fortunate that one need not dra-

on the experience of the past in this instance in order to realize how ill-advised is the present Government's decision to establish a shipping line. As all the ship-building yards have orders for ships which will take years to complete, it follows that a new Commonwealth Line will not, for some time to come, increase the total merchant fleet by as much as one ship, nor will it therefore augment the merchant marine in the slightest degree.

It has been argued that this line will assist in opening up areas which otherwise would never be developed, and that by stimulating competition it will assist in bringing about a reduction in freight charges. But the former objective could have been more economically achieved by subsidising special private shipping services, and the latter is unlikely to be realized unless a higher degree of efficiency can be achieved than is customary in government activities.

As Lewis C. Ord, who, at one time acted as adviser to the Commonwealth Government on aircraft manufacture, has said: "Experience has shown that if the directors (of a government business) are wisely selected, and if all governmental and political interference is successfully prevented, these companies may be operated fairly close to levels of efficiency usual in good privately-owned businesses; but they never equal—let alone surpass—those levels." However, there is no real attempt in the Act to reduce or prevent political interference. Indeed, Section 15 of the Act, setting out the powers of the Australian Shipping Board, leaves one somewhat doubtful whether the Board has any real powers at all—the

phrase "subject to the approval of the Minister" occurs five times in its first nine clauses! And so, a presumed omniscient and obviously omnipotent Minister is apparently, along with his many other duties, to act as chief executive of a shipping line. It is indeed a tribute to the altruism of the Minister, whoever he may happen to be, that a man of so many parts should be prepared, in the interests of the state, to shun the rich rewards which private enterprise would doubtless be prepared to pay for the services of such a prodigy!

#### **Expensive Experiments.**

In the last analysis, it is the general public which will have to foot the bill for the Government's experiments. If the new Commonwealth Shipping Line incurs losses, the taxpayer will have to bear them; if the turn-round of ships becomes even slower and industrial unrest increases, the operating costs of the shipping companies will mount and freight rates will of necessity be stepped up correspondingly. The seriousness of any increase in shipping freights becomes apparent when one reflects that of all goods transported interstate, 90% travel by sea. Even if waterfront labour were to become more co-operative, some increase in freight rates would be inevitable, as shipping companies will now be forced to purchase locally-built ships instead of ships produced in the United Kingdom at a much lower cost. It is true that the Minister intimated that ships will be supplied to private companies at British parity prices, but a proviso was added to the effect that locally-built ships will not be supplied to these companies

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at less than 75% of cost. The practical effect of this policy, at present comparative costs of ship-building, is that a vessel of 6,000 tons, which can be built in England for £445,000, and in Australia for £711,000, will be supplied to local shipowners at £533,000, or, in other words, at a price £88,000 in excess of what would have been paid but for the recent Shipping Act. The effect which an excess capital cost to the shipping companies of £88,000 per vessel must have on freight rates, and hence the cost of living, requires no elaboration; while the amount of £178,000 provided as "subsidy" by the Government will finally also have to be met by the taxpayer. There will be a further burden to be borne in the transfer of workers from productive work to the administrative service of the new shipping line. As has already been said, it is the general public which will have to pay, and pay dearly, for the Government's expensive experiments.

### A Constructive Suggestion.

It is to be hoped that the Government will not continue in its determination to implement such a clumsy, dangerous and ill-conceived piece of legislation as the Shipping Act. However worthy the motives of the framers of the Act, an impartial appraisal of its provisions leads

one to the inescapable conclusion that it is far from the best means of ensuring at all times an adequate and efficient merchant fleet and ship-building service.

If the real reason for the enactment of the bill is the necessity for a strong defence, the Government is to be commended for its foresight, but it is greatly to be regretted that the means adopted are not more appropriate to the end to be served.

Instead of establishing a virtual monopoly among the ship-building yards the Government should provide for more competition rather than less, and should ensure that such competition is sharp and fair. The ship-building industry should receive only such assistance as recommended by the Tariff Board.

It is certain that with the sympathetic co-operation of Parliament, the existing shipping companies could extend services to undeveloped areas, and, if need were, could extend their services overseas if there were grounds for alarm that the Australian importers and primary producers were being exploited by an overseas shipping monopoly. Along these lines we might expect to obtain the most efficient shipping service and to establish a mercantile marine admirably equipped to serve the nation in peace as well as in war.

