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WHAT FUTURE NATIONAL SHIPPING LINES - AN AUSTRALIAN VIEW

BY

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A more accurate title for the talk I am about to deliver might well have been - "What Future Australia's National Shipping Line - One Australian's View". That is what I am conveying to you today, a personal and subjective view based on experience at the Australian National Line over the last 2/3 years and tempered by the experience of almost forty years in the industry. From cabin boy to captain as it were.

From that experience and in the course of this address I hope to convince you that A.N.L. is a commercially viable enterprise of benefit to all Australians and given continuing good management and continuing good Government is likely to remain so.

A.N.L. today operates some 25 vessels with a combined deadweight tonnage of about one million tons on the trade routes to almost all of our major trading partners. It has Stevedoring terminals at Sydney, Melbourne, Brisbane, Adelaide, Burnie, Bell Bay and Port Kembla. In total it employs more than 3000 Australians and has revenues in excess of half a billion dollars per year. It is currently profitable and it has this year recommenced paying dividends after a 14 year drought.

If, as I believe is appropriate, public enterprises are to be judged not only in the light of the circumstances which gave them birth but also in the light of changes wrought in those circumstances over time, then A.N.L. has been in the past and is now again, a successful public enterprise.

I must stress however, that both good management and good government are essential ingredients of success. The future of any National Shipping Line, and A.N.L. is no exception, is in the end what the Government of the Nation wants it to be, neither more nor less than that and as that perception changes with time and events, then so the National Shipping Line must over time respond.

That perception by Government of the role of a National Shipping Line in the economy of Australia has in the past, and may again in the future, rest as much upon the pressure applied to Government by powerful special interest groups within the community as it does upon broad considerations of overall national interest.

As William Ewart Gladstone, four times Prime Minister of England in the nineteenth century, said:

- "Nations do not have permanent enemies
- Nations do not have permanent friends
- Nations only have permanent interests".

One of those permanent interests of England to which I will advert later is a strong merchant marine. It is my firm conviction, based on experience, that the permanent interests of Australia also require us to have a strong merchant marine which is commercially viable and self-sustaining in times of peace and at the disposal of the nation in time of emergency whether that emergency arises from commercial conflict, or the ultimate form of commercial conflict, armed aggression.

We have I believe been very slow indeed to recognize where our own interests lie in this matter and because of this Australia has for far too long been denied one of the major planks of any economic defence - a self-sustaining, strong, commercially viable national shipping line of significance in its external as well as internal trades. One of the major threads of my address to you today is that ever since European settlement, the permanent interests of the British nation with respect to shipping have prevailed over the permanent interests of the Australian nation in this regard because we have failed to recognize and pursue our own interests.

Leaving this contention aside for the moment, on a more narrowly economic base A.N.L. has met in the past and now satisfies again the economic criteria justifying public enterprise activity in the market place as against leaving it all to Adam Smith's "invisible hand". It can and does provide services beneficial to the economy on a commercially viable basis where private enterprise has failed to do so and thus achieves a more efficient use of resources.

As witness of this there is ample evidence to suggest that from the end of the Second World War until the formation of A.N.L. in 1956, the market failed to provide the efficient coastal shipping services necessary to handle the seaborne coastal trade which at that time was substantial.

Private shipowners were reluctant to modernize their fleets, in part at least, because of a Government policy encouraging the expensive and highly protected Australian ship-building industry of the day, which, coupled with continual industrial disputes, combined to produce unacceptable levels of return on investment in shipping. This in turn produced a coastal shipping bottleneck retarding the growth of the Australian economy, eventually solved by the establishment of ANL.

A.N.L.'s entry into this scene on a commercially viable basis was responsible for a very substantial improvement in the efficiency of The Australian Merchant Fleet and therefore an improvement in the utilization of our resources. A.N.L. paid taxes and dividends from its inception in 1956 until 1969 whilst bringing about a sorely needed modernization of our coastal merchant fleet. This modernization was one of the fundamental objectives governing the formation of ANL.

A reading of Hansard covering the debates on the original 1956 Act reveals that the formation of A.N.L. had three main objectives:

(1) To form a commercially viable shipping activity from the loss making Australian Shipping Board which itself had been formed from four wartime initiated entities:

- (i) The Shipping Control Board
- (ii) The Commonwealth Government Ships
Chartering Committee
- (iii) The Central Cargo Control Committee
- (iv) The Commonwealth Marine Salvage Board.

- (2) To modernize and upgrade the efficiency of the Australian Coastal Fleet which consisted at the time of an ill-assorted collection of mainly old and/or inefficient tonnage incapable of handling efficiently the large volumes of interstate cargo then moving by sea.
- (3) To ensure that Australia had a merchant fleet sufficient to its needs in both peace and war.

A.N.L. not only achieved those objectives but also, as I have said, from inception in 1956 until 1969 paid taxes and dividends whilst doing so. It is again today in a similar position of positive economic and social contribution to the nation.

The technical advances introduced by A.N.L. in line with its fundamental purposes, have been in the past and are again today of substantial benefit to Australian commerce including:-

- The introduction of vehicle deck Ro/Ro vessels with the commissioning of the "Princess of Tasmania" and "Bass Trader" around 1960.
- The extension of this Ro/Ro concept into the Australia to Japan trade. Outmoded now perhaps, this innovation was highly successful at the time and was later extended into the trades with S.E. Asia and West Coast U.S.A.
- The commissioning of the specialist "Conbulker" vessel "Darwin Trader" around 1970 designed to facilitate the shipment in bulk of manganese ore from Groote Eylandt in the north to Bellbay in the south by carrying general cargo and containers on the northward leg.

- The introduction of modern bulk carriers into the coastal trade at a time when the sea carriage of bulk cargoes was a significant bottleneck in Australian industry and successive investments in this area designed to take advantage of the economies of scale flowing from the use of the larger vessels.
- The introduction to Australia of the concept of the self unloading grain carrier with the commissioning of the "Northesk" in 1957.
- The introduction of unit load carriage with the conversion of the "Southesk" in 1961.
- More recently the introduction of large coal fired bulk carriers to the Australian coast following the OPEC oil crises of the 1970's.
- The breaking of the Union Steamship Company monopoly of the Trans Tasman trade by initiating a joint service with Shipping Corporation of New Zealand in 1973.
- The introduction of the concept of the self-discharging raw material bulk carrier to the coast with the "Torrens River" as recently as this year.

This, incidentally, is an excellent example of innovation by public enterprise producing benefits not forthcoming from the "invisible hand" of market forces. The installation of efficient advanced discharging gear on the vessel enables a number of small users to benefit from the carriage of their raw materials in bulk, none of whom alone could have supported the investment in fixed shore installations necessary to the handling of their material in bulk.

These are not small achievements by A.N.L. They have been in the past, and still are, of benefit to our economy, particularly our domestic economy and they were not forthcoming from private enterprise. They arose from initiatives by A.N.L. when that enterprise was given good management and freedom from political interference in its commercial affairs.

In relation to our external trade, without a National Shipping Line and given the forces arrayed against us to which I will advert later, it always has been and always will be difficult to achieve an effective, cost efficient Australian Maritime Industry.

Without an effective cost efficient Australian National Maritime Industry we are without one of the principal means of guaranteeing that developments in the carriage of our external trade will occur in the best interests of Australia, as the shipping instrument will not be at hand to monitor and influence these developments. This is of particular importance in times of shipping shortage when the conference lines in particular become price makers rather than price takers as at present. World shipping is cyclical, ensuring that the current oversupply and consequent low freight rates will not last for ever.

Without an effective cost efficient Australian Merchant Marine there will be fewer job opportunities both afloat and ashore for Australians, more job opportunities afloat and ashore for our Japanese, Korean, American and European trading partners and more Australians on the dole.

Without an effective cost efficient Australian Maritime Industry we will continue to have no effective voice in the way in which the invisibles of freight and insurance and the commercial negotiating leverage flowing from control of shipping are marshalled against us by our trading partners who, almost universally, buy from us FOB and sell to us CIF for this purpose.

This is a process they conduct not out of the goodness of their hearts nor out of their kindness towards us and regard for our national interests, but in pursuit of their own economic interests. Interests I might add which are rarely likely to be synonymous with our own.

This FOB/CIF trap in which Australia's external trade is caught, should be a salutary lesson to us all not to ignore the lessons of history to which again I will advert later. Lessons taught us during our long colonial gestation period, part of whose legacy to us has been a failure to develop in Australia a commercial culture within which our traders would be encouraged to acquire and use the demanding complex skills and attitudes to risk taking essential to the successful manipulation of the invisibles. An effective cost efficient Australian National Line has been denied us, at least in part, by our failure to develop this essential commercial culture. For the term F.O.B. (free on board) read the Australian translation. Free of bother!

In a world moving increasingly towards protectionism in trade and shipping, a world where armed conflict is endemic and continually threatening to escalate, I believe it is at least unwise to speak of depriving ourselves of the means of conducting our own maritime commerce and defence, particularly in our own immediate neighbourhood. The existence of an efficient commercially viable Australian National Shipping Line encourages and facilitates the development of bilateral relationships with our major trading partners and particularly our near neighbours, such as New Zealand and Papua New Guinea, for the benefit of all Australians, New Zealanders and Papua New Guineans, rather than for the benefit of foreign cross traders whose cash and profits flow outside the area.

Whatever the reasons, Australia, one of the worlds great trading nations, has failed to develop a Maritime presence in its external trade significant in proportion to that trade. An island continent, we are isolated by water and remote from our major trading partners at the end of the longest trade routes in the world. Those trades routes pass through some pretty unstable areas - viz:

- Suez Canal - The Middle East
- Panama Canal - Latin America
- South East Asia - International waterways under sovereignty threat from the nations bordering the trade routes.
- The Cape route past Southern Africa, etc.

To me it is indefensible that in this uncertain modern world we are not a Maritime Nation of significance.

Given the importance of our external trade one could be forgiven for assuming that we would be a Maritime Nation of significance as well as a trading nation. A ship owner as well as a shipper. That we are not a major Maritime Nation, that we do not have a strong and commercially viable Australian Merchant Marine which is significant in proportion to the volume of our seaborne trade, arises as much from our colonial past as it does from the militant Maritime Unions and the incompetent ship owners of modern Australian maritime mythology.

The discouragement of an indigenous Australian Merchant Marine and the commercially sophisticated culture which would support such a fleet, by all available means, legal, political and commercial, was originally a part of the colonial process. It still occurs today.

Throughout recorded history all maritime commercial nations have from time to time conferred advantages of trade suited to the circumstances of the time, upon the vessels of their own nation and the persons of their own nationals. Frequently, through legislation and frequently also through the sanction upon which all law ultimately rests - the use of force.

Indeed, if I am not mistaken, the old "three mile limit" of the territorial waters of a nation rested both upon the approximate range of the cannon of those days and the pragmatic view that if your laws were breached outside the range of your cannon then they could not be enforced anyway.

Whatever they may have been expanded and amended to encompass, and however generally beneficial some of these expansions and amendments may have been e.g. improvements in the safety of life at sea, and however those expansions and amendments may have clouded it, the primary intent and purpose of the British Navigation Act of 1651 and the primary intent and purpose of the British Merchant Shipping Acts which succeeded it is to advance the public policy of the British State to the advantage of British Nationals, particularly ship owners, at the expense of other nations and colonies - real politick if you like - and highly successful it has been.

In his "Tyranny of Distance" Professor Blainey writes, "The Navigation Acts guarded every Australian port like a submerged mine field ... Migrants and cargoes coming from British ports to Australia could only come in ships which were owned by a British citizen, manned mainly by British sailors and originally built in a shipyard of the British Empire.

"Australian wool and whale oil exported to British possessions could only go in British ships, coastal commerce between Australian ports was the monopoly of the British flag ...

".... In Western Australia in 1842 or 1843 the colonists at Perth were short of rice, then a staple part of the diet. An American ship called, heard of the scarcity of rice and put to sea. At either Calcutta, or another British port her master loaded a cargo of rice and returned to Western Australia; expecting to earn a high profit for his enterprise in ending the famine...

"At the Customs House however he was told he couldn't land the rice. American ships were prevented by the Navigation Act from carrying anything but American produce to Australia ... His only answer was to sell the rice at a loss to a British vessel in the harbour".

The British vessel of course could then sell the rice at the profit denied to the American vessel!

This British Legislation has been spectacularly successful over a very long period of time in securing to Britain enormous commercial advantages which, in Australia at least, have as yet by no means fully decayed.

The Navigation Acts and their successors, the Merchant Shipping Acts, appear to me to be the legislative rock upon which Britain founded a monopoly of Australia's seaborne trade which in turn enabled British commercial interests to entrench themselves so widely and deeply into Australian waterfront and maritime commerce that the commercial hegemony arising therefrom has long outlived the colonial system which gave it birth. It remains a powerful and enduring force in Australian trade and politics to this day, the commercial interests of which have always lain in opposing the development of a competitive maritime orientated indigenous Australian commercial culture.

Even the way our maritime enterprises are structured reflects the British influence. The organisation both of our management ashore and our crews afloat and the relationships between them are essentially British and may well now be inappropriate in a modern Australian context. Denying us in the short term perhaps at least, the ability to adopt some of the more innovative cost saving manning and operational improvements available to our foreign competitors.

A good example of this commercial dominance of the Australian Shipping scene by overseas interests is the Australian Chamber of Shipping. Earlier I suggested that a title change for this address to you might be appropriate, I now suggest a similar change of title from Australian Chamber of Shipping to The Australian Chapter of the Overseas Ship Owners Association would be appropriate for that body.

In his report to the Commonwealth Government of November 1981 (the "Crawford Report") Sir John Crawford recommended inter alia - "the Department of Transport should promote, on a continuing basis, greater interaction among the related groups within the Australian Shipping Industry on both technical and economic policy issues".

This recommendation is dealt with more fully in Section VI of his report and the following extract is relevant - "the Department (of Transport) needs to promote interaction between shippers, the shipping industry, the Minister and related Departments like Trade and Resources. Some channels for this dialogue already exist, particularly in technical areas, through the National Maritime Industry Training Council (NMITC) and the Maritime Services Advisory Committees. However, the necessity to establish the "Jenner Committee" on an ad hoc basis, rather than being able to call on a formal body representative of Australian Ship Owners, is an indication of the need for improved communications on economic policy issues between industry, including Unions, and the Government".

This finding by Sir John Crawford sets a seal upon the success of the overseas ship owners in the Australian Trade in influencing Australia's policy towards the sea carriage of that trade, through bodies such as the Australian Chamber of Shipping where the "token" Australian presence is largely related to minor technical committees and almost entirely excluded from policy formation. It also marks I trust the beginning of the end of that undue influence.

There is nothing intrinsically wrong with foreign ship owners active in the Australian trade forming an association to promote their own interest. There is however very much wrong with the situation where de facto such an association is seen and accepted by successive Governments, both Australian and foreign, over many years as representative of Australia's Shipping interests.

Any Australian Shipping Line, be it The Australian National Line or any other, will have great difficulty functioning and growing successfully if the only major recognized forum of Industry/Government discussions is controlled by interests inimical to the growth of the indigenous shipping operation. In view of this the formation of an appropriate policy making body for Australian ship owners and operators is to my mind of immediate and substantial importance. A "General Council of Australian Shipping" is needed. One which is truly representative of indigenous Australian Shipping.

This dependence of Australian external trade upon foreign, and in the past, particularly British ship owners, has been seen to work against the national interests of Australia, very visibly twice in living memory, when Britain and other foreign belligerents withdrew their vessels from the trade in 1914/18 and again in 1939/45 leaving Australia to its own devices in respect of the maritime aspects of its commerce and defence.

In the 1914/18 war to cover this withdrawal of foreign ships, the Federal Government built up the "Commonwealth Line" which ran from inception in 1916 to its demise and sale in 1928. It is argued by some (see "Build a Fleet Lose a Fleet" by Captain R. McDonald, the Hawthorn Press Melbourne in 1976,) that the political and commercial clout of the "Rapacious British Shipping Magnates" returning to the trade after the war had more than a little to do with the demise of the Line.

In the 1939/45 war, again to cover the withdrawal of foreign ships, the Federal Government again built up a shipping activity culminating in 1946 with the formation of "Australian Shipping Board" which, like its predecessor the "Commonwealth Line", found itself in danger of demise upon the return of foreign vessels to the trade after the war, eventually becoming in 1956 the Australian National Line of today.

The cost to the nation of diverting the war effort to achieve these wartime necessities flowing from the foreign dominance of our overseas shipping has never been assessed as far as I know, but it must have been enormous both in terms of cost and diminution of the war effort in other areas of production.

Closer to our own times, the principle resupply of our forces in the Vietnam conflict was carried out by the ANL vessels "Jeparit" and "Boonaroo". Unable to invoke the defence powers because Australia was not directly threatened, the Government was consequently unable to obtain suitable vessels from private enterprise because of the risk inherent in operating to a war zone. Only the availability of a National Shipping Line responsive to the legitimate requirements of Government overcame the problem.

As I have said the Australian National Line commenced operations in 1956 by buying out the assets of the Australian Shipping Board at their written down market value, under the Australian Shipping Commission Act of 1956. This Act, which was amended by the current Government in 1984, now sets out quite clearly that A.N.L. is to provide shipping services on a commercial basis, pay taxes and return reasonable dividends on the taxpayers funds involved.

The Act also sets out quite clearly that, where for reasons for public policy the Government instructs A.N.L. to perform acts on a non-commercial basis, then the instruction is to be made public through the medium of Parliament and A.N.L. is to be compensated for any financial detriment suffered in so doing. The Commission itself and individual Commissioners are protected from political pressure in that they are appointed by the Governor-General for fixed terms. In theory then, A.N.L. is insulated alike from the good acts of good Government and the bad acts of bad Government.

In practice, of course, the situation does not approach this ideal and any reading of the Act will bring to a lawyer's trained eye such little gems as "The Governor General may" - "The Minister may" - "The Treasurer may" - "With the approval of Treasury" - On such terms and conditions as the Minister for Finance determines" - "Unless the Minister otherwise determines" - Subject to the approval of the Minister", and so on. I need not elaborate further to an audience such as this.

Well, what if Governments do not act responsibly, and by that I believe that the responsible function of Government is not to seize and exercise power on behalf of special interest groups, so much as to promote the general good of the people.

Let us look now for a moment at the position from around 1969/70 to 1983. A period during which ANL, under its Act prior to the 1984 amendment, was used as an "Instrument of Policy" without the compensation for detriment suffered under the provisions of that amendment.

It took over a decade as a "political instrument" from about 1970 to 1983 to run down the taxpayers equity in ANL accumulated by good government and good commercially orientated management in the previous decade. It has taken a couple of years under good government and good commercially orientated management to reverse that trend and turn it upwards.

This indicates to me that the real problem of the future of the Australian National Line rests in the end with the integrity of the Government of the day. With the desire and ability or otherwise of a Government to get at the assets of the taxpayer for party political purposes. To exchange the dollars of all tax payers for some tax payers votes in support of sectional interests. The political balance sheet, I need not remind this audience, is counted in votes not dollars.

Certainly if the Government of the day makes a decision to wind up its National Shipping Line, it could do so through the parliamentary process and indeed should do so if it was elected on that premise. This is a wholly proper and responsible exercise in democratic Government.

Although A.N.L. is other than and separate from any department of Government, it is a publicly owned enterprise and public enterprises must be accountable to the Parliament which creates them, A.N.L. no less than any other. Parliamentary control is a necessary corollary of that accountability. It is my experience and belief that once the broad objectives of the enterprise, or any amendment to them, have been debated and agreed in Parliament, then control at each level should be limited to the ability of:-

- The voters to replace the Government
- The Government to replace the relevant Minister
- The Minister to replace the Commission as their terms of appointment expire
- The Commission to replace the Management

If politicians are able to exert undue influence, or able to assume powers, other than those above, and which they do not legally have, then it is naive to expect them to refrain from using those powers when it is politically expedient for them to do so. Where for example the short term financial needs of Treasury conflict with the responsible financial policies of the public enterprise, the robbing of the "Hollow Logs" will almost certainly result, leaving the problems caused for solution by succeeding Governments and succeeding generations.

Well then, is a public enterprise defenceless against such an attempt to achieve by stealth objectives to which a Government would not subscribe publicly? For example, demands by organized labour that the public enterprise be kept in existence after failure and/or milked to advantage their members at the general expense of all taxpayers, or demands from private enterprise that a profitable and vigorous public enterprise competitor be hindered in the conduct of it's affairs as was done to ANL in 1956 by preventing it from engaging in certain lucrative activities ancilliary to shipping such as, Ships Agency, Stevedoring etc.

Much depends upon the structure of the enterprise, the Act under which it is established and the competence and intestinal fortitude of its Directors or Commissioners.

With respect to A.N.L's present Act I believe that the quality of it's administration both in Government and A.N.L. will determine the future of the Australian National Line as much if not more than the competence of management, the dedication of employees and the levels of trade and competition within which it operates.

In the event that ANL was given directions as to commercial matters which were believed by ANL to be to it's commercial disadvantage without adequate recompense, then a competent Commission determined to discharge its responsibilities under the Act may well look at the remedies available through the Administrative Appeals Tribunal to ensure that a Government does not exchange the Commissions' bottom line of taxpayers dollars earned and saved for the party political bottom line of taxpayers votes and the contributions of special interest groups to the party coffers.

Let me hasten to say that the current Government in general and the current Minister Mr. Morris in particular have been the best of good Government and the best of good Ministers as witness their allowing ANL to carry out such politically unpopular but commercially necessary actions such as the withdrawals from the Darwin, North Queensland and other loss making trades. Also as witness their injection of equity funds to redress the ANL balance sheet. An action avoided by successive prior Governments.

Good Government and good Ministers and good policies may not always be with us however. A more adequate long term defence may possibly be to restructure A.N.L. as a corporation operating within the ambit of the corporate affairs commission and with a Memorandum and Articles of Association appropriate to the needs of the enterprise, including importantly the ability to issue shares to employees on the basis of performance.

An important part of any commercial discipline is in my view an incentive scheme which rewards effort and the success both of the individual and the enterprise as a whole. The issue of bonus shares to employees for good performance would not only encourage that performance, but over time allow the employees to become substantially and directly part owners of the business identifying themselves closely with the success of the enterprise.

It appears to me, having worked in both areas, that the principal differences between public and private enterprises are the level of interference in day to day affairs by the shareholders whether public or private and the commercial disciplines in the respective organizations. A properly structured statutory corporation instead of a statutory authority may well achieve results as good or better than private enterprise. It is both the absence of improper influence and the presence of commercial discipline that is required for public enterprise to succeed in the highly competitive markets in which enterprises such as A.N.L. work.

Turning now for a moment to that competition, I suspect that world seaborne trade is more likely to remain static or decline than to rise in the foreseeable future, as the "bigger thy neighbour" policies of nations such as the EEC, Japan and America, cause trade barriers to continue to rise both overt, such as tariffs and subsidies and covert, such as regulatory red tape restraints applied by the bureaucracies.

These problems will be complicated and exacerbated by some movement, however slight, towards the Unctad Liner Code, the so called 40x40x20 rule, bringing with it increases in the flag and cargo reservation policies already burgeoning in the lesser developed countries.

Into this already unstable situation, the large globe girdling third generation container ships of commercial operators such as U.S. Lines and Evergreen are coming to add a new dimension to the problem displacing large numbers of smaller container vessels into a market already over-tonnaged, in a large part, due to the subsidization of local shipbuilding activities in a large number of nations desperate to ease domestic unemployment problems.

Certainly the world supply of shipping in both dry bulk and container vessels is increasing at a greater rate than growth in world trade and by a factor of two or three times.

The impact and effect on world shipping of these new services arises, not so much from the fact that these vessels are girdling the globe as from the enormous over tonnage they are introducing, displacing first and second generation container vessels to compete in every corner of the globe. If these services are successful, and I stress very much the if, they may possibly divide a large section of the world's liner shipping into a few huge vessels circling repeatedly around the world through a few nodal points while the rest of the world's first and second generation container vessels operate regional feeder services to these nodal points.

In this volatile and unpredictable situation, the competent, efficient, commercially viable ANL of today could well be necessary to prevent the carriage of Australia's external trade entering a new period of dominance and control by foreign ship owners just as we are beginning to shed the maritime legacies of Empire.

In this depressed and volatile market, it is important to emphasise, as the results of the last two years show, that ANL has turned a loss situation to profit under new direction, new management, a newly amended Act and a new orientation towards the needs and problems of both our clients and our employees.

Only one thing stands out clearly to me in this turmoil, the forces involved are such that the Government of one of the largest trading nations in the world cannot afford to ignore them. Nor can it afford not to have a commercially viable technically sound instrument ready to its hand, if needed, to protect its seaborne trade from aggression, whether commercial or military. That instrument is an Australian National Line with Australian ships owned, managed and manned by Australians.

Australian ears are continually assailed by the cries of our traders that Australian ships are too dear - Australian ships are too expensive, and it is true that Australian ships are expensive and I advance three reasons.

- (1) Because Australians have a high standard of living whether they be a postman delivering a letter in Alice Springs, a seaman delivering a load of coal to Japan or a lawyer delivering a client to the mercy of the courts. This high cost of living translates inevitably into higher costs be they for mail, coal or justice.
- (2) Because the rates charged bear a sound relationship to the long term capital and operating costs of the vessels.
- (3) Because Australian Shipping and Maritime Commerce is still struggling to emerge from the strait jacket imposed on us by our position as a colony of Empire. A strait jacket given form and restraining force by a remarkably successful piece of legislation to which I have referred before - the British Navigation Act of 1651 and its successors.

Dealing with the first point, I believe that there can be no quarrel with the general premise that all Australians whether postmen, seamen or lawyers are entitled to that standard of living which prevails generally in the economy and that high standard of living leads inexorably into higher costs whether for mariners, mailmen or magistrates.

Dealing with the second point, the world surplus of shipping and lack of trade growth has caused enormous loss and bankruptcy in the shipping industry over the last decade and I believe this process is accelerating. Certainly it is not yet complete. In the long term, however, dependence upon an artificially depressed freight rate cannot last and only relationships based upon the long term costs of capital and operation of all parties to the trade will survive.

A case in point are the vessels of the centrally planned economies which tend to subordinate shipping to broader political and economic aims such as, for example, logistic support for their armed forces and the earning of foreign exchange on least cost rather than profit criteria. Political action can remove them just as rapidly as it developed their destabilizing activities. Utilize them to a modest extent - Yes! Depend upon them for the carriage of a large proportion of our external trade - No!

Turning to the third point, I believe that the inexperience of Australian traders and their inability to benefit from the invisibles implicit in the landed cost of their own goods and the lack, up to date, of a strong and commercially viable Australian merchant marine to assist them in doing so, arises in a large part from our colonial past in the manner I have described earlier. A strong Australian Merchant Marine is in my view essential if this damaging commercial imbalance is ever to be redressed.

The higher cost of Australian ships does not translate into higher freight rates for Australian external trade, it translates rather into lower, although not necessarily unacceptable, rates of profit for the Australian ship owner. The current reason for this is the fierce competition in overseas shipping whether in Liner Trades or Bulk Trades which renders ship owners price takers rather than price makers.

To use the latest economic jargon, Liner Shipping is a contestable market with ease of entry, ease of exit and little if any sunk costs of significance to act as a barrier. A point brought out very clearly by Mr. H.M. Romoff, Chairman and Chief Executive of Canada Maritime Services in his paper to the 20th Annual Meeting of the Canadian Transportation and Research Forum in Canada this year.

Mr. Romoff brings out in his paper a point of which ship owners are very painfully aware. An awareness which, if transferred to Australian industry generally, will reveal the specious nature of much of the arguments advanced by vested interests against the development of an Australian Merchant Marine of significance.

Mr. Romoff states "Liner Shipping is one of the worlds major industries yet which other major industries enjoy:-

- No tariff or quota protection
- No controls on exit or entry
- No permits, licences or approvals
- Perfect and complete capital mobility
- No threshold capital investment to protect encumbrance
- No lock on natural resources, technology or profit differentiation"

"..... The container shipping industry is at least as competitive, volatile and unstable as its major customers who have the protection of tariffs or high threshold investments or captive resources or technology or a combination of these".

In conclusion then, let me address the Australian conventional wisdom that efficiency is the sole prerogative of private enterprise and that inefficiency is the sole prerogative of public enterprise.

Business success and business failure are to be found in the public and private sectors alike. It is more the quality of direction, the quality of management and the integrity of the Government of the day which determines success or failure of public enterprise rather than the nature of the ownership, although admittedly bankruptcies are more readily seen and more swiftly punished in the private than the public sector.

The proof of any pudding is in the eating thereof, whether it be a public pudding or a private pudding, and the rebuilding of a commercially viable A.N.L. under good Government, good direction and good management has produced over the last two years a very tasty pudding indeed, as witness the recent rise in political interest in its sale to private enterprise gourmets!

The title of this address questions the future of National Shipping Lines. With respect to Australia, your National Shipping Line A.N.L. is now an economically viable entity of commercial benefit to our economy. It is under good direction, good management and employs a large number of good competent Australian workers. In this circumstance the future growth and the future rate of that growth of A.N.L. lies as much with Government as it does with anything else. As I have said earlier, in the end A.N.L. will be what the Government of the day wants it to be neither more nor less.

The current Government has recognized that it is in Australia's best interests to have a commercially viable National Shipping Line despite the short term political costs involved. It now has one. What future Governments will require only the future will reveal: One can only hope they also will place Australia's interests before their own.

If the choice before Australians is to be between an imperfect Australian National Line and no Australian National Line at all, then I cannot advocate to you strongly enough the former course of action.

Thank you