

Stonham, Paul E.

Article — Digitized Version

## Shipping and Australia's foreign trade

Intereconomics

*Suggested Citation:* Stonham, Paul E. (1968) : Shipping and Australia's foreign trade, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 4, pp. 108-111, <https://doi.org/10.1007/BF02930238>

This Version is available at:

<https://hdl.handle.net/10419/137923>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# Shipping and Australia's Foreign Trade

by Paul E. Stonham, Newcastle/Australia

For those countries like Australia, whose foreign trade is an important part of their economic activity, the shipping industry carrying that trade has always been of considerable importance. In the post-war years this interest has quickened for governments of these countries as they have come to consider competitive and fast-growing exports a *sine qua non* of accelerated growth in GNP.

Governments have responded in various ways. The United States, for example, exercises some control over the liner conferences which govern the carriage of its trade. This control partly stems from tied construction and operating differential subsidies that the US Government extends to US flag lines. The US Government also maintains its own large reserve maritime fleet. On the other hand, countries with no maritime tradition, like most less-developed countries, have introduced and are expanding their own national flag fleets. The Indian fleet, for example, is now of well over 1.3 million GRT, with orders foreseen of nearly one million GRT. The centrally-planned economies, notably the Soviet Union and Poland, have placed the growth of national ocean-going fleets high on the list of economic priorities, and are currently greatly expanding their fleets.

For private exporters, the post-war period has seen the rapid expansion of markets, at least in the developed countries, a diversification in the composition of trade, and competitive pressures on profit margins as more countries enter the export trade. For these reasons, shippers have attempted to strengthen their bargaining positions with shipowners by pressing for the establishment, in a number of countries, of joint negotiating machinery with shipowners. In particular trades, like iron ore, some producers have entered the shipowning business themselves.

The shipping industry itself is aware of fast-changing trade patterns, both in product composition and direction, and of remarkable technological improvements possible in the mechanics and design of ocean transport. Thus, some shipowners are engaged in reorganisation, rationalisation and redesign of their fleets and services. Shippers are also having to contend with pressure from governments as the latter become increasingly aware of shipping as a social service as well as a private enterprise.

All these factors, and the responses of shippers, shipowners and governments, have made the international shipping industry and its relation to trade a lively and sensitive arena of discussion. This is particular-

ly true in Australia where the „shipping debate“ has been intense for some time, and where dramatic changes in the organisation and policy of shipping serving Australian trade are becoming apparent.

## The Current Situation

Although Australia's export and import trade is large in relation to its GNP, virtually all of its trade is carried in foreign-owned shipping. Australia possesses no indigenous overseas trading fleet. Its major export by value is wool, but this needs little shipping space. Its exports of wheat, coal and petroleum products, on the other hand, are bulky and take up some 60 per cent of export tonnage. Similarly with imports, crude petroleum and fertilisers, around 10 per cent by value of total imports, take up 70 per cent of import tonnage.<sup>1</sup>

There are implications in this trade structure for the type of shipping services used. The bulk of import trade is carried by liners (mostly British-owned and carrying manufactures), and tankers (mostly British and Norwegian). Inward phosphates are mostly carried by large tramps. For the export trade, tramps and cargo liners predominate. The tramp trade tends to be mostly single-voyage outward giving rise to rather heavier costs than when both „legs“ of a voyage share the operating costs. Otherwise it is unlikely that Australian goods are transported at discriminatory rates.

The fact that foreign-owned shipping carries Australia's trade means that these costs are debited to Australia's Transport Account in the Balance of Payments. The sum is quite sizeable; it has been estimated by Dr Hunter, Australian National University, at \$ A 195 million net.<sup>2</sup> This accounting cost is calculated as net on imports. However, there are also outgoing freight charges which enter into total landed value and are a competitive cost to Australian exporters. It is particularly true of wool, wheat, fruit and dairy preparations. Again, for exports, Australian exporters frequently need specialist ships e.g., refrigerated or air-conditioned vessels, and this places certain restrictions on tenders for carriage coming forward.

Given these circumstances, it is not surprising that Australian exporters have evolved a reasonably elaborate negotiating machinery with foreign shipowners. From 1929 Australian Overseas Transport

<sup>1</sup> Australian Department of Shipping and Transport: *Pattern of Overseas Shipping Serving Australian Trade*, 1964.

<sup>2</sup> A. Hunter: „Some Notes on National Shipping Lines; the Australian Case“ — *Economic Record*, 1967, March.

Association, an association of shippers and shipowners, has been in operation to regulate the cost and conditions of sea transport from Australia to the United Kingdom and Europe. In effect, the AOTA supervises contracts made between Australian shippers and shipowners of the Australia-UK/Continent Conference. Since 1958 another body, the Federal Exporters' Overseas Transport Committee, (FEOTC), has operated. This organisation represents, on a federal basis, the collective bargaining interests of Australian exporters. In some sense, FEOTC was a response to the earlier Overseas Shipowners' Representatives Association, (OSRA), a negotiating body of shipowners. Since 1957, AOTA has supervised freight rate changes according to a "formula", (based on an agreed return to capital invested in shipping), and until very recently has been reasonably successful in maintaining amity between bargainers.

The attitude of the Commonwealth Government towards overseas shipping conferences has always been permissive; more recently it has adopted a policy of positively favouring closed conferences in the hope of obtaining rationalisation of shipping services and amicable negotiations with shipper bodies. The success of this policy, of course, depends on the extent to which the Commonwealth Government is able to influence the policies of overseas conferences; it is rather too early to judge this. On the other hand, the agreement reached in September, 1966, to rationalise Australia-Europe shipping services was estimated by the Minister for Trade and Industry, Mr McEwen, to have cut calls at Australian ports by one-third in early 1967.<sup>3</sup> The Government is likely to be less successful in its attempts at rationalisation in the Australia-USA/Canada routes since the US Government favours competition and open conferences on these routes.

### Controversial Issues

There are at least two dominant issues currently being discussed on Australia's shipping and trade. The first concerns the procedure for setting freight rates and the second concerns the establishment of a competitive and viable Australian overseas trading fleet. This is not to say that these two issues are in fact the most important ones in this area, but certainly Australian shippers and the Government have fixed their attention on these twin points.

In the question of freight rate negotiations, increasing shipper dissatisfaction with existing procedures recently came to a head with the proposal of overseas shippers on the Australia-UK route to raise outward freights by 12½ per cent as a result of the Sterling devaluation. Shipowners claimed that this still represented an approximate saving of 3.6 per cent on rates for Australian shippers in terms of Australian dollars. Whilst, at the time of writing, negotiations are still continuing, it appears that wool exporters at least have conceded to the increase. Other exporters continue to regard their gain from

devaluation as too small. However, in October 1967, 20 New South Wales woolgrowers were reported<sup>4</sup> as completing plans to charter their own ship in competition with the liner freight service organised by the British and Continental Shipping Conference. The move is primarily one against freight charge practices.

The Commonwealth Government's principle of supporting closed conferences was put under pressure late in 1967 when three British companies, Port Line, Blue Star, and Ellerman and Bucknall, trading jointly as the Atlas Line, decided to compete as outsiders with eight conference lines in the Australia-Far East trade. A strong freight rate war ensued. Similarly, in September of 1967 two independent lines, the Japan Line and the National Shipping Corporation of Pakistan, offered guaranteed lower freight charges to Australian shippers hitherto using the twelve lines of the Australia, Singapore and West Malaysia Outward Shipping Conference. To date, however, the conferences have not suffered any significant loss of trade.

The second issue, the establishment of an Australian overseas trading fleet, is also related to the question of freight rate charges. Receipts to Australian-flag overseas trading vessels would reduce the freight charges bill on Balance of Payments. The other arguments for such a plan are weaker, e.g., domestic employment and investment possibilities, and trade development aspects. These other arguments are also weaker because operating and shipbuilding costs for Australian vessels are mostly higher than those of its competitors. Australia already possesses a sizeable coastal fleet of 36 ships totalling 293,377 tdw. This is the Australian National Line operated by the Australian Coastal Commission. Since 1957 ships of this fleet have occasionally carried overseas cargo, mainly steel for the Far East ports. So to some extent there is a potential nucleus for an overseas trading fleet comprising general cargo and bulk carrier ships. Australia has generally been served well by foreign-owned shipping in the past particularly in view of its relatively isolated geographical position. The economic benefits of introducing national flag vessels on foreign trade are still not clearly apparent.

There are, of course, non-economic reasons for countries wishing to set up national shipping lines, and it is possible that these arguments carry greater weight in deciding whether in fact such lines are established. The defence and security aspect is one of these arguments with particular relevance to Australia. The prestige factor is another argument which is weaker but carries political weight.

### Recent Developments

In 1966 important legislative powers were introduced regarding shipping in Australia by an Act to amend the 1965 Trade Practices Act. The 1965 Act gave the Government powers to regulate monopolies and agreements on restraint of trade, but exempted ship-

<sup>3</sup> Australian Financial Review, Feb. 3, 1967.

<sup>4</sup> Australian Financial Review, Oct. 10, 1967.

ping conferences from its provisions. The 1966 Amendment enables the Australian Department of Trade and Industry to influence the course of negotiations on freight rates and other matters affecting Australian shippers. The new Act also permits the establishment of Shippers' Councils in the major shipping trade resembling the FEOTC. In this way the Commonwealth Government has hoped to achieve the best possible shipping facilities and costs for Australian shippers. Its first major test arrived with the post-sterling devaluation freight rate rise on UK/Europe-Australia trade, and the result of intervention by the Department of Industry and Trade is not yet conclusive.

With respect to Shippers' Councils, a new group for specialist shippers was formed in November 1967 to negotiate services and freight rates with shipowners and conferences. This is the Australian Frozen Cargo Shippers' Committee which covers meat, dairy produce and egg exports. It represents a new type of negotiating machinery by commodity trade rather than the older FEOTC machinery covering all trades. More recently still, major companies in the Australian mineral industry have formed another such bargaining organisation, the Metals and Minerals Shippers' Association of Australia Limited, registered as a company. The result of all this activity is rather more pressure on shipowners to match their services much more closely to existing and changing needs of exporters.

#### **The Australian National Line**

At the same time as the Commonwealth Government has adopted a positive note in negotiations on shipping services, it has also successfully encouraged the Australian National Line to join in overseas trade. The line has been encouraged to seek membership of the Australia and New Zealand-Eastern Shipping Conference. Recently, too, the Kawasaki Kisen Kaisha Company of Japan and the ANL reached an agreement in principle to start up a joint cargo liner service on the Japan-Australia route. Hitherto, the ANL has lacked experience in ocean cargo liner shipping. Whilst both these liners are not yet members of the Japan-Australia Shipping Council, the route they will operate is one of the most dynamic in Australia's export trade. KKK and ANL appear to have agreed on a 50 : 50 investment programme which will probably include construction of roll-on, roll-off, containerised vessels. The Australia-Asia shipping trade is considered to have a high potential growth rate as trade grows in the region—especially between Australia and Japan.

A fortuitous event in 1967, the closing of the Suez Canal, appears to have done less damage to Australia's foreign trade than was at first suspected. Sailings via the Cape make little more time, and the differential is likely to decrease with the increasing size and speed of ships. There may be some small

benefit to Australia's African trade as African ports become more accessible, but at present this trade is on a small scale.

#### **The Future**

The near future for Australia's foreign trade and the shipping serving it seems quite exciting. The most important change expected is in the technology and design of ships and port facilities. This change generally comes under the heading of "containerisation", but in fact includes a number of methods of unitising loading, unloading and carriage, including palletisation, roll-on and roll-off, and other methods of standardisation. The gains from containerisation are not easily measured, but the savings from faster ship turnaround and lower port handling charges were estimated at the November 1967 International Container Transport Conference in London to reduce costs of conventional shipping by between 20 and 40 per cent.

Australia is expected to have 80 per cent of its UK trade and 75 per cent of its Japan trade containerised by 1971 and 1972, respectively. By 1969 six large container ships will have been built for Overseas Containers Limited, a British consortium, and these will operate on the UK-Australia run. There are, of course, difficulties involved in the change-over. The major one is the construction of container facilities at Australian ports, but it has been estimated that Sydney, Melbourne and Fremantle will have completed container wharves by the end of 1968. From these ports feeder services will be provided to other major Australian ports. Given that containerisation has net economic benefits, what is important is the rate at which containerisation is introduced into Australian trade-routes because this comparative rate will influence the competitiveness of Australia's export trade.

The Commonwealth Government has two studies of containerisation progressing, one by a Select Committee of the Commonwealth Senate, studying legal problems. The other is by the Departments of Trade and Industry and of Shipping and Transport, studying plans for providing adequate port handling facilities. Two very important aspects of successful container operations are supporting port facilities and comprehensive "feeder" services to the inland and to other ports. It is in the last two aspects that Australia needs to move as fast as events in shipping carriage itself.

The future for negotiating procedures between shipowners and Australian shippers is, of course, uncertain. But the example of the United States' intervention and regulation in the American shipping trade has not been markedly successful. The basic difficulty is the international ownership of shipping carriage and therefore its relative immunity from national economic policies. The relationship of governments with international shipping is well worthy of considerable study in the interests of traders, shipowners and economic planners.

Rather overlooked in recent discussion is the need to maintain viable and economic shipping services, whether these are domestic- or foreign-owned. The major question here is whether these services can be improved by alterations in the organisation and planning of shipping conferences. This question is a very sensitive one for shipowners in what is a heavily-capitalised, high fixed-cost industry serving frequently seasonal and fluctuating trade. Certainly too many constraints on shipping enterprise might result in inadequate responses to alterations in the direction and composition of foreign trade.

Australia's shipping is likely to see increasing growth of producer-owned ships as minerals continue to be

exported in greater quantities. Similarly, more specialist ships are likely to operate as Australia develops trade links with newer markets, particularly Japan.

For Australia, the most important question of the future in the area of shipping and trade is whether the continuing growth and transformation of its export trade will be adequately responded to by shipowners. This question in turn depends on a whole complex of factors including the adequacy of existing policy-making and organisation of shipping services, government intervention or non-intervention in shipping matters, technological changes and improvements in ancillary services like port facilities.

## CONGO

# The Plight of an African State

by Dr Hans Cohn, Port Elizabeth

**Since it became independent political disorders prevented the Congo from settling down. The rebellion of Katanga, riots in the Northern region and mutinous mercenaries contributed to bring this state—so rich in natural resources—to disaster. Today even the moderate administrative and economic foundations, that the Belgians left behind them, have been disrupted. In the following article the author outlines the prerequisites to the Congo's economic rehabilitation, which naturally are to be found mainly in the political sphere.**

The industrial history of what was known in former years as "Belgian Congo" and is called today "Congo Republic" commenced on October 28, 1906, when the "Union Minière Du Haut-Katanga" was established. Sole purpose of the company's activities was the large-scale commercialisation of the enormous copper deposits in this part of the colony.

### Colonial History

The presence of copper in Katanga was—of course—already known some centuries ago, but the first official reference to the Katanga deposits was made at the end of the 18th century. After the occupation of Katanga by the Belgians laboratory tests were made, and the results of these tests led ultimately to the foundation of the "Union Minière Du Haut-Katanga". The amazing development of this company is reflected by the fact, that it started in 1906 with a capital investment of 10 million francs, and that the 1952 figure was 5 billion.

What the "Union Minière Du Haut-Katanga", however, meant to the country's economy, can be judged by some production figures published on the company's 50th anniversary in the year 1956. Within 50 years of activities the "Union Minière" produced altogether 4,761 million tons of copper, 76,000 tons of cobalt, 1,580 million tons of zinc and 276 kilograms of platin. The company maintained at that time the third place amongst the copper producers of the world and the

first place amongst the cobalt producers. That was in 1956. Ten years later, in January 1967, the Congolese Government withdrew the concessions of the Union Minière Du Haut-Katanga, because the company had failed to move its incorporation to the Congo Republic. In place of the old company a new one was established under the name "Société Générale Congolaise Des Minerais" (Congolese Ores Company) and the European technicians of the former Union Minière were asked to work for this new company. Now happened something rather extraordinary. Of 1,071 European technicians formerly employed by the Union Minière only one chose to stay in the Congo and to work for the new Congo-based company, while all the others preferred to return to the home-country. What had happened meanwhile? How could it come about, that people living for decades in the Congo were prepared to leave their homes rather than to work for a Congo-based company?

### The Congo's Independence

The answer is that the Congo meanwhile had become an autonomous Republic. The time of colonialism, slavery and disgrace, as it was officially called, was finished and a new era of freedom had started. As it has already become a habit in Africa, the new era commenced with a chain of civil wars, coups d'états, political murders, outrages, etc., and the rage of the natives turned especially against their former European masters. Homesteads were devastated, white