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(Chairman: J. H. Prowse.) pp.98.

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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

R E P O R T

OF THE

ROYAL COMMISSION ON THE
NAVIGATION ACT.

Presented by Command ; ordered to be printed, 20th August, 1924.

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COMMONWEALTH OF AUSTRALIA.

GEORGE THE FIFTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, Emperor of India.

TO Our Trusty and Well-beloved **JOHN HENRY PROWSE, Esquire, M.P.**, Senator **WALTER LESLIE DUNGAN**; Senator **HAROLD EDWARD ELLIOTT, C.B., C.M.G., D.S.O., D.C.M.**; Senator **CHARLES STEPHEN McHUGH**; **FRANK ANSTET, Esquire, M.P.**; **ALFRED CHARLES SHABROOK, Esquire, M.P.**; **GEORGE EDWIN YATES, Esquire, M.P.**

GREETING :

KNOW YE that We do by these Our Letters Patent, issued in Our name by Our Deputy of Our Governor-General of Our Commonwealth of Australia, acting with the advice of Our Federal Executive Council and in pursuance of the Constitution of Our said Commonwealth, the Royal Commissions Act 1902-1912, and all other powers him thereunto enabling, appoint you to be Commissioners to inquire into and report upon the effect of the operation of the Navigation Act 1912-1920 upon Australian trade and industry and upon the development of the Commonwealth and the Territories (including Mandated Territories) of the Commonwealth.

AND WE APPOINT YOU, the said **JOHN HENRY PROWSE, Esquire, M.P.**, to be the Chairman of the said Commissioners.

AND WE DIRECT that for the purpose of taking evidence four Commissioners shall be sufficient to constitute a quorum, and may proceed with the inquiry under these Our Letters Patent.

AND WE REQUIRE you with as little delay as possible to report to Our Governor-General of Our said Commonwealth the result of your inquiries into the matters intrusted to you by these Our Letters Patent.

IN TESTIMONY WHEREOF we have caused these Our Letters to be made patent and the Seal of Our said Commonwealth to be thereunto affixed.

(L.S.) WITNESS Our Trusty and Well-beloved **SIR WILLIAM HILL IRVINE, Knight Commander of the Most Distinguished Order of Saint Michael and Saint George, Our Deputy of the Governor-General in and over Our Commonwealth of Australia**, this seventh day of September, in the year of our Lord One thousand nine hundred and twenty-three, and in the fourteenth year of Our Reign.

W. H. IRVINE,
Deputy of the Governor-General.

By His Excellency's Command,
L. ATKINSON,
for Acting Prime Minister.

Entered on record by me, in Register of Patents, No. 25, page 233, this eighth day of September, One thousand nine hundred and twenty-three.

W. N. ROWSE

CONTENTS.

	PAGE.
Report by the Chairman (Mr. J. H. Prowse, M.P.) and one other Commissioner (Mr. A. C. Seabrook, M.P.)	1
Report by Three Commissioners (Mr. F. Anstey, M P, Senator C. S. McHugh, and Mr. G. E. Yates, M P)	35
Appendix 1. Particulars of cargoes, 1913, 1914-15, 1919-20 to 1922-23	66
Appendix 2 Retail prices of Western Australian Timber (Karri and Jarrah) at yearly intervals from June, 1914, to July, 1923	66
Appendix 3 Report by the Assistant Director of Navigation on the effect of the application of the Navigation Act to the Territories of Papua and New Guinea	67
Report by Two Commissioners (Senator W. L. Duncan and Senator H. E. Elliott)	73

REPORT BY THE CHAIRMAN (MR. J. H. PROWSE, M.P.) AND ONE OTHER COMMISSIONER (MR. A. C. SEABROOK, M.P.).

To His Excellency the Right Honorable HENRY WILLIAM, BARON FORSTER, a Member of His Majesty's Most Honorable Privy Council, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Governor-General and Commander-in-Chief of the Commonwealth of Australia.

MAY IT PLEASE YOUR EXCELLENCY :

We, the undersigned Commissioners appointed by Royal Letters Patent to inquire into and report upon the effect of the operation of the Navigation Act on trade, industry, and development in Australia and the Territories (including Mandated Territories) of Australia, have the honour to make our first Report.

This, your Commissioners' first Report, is the result of investigations made in each of the States of the Commonwealth. Circumstances have prevented us visiting the Territory of Papua and the Mandated Territory of New Guinea; but it is intended to visit these Territories in the near future, and it is anticipated that the second Report will deal chiefly with the effect of the application of the Navigation Act to New Guinea and Papua.

We regret that unanimity could not be reached by the whole of your Commissioners, but so wide is the divergence of the conclusions drawn from the evidence that separate reports became necessary.

Your Commissioners entered upon their inquiry on the 24th September, 1923. Ninety-five sittings have been held, and evidence has been taken from 139 witnesses.

In addition to the oral evidence, we have received and considered a large amount of correspondence, statistics, and data relating to the subject of the inquiry.

In the course of their investigation your Commissioners visited each of the States, and the capital city, and chief ports of each State.

In presenting this Report we have followed the order indicated by the following headings:—

Part I. The History of the Navigation Act. and its purpose.

Part II. New South Wales and Victoria.

Part III. Queensland—

- (a) High freights affecting various industries.
- (b) Fruit and Vegetable export-trade.
- (c) The Timber industry.
- (d) The Meat industry.

Part IV. South Australia—

- (a) Timber.
- (b) Spencer's Gulf and Eyre's Peninsula shipping services.

Part V. Tasmania—

- (a) The decline of shipping services to Hobart, and the effect thereof on—
 - (i) The Tourist traffic.
 - (ii) The Timber industry.
- (ii) The Fruit industry.
- (iv) Trading generally.
- (b) Launceston and the North-west Coast ports.

Part VI. Western Australia—

- (a) Primary production.
- (b) The Timber industry.
- (c) The restricted shipping facilities of Albany.
- (d) The restricted shipping facilities of Geraldton.
- (e) Permits granted to certain vessels trading on the North-west Coast of Western Australia.
- (f) The effect of the Act on the whaling industry.

Part VII. The Shipping Companies of Australia—

- (a) The relationship to the Overseas Shipping Companies.
 (b) Their relationship to one another.

Part VIII. The effect of high freights on primary and secondary industries generally.

Part IX. The "Permit" system.

Part X. Port and Harbour Dues.

Summary of Principal Conclusions.

Recommendation.

PART I.—THE HISTORY OF THE NAVIGATION ACT, AND ITS PURPOSE.

The Navigation Bill was originally drafted in 1902, under the direction of the late Honorable C. C. Kingston, and, on his retirement from the first Commonwealth Government, in 1903, the drafting of this measure was handed over to the late Sir Harry Wollaston. The Bill was first introduced into the Senate in 1904, but was withdrawn, and in June of that year a Royal Commission was appointed to examine the proposed legislation, and to report. The report of the Commission, with the draft Bill, was presented in June, 1906.

In 1907 an Imperial Conference of representatives from the United Kingdom, Australia, and New Zealand was held in London, on the subject of "Merchant Shipping Legislation," and the main principles of the Royal Commission's draft Bill were considered. Australia was represented on this Conference by the late Sir William Lyne (Minister for Trade and Customs), Mr. W. M. Hughes (Chairman of the Royal Commission), and the late Mr. Dugald Thomson (a member of the Royal Commission).

The Conference recommended, *inter alia* :—

"That the coastal trade of the Commonwealth be reserved for ships on the Australian register, *i.e.*, ships conforming to Australian conditions, and licensed to trade on the Australian coast."

This resolution was embodied in the draft Bill, which was again introduced into the Senate in September, 1907, but lapsed. It was again introduced in 1908, again in 1910, and in 1911, and was ultimately agreed to by both Houses in 1912.

By the time the Act had received the Royal Assent War had broken out, and, at the request of the British Government, the operation of the Act was postponed. The first group of sections—the Coasting Trade provisions—came into effect, by Proclamation, on the 1st July, 1921. Shortly after this portion of the Act became operative the owners of a number of interstate ships tested the validity of the application of the manning and accommodation provisions of the Act to their ships, and the High Court decided that these provisions did not apply to vessels solely engaged in the domestic trade of a State. In consequence of this judgment, the Government decided not to enforce the provisions of the Act then in force on any intra-state ships.

Other portions of the Act came into operation, as shown hereunder :—

1st November, 1921	..	Wireless, and medical inspection of seamen.
1st March, 1922	..	Mercantile Marine Officers.
1st February, 1923	..	Provisions, medicines, effects of deceased seaman, wrecks, and salvage.
1st March, 1923	..	Collision, boat and fire drills.
1st October, 1923	..	Examination of masters, mates, and engineers; survey and inspection of ships; load-lines; life-saving and fire appliances; adjustment of compasses; and courts of marine inquiry.

At the present time only forty-six sections of the Act, out of a total of four hundred and twenty-five sections, remain inoperative; the majority of these inoperative sections deal with pilots and pilotage.

Seeing that the Navigation Bill had so many years of consideration, moulded by expert draftsmen, considered by a Royal Commission, by an Imperial Shipping Conference, and by Parliament for several years, it is necessary to look closely into the reasons why the Parliament, after such exhaustive consideration, finally placed the Navigation Act upon the statute-book.

Your Commissioners have studied these reasons, have perused the reports of the Royal Commission and of the Imperial Shipping Conference, and read every important speech on the Navigation Bill by Ministers, members of the House of Representatives, and Senators, with the result that Your Commissioners find that the main reason which actuated the Parliament in placing the Act upon the statute-book, and which lifted the subject to a plane of great national importance above the ordinary considerations of party politics, was the desire to build up an Australian Mercantile Marine.

To build up an Australian Mercantile Marine it was necessary to extend the protective policy of Australia to its merchant shipping. To protect the Australian ship-owner from unfair competition from subsidized foreign ships or poorly-paid crews from other countries, it was necessary to prevent other vessels competing against him unless such vessels complied with Australian rates of wages, provided the same accommodation for their seamen, and had the same manning scale. In short, to treat all nations alike, and yet to protect our own coastal shipping.

Parliament recognized that, as an island continent, we are largely dependent upon the strength of our merchant shipping for our communications. The Australian coastal trade was to be reserved for Australian-owned ships, which were to be the source of a supply of skilled and trained Australian seamen in time of war, even as the British Mercantile Marine, during the recent war, helped to man the auxiliary cruisers, mine-sweepers, transports, and other adjuncts of the British Navy.

These things were considered by the Parliament to be of great national importance. Freights on the coast would be a little higher as a result, but that would be the price of our national necessity—an Australian Mercantile Marine.

But the position, as Your Commissioners find it, is that an Australian-owned Mercantile Marine does not exist, nor is it likely to come into being by reason of the Navigation Act. This conclusion is fully explained in Part VII. (a) of this Report. The Navigation Act has so far, therefore, failed in its purpose.

PART II.—NEW SOUTH WALES AND VICTORIA.

Your Commissioners, after taking evidence in all the States, were particularly impressed with the fact that the greater the distance from the industrial centres of New South Wales and Victoria, the greater the outcry against the effect of the Navigation Act; and the farther the people are removed from railway facilities and are dependent on sea carriage, the stronger is the demand for the removal of the restrictions placed on shipping services by reason of the imposition of the Act. Thus your Commissioners found that while Tasmania and Western Australia bitterly resent the hardships imposed by the Act, the business community in New South Wales and Victoria appear for the most part indifferent, and regard it generally as an inconvenience, but not a serious handicap.

Your Commissioners certainly had evidence placed before them in New South Wales and Victoria in regard to the hardship of high freights, and the inconvenience and delay through no longer being able to travel between Australian ports by overseas vessels, but these complaints are similar in every part of Australia, and are dealt with under other headings. There are no distinct complaints in these two States which are not common to all States.

The main reasons why New South Wales and Victoria are not affected by the operation of the Navigation Act to the same degree that trade and industry in other States are affected by it are, in the opinion of your Commissioners, as follow:—

1. New South Wales and Victoria are well served by railways.
2. New South Wales and Victoria have large local markets for produce. The high freight question does not, therefore, play such an important part in the disposal of such produce.
3. The Navigation Act tends to bring about centralization of shipping, trade, and industry, which leaves less reason for complaint from the big centres of population, but aggravates the difficulties of the outlying portions of the Commonwealth.

PART III—QUEENSLAND.

(a) HIGH FREIGHTS AFFECTING VARIOUS INDUSTRIES.

Your Commissioners, having regard to the following statement contained in the report by the Tariff Board, dated 29th June, 1923, viz:—"Much of the benefit conceded by the Tariff is lost through the additional cost in freight on Australian goods, and our primary producers and manufacturers will not be able to obtain the full share of the markets they are entitled to, until some other methods can be adopted to provide a service that will not place our shippers at a disadvantage", found many cases which bore out this statement, some of the cases being as set forth hereunder.

Queensland Cement Industry.—The Queensland Cement and Lime Company placed evidence before Your Commissioners to the effect that the high freight on cement on the Queensland coast is seriously handicapping the operations of the Company.

This Company has £275,000 capital invested. The capacity of its works is 54,000 tons of cement per annum. It pays £60,000 per annum in wages. It uses 20,000 tons of coal, and half a million bags per annum, which are manufactured in Queensland.

The Company has been operating for seven years. For the first five years it paid no dividends, but put its profits into extending plant. Last year it paid £8,000 in dividends. The Company aims at supplying the whole of Queensland with cement, and it does not do business beyond that State.

With regard to freights, the position at present is that cement can be imported from Great Britain to Cairns, Townsville, Rockhampton, and Brisbane at 24s. per ton, while the freight from Brisbane (where the cement works are situated) to Cairns is 41s. and to Townsville 35s. The Company has received a concession of 6s. per ton off these rates.

In 1914 the freight on cement from Brisbane to Townsville was 22s. and to Cairns 30s. per ton.

Last year 11,000 tons of cement were imported into Queensland from overseas; 75 per cent. of this came from Great Britain and the remainder from Denmark.

While the Company finds that it can successfully compete with British and foreign cement in Brisbane, and within a certain radius of its cement works, yet in North Queensland, in spite of the duty on British cement of 20s. per ton, and on foreign cement of 30s. per ton, the Queensland article has to be sold at a loss in order to compete, and in order to sell its cement at Rockhampton, Townsville, and Cairns, where the demand is great, the Company states that it requires a considerable reduction in freight or an increase in duty on imported cement. The latter remedy would, of course, add a duty which is not required in the other States where the Australian-made article is sufficiently protected: it would add an undue amount to the profits of the cement companies in other States, and add to the costs of users of cement throughout the Commonwealth.

Your Commissioners are, therefore, of opinion that the failure of the Australian industry to compete in North Queensland with imported cement is one of the most striking examples of the correctness of the foregoing statement of the Tariff Board.

Calyx Porcelain Company of Western Australia.—While at Cairns your Commissioners took the evidence of a merchant in connexion with the goods of an Australian industry, the Calyx Porcelain Company of Western Australia. The following is part of the evidence in connexion with the matter:—

W. J. Stillman, Merchant, Cairns

7428 What company did you order from in Western Australia?—The Calyx Porcelain Company. We had certain samples submitted to us about twelve months ago, and we were so pleased with them that we gave an open order for a crate of plates, cups, and saucers, and a sample of all the company's manufactures. We considered that the price was reasonable compared with British goods, and we thought we could give the people of our own country an opportunity to buy an article equal to the British, probably at reduced prices. On getting the shipping receipt, however, we found that it was a matter of impossibility.

7429 What was the price of that shipment?—It was 36 cubic feet charged for at the rate of 90s. for 40 cubic feet. That amounted to £4 1s., and the stacking charge of 1s. 6d. made a total of £4 2s. 6d. The freight from London to Cairns is 70s. for 40 cubic feet.

7430 Do you now import from overseas?—Yes.

7431 What is the duty from overseas?—25 per cent.

7432 Do your shipments from London come direct?—Yes, as a rule.

7441 Would the machinery of the Calyx Company be as up to date as that of companies in the Old Country?—I cannot say, but I understand they have the latest machinery and have brought potters out from Staffordshire.

7442 Is the article equal in quality to the imported goods?—At present it looks quite equal to English stuff of the same class. We have not noticed any crazing.

The foregoing evidence discloses a clear case of the high coastal freights of Australia neutralizing the effect of the protective tariff.

Maize.—Another example of how the high freights affect primary production is afforded by the coastal freights on maize. Your Commissioners had evidence placed before them that the normal maize production of Australia is about 7,000,000 bushels per annum, of which Queensland grows about 3,000,000, and exports about 1,200,000 bushels to the other States.

At the present time the freight on maize from Cairns to Sydney is 37s. 6d. per ton, and from Cairns to Melbourne 42s. 6d. For the purpose of comparison, attention is drawn to the fact that the freight on wheat from Melbourne to the United Kingdom is 35s. per ton.

The largest producing area of maize in Queensland is the Atherton Tableland, for which the port is Cairns. The freight rate on maize from Cairns to Melbourne is 1s. 0½d. per bushel, and the freight on maize from South Africa is 1s. 2d. per bushel.

It will be readily seen that with this small difference between Australian coastal freights and South African freights to Australia, there is always a serious menace to the Queensland maize industry from the black-grown product of South Africa, in spite of the protective duty of 1s. per cental, and a "dumping" duty of about 7d. per cental on South African maize.

From the 1st January, 1923, to 31st August, 1923, 1,245,000 bushels of maize were imported into Australia from South Africa. These figures are significant, and show that this branch of primary production is handicapped by higher freight rates and costs of production than the industry can stand.

Freight on Grass-seed.—As an example of high freights on the North Queensland coast, the case of a shipment of grass-seed is quoted. A witness at Atherton, North Queensland, stated that he purchased 1,003 lb. of Rhodes Grass-seed, and had it shipped by a coastal steamer from Maryborough, its destination being Cairns. The shipping freight charged on this consignment was £13 2s. 6d., amounting to 3⁷/₁₀d. per lb.

The shipping company stated that this evidence was correct, and attempted to justify the charge by stating that the grass-seed was charged for at the measurement freight rate, that it measured 168 cubic feet, and the total freight was made up as follows:—

	£	s.	d.
Maryborough to Brisbane—22s. 6d. per cubic feet	4	11	6
Brisbane to Cairns—40s. per cubic feet	8	8	0
	13	2	6

Your Commissioners have no hesitation in asserting that this freight rate was unreasonable, and would tend to hamper production.

(b) FRUIT AND VEGETABLE EXPORT TRADE.

The Queensland fruit and vegetable export industry is of considerable magnitude. The markets are chiefly in New South Wales and Victoria. For the year 1922–23 the following were the interstate exports of fruit and vegetables:—

Bananas	522,000 cases.
Pineapples	229,890 cases.
Citrus	29,600 cases.
Tomatoes and cucumbers	239,500 cases.
Vegetables	83,000 cases.
Mixed fruits	47,127 cases.

About 90 per cent. of this export is carried by special fruit trains, which run to Sydney and Albury. The remaining 10 per cent. is carried by interstate steamers.

It is claimed by the representatives of the fruit industry that the lack of suitable shipping accommodation is responsible for the inauguration of the fruit-train traffic. It is also claimed that the lack of cargo space for the interstate export of bananas was responsible for the banana-growing industry declining in the north of Queensland, and increasing in South Queensland, where railway facilities for getting the fruit to market are available.

The following is taken from the evidence of the manager of the Southern Queensland Fruit-growers Society:—

William Ellison, Manager of the Southern Queensland Fruit-growers Society Limited.

6653. What percentage goes by rail as compared with boat?—Ninety per cent. by rail and 10 per cent. by steamer.

6654. Has that always been the position?—No.

6655. Since when has the change taken place?—Since January, 1919.

6656. What brought it about?—The unsatisfactory condition in which the fruit arrived on the southern market when carried by boat. During the twelve years I have been a fruit-grower that position has obtained.

6657. What percentage went by boat prior to the war?—The total quantity.

It would appear, therefore, that either the shipping companies, by bad management and lack of proper facilities for the carriage of fruit, lost the trade, or that the railways, by offering better facilities, took the fruit shipments away from the coastal vessels. In any case, the railways appear to have considerably improved the fruit industry.

There is one branch of this industry, however, which is almost wholly dependent on shipping for the marketing of its products, and that is the tomato and cucumber export from Bowen. The growers in the Bowen district state that not only do they receive insufficient shipping service, but their produce is handled in such a manner as to deteriorate a considerable quantity of it.

In 1922 there was exported from Bowen about 136,500 packages of fruit and vegetables, the bulk of which went to Sydney. There is one boat from Bowen per week. This vessel also carries other cargo, and it is stated that the fruit is often placed with hides, tallow, and similar cargo, which seriously affects the condition of the fruit.

It is also claimed that the service is not frequent enough during the fruit season. Most of the fruit has to be picked in a green state, so that it will stand a week's journey. With one week between shipments a great deal of fruit becomes over-ripe and is wasted.

The following is an extract from the evidence in connexion with this matter :—

J. T. Moore, Farmer, Secretary of the Bowen Local Producers Association.

7642. I estimate that from 30 to 40 per cent. of the value of Bowen produce has been lost to growers during the last few years through inadequate shipping facilities, and unsympathetic handling of our products.

Your Commissioners took a great deal of evidence bearing out the foregoing statement, and are forced to the conclusion that the coastal steamers are not suitably fitted for the carriage of fruit. Fruit requires considerate and careful handling, and on the one hand your Commissioners find the railways giving every care and facility to the transport of produce, improving the industry and obtaining the gratitude of the fruit-growers, while on the other hand it was found that in the Bowen district, where the growers were, at the time your Commissioners took evidence there, dependent on the shipping for the marketing of their produce, the ordinary requirements of the industry are not fully met by the shipping companies, with the result that produce is wasted, industry suffers, and the producer is severely handicapped.

Your Commissioners consider that the North Queensland fruit trade should be catered for by vessels specially equipped for the carriage of fruit, as, it is stated, is done in other parts of the world, notably from Fiji to Europe, and in the fruit trade from the West Indies.

(c) TIMBER.

One of the chief complaints which your Commissioners had placed before them in connexion with the Queensland timber industry, was in regard to the waste of soft woods suitable for box and case making. The timber most used for this purpose is the tops of hoop and bunya pines, which are not suitable for building.

Before the war nearly all the soft timber used for box and case making came from the Pacific coast of North America and from Scandinavia. During the war, when foreign supplies could not be obtained, there was a fair demand for the Queensland soft woods. Since the war, with fairly normal oversea shipping conditions, this demand has greatly decreased, and once again the greater part of our soft wood requirements comes from foreign countries.

It is stated that the reason why Queensland box-making timber is not required outside Queensland is that the foreign timber is much cheaper, in spite of the Customs duty placed upon it. The costs of production alone, without including freights, place the Queensland soft-wood timber industry in the position that it costs 20s. per 100 super. feet to produce case-making material, while similar timber can be loaded at Melbourne from North America or Scandinavia at 17s. per 100 super feet. That is to say, even if the timber could be sent from Queensland to Melbourne free of freight charges, the foreign timber would still be 3s. per 100 feet cheaper.

Your Commissioners therefore cannot see that the Navigation Act wholly affects the position. It certainly is a factor. But the main reason why Australia cannot compete with foreign soft woods is on account of the higher production costs in Australia. When this was pointed out to the representative of the timber industry, a higher protective duty was suggested as a remedy, which would ultimately be paid for by the fruit-growers who require the fruit cases; but as the question of Protection hardly comes within the scope of this inquiry, Your Commissioners do not feel disposed to make further comment.

Another complaint in connexion with the effect of the Navigation Act on the timber industry was placed before your Commissioners at Townsville. Evidence was given that while the timber freight from Cairns to Brisbane was 6s. per 100 super. feet, the freight from Mourilyan to Brisbane (a shorter distance on the same route) was 16s. 4d.; from Townsville to Sydney the rate is 7s. 3d., and from Mourilyan to Sydney (a shorter distance on the same route) 17s. 7d.

The reason given for this remarkable difference in freights was that the demands made by the waterside workers at Mourilyan are so great that extra freight has to be charged. The waterside workers are taken from Innisfail (12 miles from Mourilyan) to Mourilyan by special train when required, and are returned home by similar means, their day starting from the time they board the train at Innisfail, and ceasing when they return to Innisfail.

The result of the higher freight is that the timber industry at Innisfail and Mourilyan is dying because it cannot compete with the Cairns mills, which have a much cheaper timber freight rate to southern markets.

The following is an extract from the evidence of the manager of the Japoon Saw-mills Limited, Townsville, which operates at Innisfail :—

W. L. Chapman, Saw-miller and Timber Merchant, Townsville.

7179. Have you any records of the quantities of timber in those ports ?—For the past twelve months, although we had 500,000 super. feet to offer, all we had carried by the coastal steamers was 110,000 super. feet. A further 50,000 feet was lifted by John Burke Limited, making 160,000 in all, whereas we could have shipped 500,000 feet or more.

7180. What have you done with the surplus ?—It is stacked in the yards. Although running a large saw-milling business at Innisfail, where we recently expended £30,000 in the erection of the mill, we have to go to Cairns to buy our supplies, while we are paying interest on the timber lying in our yards.

Your Commissioners find that the great disparity in timber freights to the disadvantage of Innisfail and Mourilyan, has practically killed the industry in that district. The reason given by the representatives of the shipping companies as to the high freights from Mourilyan are not satisfactory. There is no doubt that the handling charges at Mourilyan are heavier than at Cairns, but your Commissioners are of opinion that the extra cost of handling at Mourilyan does not warrant the enormous penalty in timber freight rates from that port. What, then, is the reason for the enormously high freights on timber from Mourilyan ?

It was suggested in evidence that the Adelaide Steamship Company, which has vessels on the North Queensland coast, has financial interests in the Cairns Timber Company, and assists that company by cheap freights, while it penalizes a rival company operating at Innisfail by high freights.

Your Commissioners, therefore, obtained the lists of shareholders of the Adelaide Steamship Company, and of the Cairns Timber Company, and after perusing such lists, are of the opinion that the Adelaide Steamship Company has financial interests in the Cairns Timber Company, and, as a natural result, preferential treatment appears to be given to timber cargo from the port of Cairns.

It would appear that the Navigation Act made the Japoon Timber Company dependent upon the vessels of the Steamship Owners' Federation, and, as a matter of ordinary business, the Federation proceeded to obtain an advantage over its business rivals by imposing high freights on their output.

(d) THE MEAT INDUSTRY.

The chief grounds of complaint made by the meat industry against the Navigation Act are (a) that there is insufficient space on the interstate boats for requirements, and (b) the permit system is not expeditious enough to secure business.

During the past two years the demand in Southern States for Queensland frozen meat has been very great. This demand varies in its intensity, and at times the interstate vessels can deal with requirements; but, on the other hand, on several occasions, owing to serious meat shortage in New South Wales and Victoria, the demand for Queensland meat has been so great that the insulated space on the interstate vessels has been totally inadequate.

To meet these abnormal demands "permits" have been issued by the Deputy Director of Navigation, Queensland, to enable overseas vessels, which are not "licensed" under the Navigation Act, to carry meat to Sydney and Melbourne.

Although to some extent the issue of these "permits" has met the requirements of the industry, it is contended that the Navigation Act constitutes a restraint of trade. The evidence of the representative of the Australian Meat Council puts the objection clearly as follows :—

L. W. Davies, Representative of the Australian Meat Council.

8305. In what way does your council consider that the Navigation Act affects the meat industry ?—At present it is a hindrance to the interstate trade in frozen meat in so far as we are not allowed to ship refrigerated cargo by overseas vessels unless a permit is obtained, and you cannot get a permit unless there is no space available in the interstate boats. The space by the interstate boats is not sufficient for the trade, and you do not know whether you can get the permit until the last minute. Therefore, you cannot do any forward business. So far as Queensland is concerned, all the permits are given in Brisbane, and in June you cannot make a sale for delivery in August except subject to freight. Last winter we could have done a lot more business only we could not guarantee delivery. Several times we were short of beef, whereas if we could have made forward arrangements we could have had it coming in all the time.

8306. Could you not have informed the Controller of Shipping that the quantity of meat you had ordered forward could not have been shipped by the interstate boats, and could you not then have made arrangements forward with other vessels ?—You could not get a permit forward. It is not practicable that way. You do not know whether you can get the space for forward delivery, and we do not know until the last minute whether we can get a permit forward.

8307. You contend that the insulated space on the interstate boats was inadequate for the trade available last season from Queensland to southern ports?—Most inadequate.

8308. And it was not possible to get forward permits?—It depends how far forward. Certainly not a month or six weeks ahead.

8309. Thereby you were not able to do the trade you would otherwise have done?—We lost a lot of trade.

8310. How much do you estimate?—Personally, I could have sold anything from 1,000 to 2,000 bodies of beef if I had been able to work on the necessary space. We did make sales of Queensland beef to Melbourne. There is a big movement of sundries all the time, and that is just as difficult as frozen beef.

It is beyond all doubt that the interstate shipping services cannot deal with the carriage of meat to Southern States during periods of shortage. The demand for Queensland meat in New South Wales and Victoria grows larger each winter, and the Queensland meat industry is trying to build up its trade.

It has been stated that no permit to allow overseas vessels to carry meat from Queensland to southern ports has ever been refused, and, therefore, the meat industry has no ground for complaint. But it must be remembered that to cope with the demand, and to obtain orders, the cattle have first to be purchased and brought overland. This has to be done months ahead of the time for shipping, and the question then arises whether, if the cattle are slaughtered in Queensland, space will be available, because in order to deliver chilled meat, the insulated space in which to place the carcasses must be available at once. The following evidence by the representative of the Australian Meat Council places the position clearly:—

8345. You must see the difficulty in allowing them to compete with the interstate ships when they do not comply with the Act?—Of course, I merely advocate that the Act be waived so far as frozen meat and sundries are concerned, because the conditions are so exceptional. It is economically unsound to buy cattle in Queensland and bring them overland when they could be treated in Brisbane and the chilled beef be disposed of in this market (Sydney). We cannot make arrangements ahead until we know we are going to get a permit, and we cannot get that until the last minute.

Your Commissioners are of the opinion that the machinery for the granting of permits should be made more easily workable. That the space on interstate steamers is inadequate is admitted by all parties concerned, viz., the interstate shipping companies, the meat industry, and the Navigation Department. Therefore, the Act clearly contemplates that under these circumstances permits should be granted to oversea vessels to carry cargo. It should then be the function of the Act to provide every facility to enable permits to be obtained at a reasonable time in advance of requiring the space, and any machinery that delays the granting of a permit under these conditions is a restraint on trade.

PART IV.—SOUTH AUSTRALIA.

(a) TIMBER.

The evidence tendered to your Commissioners in South Australia indicated that the grievance against the Navigation Act is not so great as in the more distant parts of the Commonwealth. South Australia has one main interstate port (Port Adelaide), and in consequence enjoys interstate and oversea service to a reasonable extent.

The chief complaint, however, was made by the timber industry. As South Australia is not a timber producing state to any appreciable extent, she requires to import a great proportion of her requirements. It was stated that the principal hard-wood timbers are obtained from Western Australia and Tasmania, and that in recent years considerable difficulty has been experienced in fulfilling orders. For example, one witness stated:—

T. H. Robyn, Timber Merchant, Adelaide.

5350. Do you experience any difficulty in getting the shipments of timber you order from Tasmania and Western Australia?—We have had great difficulty in connexion with shipments from both places.

5351. For what reason?—Only very small vessels engage in the Tasmanian trade, and it is sometimes difficult for them to obtain the necessary freight to enable them to ship.

5352. Does that condition of affairs always obtain?—No, but the position is more acute now than formerly. Fewer sailing vessels are engaged in the trade now than in 1914, because there have been several wrecks and no replacements. We were interested in a vessel called the *Wild Wave*, and in 1914 she was carrying timber for us at 3s. 6d. per 100 super. feet. She was wrecked some few months ago on the north-west coast of Tasmania.

5353. What has been your experience with Western Australian orders?—We have generally managed to get shipments along as we required them, but this year, right up till July, there was an acute shortage, and we had great difficulty in supplying our orders. When we could not get our supplies along we got into touch with one of the millers who has been supplying the Globe Timber Mills with all their jarrah for the last eighteen years. On 1st August I telegraphed, "When can you complete all our jarrah orders? urgently needed." On 3rd August I got the following reply:—"Your telegram first; using every endeavour secure all possible tonnage. In order assist position suggest you endeavour secure additional tonnage." That was the first time we had been asked to get tonnage on this side. Shippers have always got tonnage on that side.

The foregoing statement should be noted, particularly that portion to the effect that the small but useful ships, sailing and steam, have now practically ceased to run, which in itself means a less regular and suitable service for such a trade as the timber industry.

(b) SPENCER'S GULF AND EYRE'S PENINSULA SHIPPING SERVICES.

The Spencer's Gulf and Eyre's Peninsula trade is served by vessels of the Adelaide Steamship Company. The vessels in this trade are not "licensed" under the Navigation Act, as the service is purely intra-state.

The Adelaide Steamship Company has a monopoly of the business, having absorbed the Coast Steamship Company, which in 1914 provided a service in competition with them. This competition by the Coast Steamship Company ceased at the end of 1914. At that time, owing to competition, the freight on general cargo was as low as 5s.; in 1915, the rate rose to 9s.; in 1916, to 10s.; in 1919, to 14s.; in 1923, to 16s.

It is claimed that this rise in freights is due to the absence of competition. It is also claimed that freights are excessive in comparison with even the interstate freights. For example, the rate on general cargo from Adelaide to Melbourne is 20s. per ton; to Sydney, 25s.; to Fremantle, 30s.; while the following are the South Australian intra-state freights to Port Adelaide:—

Mileage.						
150	..	Port Lincoln	..	..	..	16s. per ton
166	..	Tumby Bay	..	..	..	18s. per ton
184	..	Arno Bay	..	..	..	20s. per ton
198	..	Cowell	..	..	..	20s. per ton
297	..	Port Augusta	..	..	..	20s. per ton

Your Commissioners are of the opinion that this case of the Spencer's Gulf and Eyre's Peninsula intra-state service provides a striking example of how the Shipping Combine allots various services to different companies and gives each company a complete monopoly over its own section.

The Navigation Act has had the effect of giving the interstate companies a monopoly of the interstate and coastal trade. The Steamship Owners' Federation is thereby able to allot the Spencer's Gulf and Eyre's Peninsula trade to the Adelaide Steamship Company. With no competition, this company runs what services it pleases, charges what freights and passenger rates it likes, and claims that it is the sole judge of what is a fair and reasonable service for the trade. These facts are admitted by the company, as the following evidence shows:—

J. E. Morphett, Secretary, Adelaide Steamship Company, Adelaide.

5799. As members of the Steamship Federation would your company feel at liberty to trade with your boats how, when, and where you liked?—As I have mentioned there is an arrangement by which tonnage is allocated. The arrangement was made in Melbourne for the purpose of preventing overlapping, and so increasing the convenience of the coastal service.

5800. Then the coastal service is allotted by the Federation?—That is not the correct way to put the position. A certain amount of tonnage is wanted in South Australia, and a certain number of steamers are allotted to handle that tonnage. The trade is not allotted, only the steamers are allotted.

5820. Is it not a fact that the Associated Steamship Companies are now practically able to dictate what shipping service shall be given to a place?—Yes, and I think they ought to be able to do so. They are best able to judge what the requirements are.

Although it is stated in the foregoing evidence that the Associated Companies are the best judges of what the trade requires, your Commissioners are of opinion that the judgment of this shipping company is such that, by its indifferent service and excessive freights, it has reduced the producers and public generally of the Eyre's Peninsula and Spencer's Gulf districts to a state of resentment against it and dissatisfaction with the service provided.

PART V.—TASMANIA.

(a) THE DECLINE OF SHIPPING SERVICES TO HOBART AND THE EFFECT ON—

- (i) The Tourist Traffic.
- (ii) The Timber Industry.
- (iii) The Fruit Industry.
- (iv) Trading generally.

Tasmania is in an entirely different position from any of the other States, in that it is solely dependent on sea-carriage for cargo and passenger communication with the mainland, and it is out of the route of the ordinary coastal shipping.

To understand the position in Tasmania, it is first necessary to grasp the fact that it is not only isolated from the other States, but it is divided into four sections, each of which is economically isolated from the others. Although a very small State, the climate and the quality of the soil vary considerably, with the result that there are four separate sections, each with different branches of primary production. The four sections are the West Coast, the North-west Coast, the North and North-east, and the South.

The West Coast is a vast mining field at present suffering a depression, but with a great past and a hopeful promise for the future. Its only port is Strahan.

The North-west Coast produces chiefly oats, peas, potatoes, timber, and fat stock, and its interstate ports are Stanley, Burnie, Devonport, and Ulverstone.

The North and North-east produces chiefly wool, grain, hay, and fruit, and is served almost solely by the port of Launceston.

The chief primary products of the South are fruit and timber, for which the chief interstate port is Hobart.

Each section has a different shipping service, and the result is that each of them has not sufficient produce to export to maintain a large service. These ports can be served more regularly and efficiently by small vessels, which can be filled each trip.

Your Commissioners found that of the Tasmanian Ports Strahan has no service, the North-west Coast ports of Stanley, Devonport, Burnie, and Ulverstone have a good service, which was brought about as explained in section (b) of Part V. of this Report. Launceston has a direct cargo and passenger service with Melbourne, while Hobart's one regular interstate service is with Sydney.

Before the war Hobart had an excellent direct weekly service with Melbourne, provided by large vessels of about 6,000 tons, which did the round trip—New Zealand, Melbourne and Hobart, and then Melbourne, Hobart and New Zealand. This was a very regular passenger and cargo service. There was also a regular passenger and cargo service from Hobart to Melbourne, via Strahan, which provided direct communication to enable Hobart to do business with the mining districts of the West Coast. There was also a weekly passenger and cargo service between Hobart and Sydney, the run being New Zealand—Sydney—Hobart, and Hobart—Sydney—New Zealand.

There was also a direct fortnightly service from England to Hobart provided by vessels of the New Zealand Shipping Company and the Shaw Savill and Albion Steamship Company. These vessels ran fortnightly, bringing cargo and passengers from London to Hobart in 43 days, which made Hobart the transshipping port for a great number of passengers for the other States. These vessels brought hundreds of passengers, including numbers of immigrants for New Zealand, all of whom spent one or two days at Hobart.

As a result of this cessation of shipping services, your Commissioners found not an outcry by one section of the trading community, but a general feeling of revolt against what the people of Hobart consider is legislation which threatens their economic welfare, causes them to suffer in many ways, and hampers them in their natural competition with the other States.

The question now arises as to why the interstate and oversea services of Hobart have been curtailed, and whether such curtailment is due to the operation of the Navigation Act. In regard to the P. and O. vessels, there was considerable evidence placed before your Commissioners that the Navigation Act prevented them from calling, unless under contract to lift large cargoes of fruit. On this point attention is directed to the following evidence :—

Sir Henry Jones, Merchant, Fruit Shipper, and Manufacturer

In 1921, when I visited Sydney, the manager of the Peninsular and Oriental Line informed me that he had no intention of sending his steamers to Tasmania in 1922, giving as his reason that the Navigation Act prohibited the boats from carrying passengers. He said that if his steamers did not carry passengers, they could not afford to go to Tasmania for fruit, when loads could be picked up easily in Melbourne, Adelaide, and Fremantle. That was rather a blow to us as in that year there was a good market in England for our fruit. Through the action of the Peninsular and Oriental Company I consider that we lost 300,000 cases of apples, worth 8s. per case on the Hobart Wharf. I could say 600,000 cases, but have tried to be conservative. The shortage of tonnage in that year was very acute. We had a very good crop, and, as we could not ship it to England, the Sydney market was glutted, and the apples dropped to the ground. They were offered for jam-making purposes at as low as 1s. per bushel. We then wrote to the Peninsular and Oriental

Company, asking what would be the difference in cost involved by sending the steamers here as against Melbourne. Mr. Sparks, who was over at the time, suggested that the Commonwealth might pay £1,000 per ship if we found the difference. I wrote to the agent on the 5th January, 1922, offering £250 towards the ship. There were three boats listed, the dates being 16th March, 3rd April, and 1st May, and those were the vessels for which we offered £250 each. However, we failed. After consideration, the Commonwealth Government no doubt thought it was unreasonable to pay £1,000 of the taxpayers' money towards sending a boat that could be filled elsewhere. In 1923, we met with the same fate. The Peninsular and Oriental Company would not send any boats to Tasmania for similar reasons; but at the end of the season, when they could not obtain freight in Adelaide, Melbourne, and Fremantle, they sent a boat for 64,000 cases.

The next question to be considered is whether the Navigation Act prevented the continuance of the services between Hobart and New Zealand via Sydney and Melbourne. There was considerable evidence placed before your Commissioners that the Navigation Act was responsible, and it appears evident that there is little doubt on this point. The Melbourne—New Zealand and Sydney—New Zealand services still continue—why is Hobart omitted? The weight of evidence is that Hobart is omitted because the fact of calling at Hobart would constitute "coastal trading," and the vessels calling, in order to carry cargo or passengers, would have to "license" under the Navigation Act, and incur all the conditions and expenses attendant thereto.

The same applies to the discontinuance of the Hobart—Strahan—Melbourne service. To continue that service would mean that the vessel would have to be "licensed", and so the service has ceased.

Now the question arises as to what has been the effect on Tasmania of the cessation of these services. The various effects are dealt with separately hereunder, as follow:—

- (i) The Tourist Traffic.
- (ii) The Timber industry.
- (iii) The Fruit industry.
- (iv) Trading generally.

(i) *Tourist Traffic.*

Tasmania is a favorite summer tourist resort for Australia. It specially caters for tourists to a greater extent than most of the other States. The value of the tourist traffic is considerable. By means of propaganda and advertising, the number of tourists who visit Tasmania is still maintained, but it is claimed that the fact that the mail boats are no longer permitted to carry passengers interstate prevents a great number of wealthy class tourists from the other States going to Tasmania.

These tourists came by what was known as the "apple trip." They could travel during the apple season by mail steamer between say Sydney or Brisbane—Melbourne—Hobart, and return by another mail steamer. These vessels began to build up a separate branch of the tourist traffic. It is claimed that most of those people do not now visit Tasmania, because they desired comfortable travelling which, it is stated, is denied to them by the present facilities, consisting of comparatively small coastal vessels, with frequently crowded passenger accommodation, and the Launceston-Hobart railway.

According to figures placed before Your Commissioners, 500 people visited Tasmania by means of the "apple trip" in 1913, and in 1914 this number increased to 1,000. It is claimed that the number of wealthy tourists was increased, and that this branch of the traffic was being built up, when the war stopped it, and the Navigation Act prevented its revival.

As against this argument, evidence was furnished by the representatives of the interstate shipping companies that the service provided by them is ample, and for more than half of the year their vessels from Sydney to Hobart, and Melbourne to Launceston have a great percentage of empty passenger accommodation. This is proved amply, but evidence was also brought forward that during the tourist season these vessels are always full, and are crowded to a great extent—that intending tourists are offered second class accommodation and "shake downs" on payment of first class fares, with the result that many people who will travel in comfort or not at all, no longer visit Tasmania. The following is an example of the evidence on this matter:—

E. T. Emmett, ex-Director of the Tasmanian Government Tourist Bureau

10939. You opened with a statement that, I think, ought to be enlarged upon. You say, "The tourist traffic to Tasmania is restricted because of the fact that the only really comfortable steamers which ever come from mainland ports to Hobart are not allowed to carry interstate passengers." In your opinion there is no comfort on those boats. Is there no comfort on the *Riverina*?—I mean in comparison with the *Osterley* and the *Ormonde*.

10940. Are those the only boats that you can get comfort on?—The smaller boats fill up to such an extent that they have to use shake-downs.

10941. Has that occurred very often?—It occurred on two out of the four trips.

10942. You say, "The berthing accommodation is over applied for, and people are turned away." Can you give us any further particulars about that. Have you figures with regard to people being turned away?—I have a telegram from my Sydney manager, dated November, 1921, as follows:—"Not even a shake-down either sex saloon now available December twenty-first boat."

10943. Do you know if that condition continued over a series of voyages?—The congestion applies particularly to that boat every year.

10944. What was the name of that ship?—I think it was the *Riverina*. I have a telegram of the same date from my Brisbane manager, saying, "Want of shipping accommodation seriously affecting tourist traffic. Twenty shut out, Sydney, 21st, and Melbourne, 23rd December, will probably cut Tasmania out."

10946. Did that difficulty occur in 1922?—Yes, I had a wire dated the 14th November, stating, "*Riverina*, 20th December, has only a few shake-downs left. Absolutely nothing for ladies. Have request from Brisbane four passengers. Cannot supply."

Your Commissioners are of the opinion, in regard to the tourist traffic:—

- (a) That the tourist traffic to Tasmania has suffered by reason of the operation of the coastal trading sections of the Navigation Act; and
- (b) That the shipping facilities to Tasmania for passengers during the summer months of each year are inadequate for tourist traffic.

(ii) *The Timber Industry.*

The Tasmanian timber industry must necessarily be at a disadvantage in the mainland timber market on account of the geographical position of Tasmania necessitating additional freightage to such markets, and the fact that only a small proportion of the output is absorbed locally, with the result that the industry is dependent on the interstate and overseas markets. But it is claimed by the timber industry that this disadvantage is aggravated by the operation of the Navigation Act, which has caused freights to be higher, and brought about a less regular and less adequate service.

In regard to the handicap imposed on the industry by high freights, the following table is quoted to show the freights from Tasmania to interstate ports as compared with American, Baltic, and Canadian freights to the same ports:—

Name of Port	To—	Length of Timber.	Freight per 100 Super Feet.
Launceston	} Melbourne	20 feet	5s. 3d. to 5s. 9d.
Hobart			
Devonport			
Stanley			
Burnie			
Stanley	Melbourne ..	40 feet	7s.
Canadian Ports	Melbourne ..	Up to 60 feet ..	6s. to 6s. 3d.
American Ports	Melbourne ..	Up to 60 feet ..	7s. 6d.
Baltic Ports	Melbourne ..	Up to 30 feet ..	3s. 3d.
Burnie	Port Adelaide ..	30 feet	9s.
Burnie	Port Adelaide ..	40 feet	11s.
Canadian Ports	Port Adelaide ..	Up to 30 feet ..	3s. 3d.
American Ports	Port Adelaide ..	Up to 60 feet ..	7s.

It would appear to your Commissioners that the Tasmanian timber industry is handicapped in its operations on the mainland markets by reason of these comparatively high freights. The Tasmanian industry does compete successfully in Victoria, but its profits must be considerably lower than those of the Victorian saw-millers. The industry also has to compete with foreign timbers, cheaply produced and carried to Australia at a low freight.

The industry asks for assistance in the form of cheaper freights or higher protective duty on foreign timber. Your Commissioners, seeing that the question of protection is outside the scope of this inquiry, do not care to express an opinion on the advisability of higher duty on foreign timber, and are of opinion that a reduction in freight is not probable in the near future, but your Commissioners consider that the timber industry has a right to expect better facilities for distributing its output.

Evidence was placed before your Commissioners that since the Navigation Act came into force the timber trade of Tasmania with New Zealand has practically been lost. A good timber market for Tasmanian timber existed there. The lack of shipping facilities killed the market, and the only export to New Zealand is by an occasional vessel. The same evidence was brought forward in regard to Adelaide. There is a big market at Adelaide for Tasmanian timber, as South Australia has practically no timber production and relies on Western Australia, and formerly Tasmania, for its supply. Evidence was placed before your Commissioners that contracts could not be obtained in South Australia because shipping facilities were not reliable.

The following evidence given by a timber merchant at Hobart illustrates the position in which the industry stands on account of its lack of facilities for shipping:—

A. E. Walling, Timber Merchant, Hobart.

11265. Will you tell the Commission in which way your business is affected?—In pre-war times we could always supply our customers promptly, but as soon as the Navigation Act came into force, when we took orders from Victoria, New Zealand, and Sydney, and put our timber on the wharf, it has been left behind, and there is no redress. I received two telegrams this week turning down orders, and saying that the timber was no good unless it was shipped on the Friday's boat. I told Mr. Hooper, manager for Holyman and Sons, that the timber must go on Friday (yesterday), and he replied, "It is no good; we are leaving another full load on the wharf." I said, "That is five times that has happened in three months." We have to send documents, and they are returned because the timber has not arrived.

11267. How frequently has this occurred?—During the last twelve months.

11268. How often?—About four or five times.

11269. Have you actually lost orders because you could not get the timber away by ships that were here?—Yes. I could not get the shipping facilities in the time.

11270. Could you get more frequent orders if you had more frequent shipping?—Certainly.

11271. Are you unable to take orders because you are unable to ship?—Yes. We cannot take orders because we cannot get the space.

11272. You said that when you get an order you have to cancel it because you cannot deliver to time?—We will not accept a time limit, as we have to wait until we can get the space.

11273. Have you any complaint to make with regard to the freights?—We are badly situated with regard to jetties on the timber area. It costs us 2s. per 100 feet to move the timber, and the freight to Melbourne averages 6s per 100 feet, so it costs me 8s. per 100 feet to get the timber to Melbourne, and it costs me 17s 6d. on an average to produce 100 feet, after which it has to be branded. The price from any mill in Southern Tasmania to the Hobart wharf is 2s. per 100 feet. I am only in a small way of business, as I have not much capital to charter boats for myself. I could not get a quote to take timber to New Zealand at any price.

11274. Do you do any business with New Zealand now?—No; I cannot get space.

11275. Have you ever done business with New Zealand?—Yes, years ago; but it is cut right out now.

11276. What do you consider has cut it out?—The freights to New Zealand have been as high as 12s. per 100 feet, and at one time the freights were only 5s.

11277. What boats take your timber to New Zealand?—We can only get it away when the Union Steamship Company is inclined to send a boat. The boats come when the company likes.

11278. Does that suit your purpose in taking orders?—No; we cannot take an order, because we cannot get a time for delivery.

11279. Would you have to send the timber to New Zealand on "spec"?—It might take three months to get there, and the order might have to be supplied from elsewhere. I used to send a lot of shafts, split posts, and palings. I had an inquiry the other day about them, and I wrote back that the market was so bountiful in Victoria and the freight to New Zealand was so high that the timber would be such and such a price, and they replied that they would have to wait until Victoria got tired of taking our timber.

11283. Do you ship by any other boats than those of Holyman and Sons?—No. No freights are offering except by the boats of the Union Steamship Company, Huddart Parker Limited, and Holyman and Sons, unless a merchant can fill a boat himself, and I am not in a position to charter a boat myself.

11284. Do you ship all your stuff on Holyman and Sons' boats?—I should like the Commission to go and see the congestion opposite my yard. The *Laranah* leaves at 11 o'clock to-day, and there is more than a full load on the wharf now.

The foregoing evidence deals with the declining trade with New Zealand, and your Commissioners have also been furnished with evidence, supported by documents, showing that the same position obtains in regard to South Australia.

One timber merchant in Hobart placed documentary evidence before the Commission showing that he was unable to carry out a contract for the delivery of 10,000 "cross-arms" for the Postmaster-General's Department in South Australia. The Department threatened to enforce the penalty clauses of the contract for late delivery. The contractor obtained an extension of time until a vessel called. A vessel eventually did call for timber, and picked up 600 pieces out of the 10,000. This was a totally inadequate quantity, and the contractor asked the shipping company for sufficient space on the next ship, but only a small portion of the space required was obtained. On the 24th April last the greater portion of the timber required by the contract was still on the Hobart wharf, and while it was awaiting shipment the contractor was being charged storage by the Hobart Marine Board on 74,300 feet of timber.

Your Commissioners are of the opinion that these shipping conditions are not only a restraint on trade, but make business impossible to the saw-miller, and are totally unsatisfactory to the persons requiring the timber.

(iii) *The Fruit Industry.*

The representatives of the fruit industry state in their evidence that while there is sufficient tonnage visiting Hobart to lift the fruit for the English markets, the class of ship which does come to Hobart for fruit is not as suitable as the mail steamers. It is asserted that before the Navigation Act

came into force, these mail boats would visit Hobart for as little as 7,000 cases. It is also definitely stated by Sir Henry Jones and others that the reason why these vessels do not continue their practice of calling at Hobart for fruit is that before the Navigation Act operated, the passengers carried from Sydney to Hobart paid the running costs of the ship between those ports. Now that the Navigation Act precludes these vessels from carrying passengers between interstate ports, it does not pay to run to Hobart for anything but a full load of fruit.

It was stated by representatives of the fruit industry that the reason why the produce is carried more successfully by the mail steamers is that they arrive in London on a given date, and this regular arrival enables definite contracts for sales to be made, which cannot be entertained when the fruit is carried by general cargo vessels, very few of which have fixed dates for arrival and departure at Hobart or approximate arrival in London. In addition, another advantage is that small and regular shipments by the mail steamers keep stable the London markets, and enable good prices to be realized, acting as a "set-off" to lower prices when the big shipments arrive later.

One witness giving evidence as a fruit-grower, stated the following:—

J. R. Johnston, President of the Hobart Chamber of Commerce.

9311 Has your amount of tonnage diminished because of the Navigation Act?—Our commodities are sent by other boats. I admit the adequacy as far as tonnage is concerned, but the boats are not equally good. As a fruit-grower, I shipped on one occasion by the *Boonah*, which was almost three months reaching London. If fruit is shipped by the mail boats, they arrive to the day.

Your Commissioners are of opinion that by reason of the Navigation Act these mail steamers no longer go to Hobart for fruit, and that while there is ample tonnage for the present to take Tasmanian fruit to England, the coastal trading provisions of the Act have taken away one of the quickest and best facilities which the growers of South Tasmania had for placing their produce on the overseas market.

(iv) *Trading Generally.*

Much evidence was placed before your Commissioners to the effect that not only have the coastal trade provisions of the Act seriously affected particular classes of trade, but that trade generally has received considerable set-backs.

To a State like Tasmania, wholly dependent on sea carriage for the transportation of its exports and imports, every ship is a factor in the prosperity of the State, and every ship which is prevented from visiting a port means a certain amount of trade lost and the loss of a certain amount of money to the State.

It is claimed that many avenues of trade have been blocked as a result of the Navigation Act, and that the pre-war trade routes have changed and Hobart is no longer a stopping place on the new routes.

For example, a regular trade route was from Hobart to Adelaide, and then Western Australia; at the present time these vessels (which are all oversea vessels) on that route are allowed to carry neither passengers nor cargo between interstate ports. That this affects trade and prevents Tasmania exporting to South Australia and Western Australia is stated in the following evidence:—

Sir Henry Jones, Merchant, Fruit Shipper, and Manufacturer.

10168. We think that there should be concessions under the Navigation Act. There are no direct boats from Hobart to Western Australia or Adelaide. If we could send 100 tons of cargo direct to Western Australia it would be a great convenience. We could do that before the war. The three oversea boats which are coming to Hobart this week for wool will proceed to Western Australia, and if we could send 100 tons of cargo by those ships it would help us.

The same complaint regarding the cessation of trade with South Australia and Western Australia was put forward by a representative of the Chamber of Manufactures, as follows:—

E. H. Thompson, Director of H. Jones and Co, Hobart.

10714. As regards manufacturing business and that with which we are particularly acquainted, the Navigation Act has operated to direct disadvantage inasmuch as it was a great convenience when the oversea steamers were loading here to be enabled (before the Act came into force) to make direct shipments of our goods from Hobart to South Australia and Western Australia. There is very seldom an opportunity of making direct shipments to these States now. The interstate companies do not provide a regular service from Hobart to South Australia and Western Australia. The fact of it having been practicable to ship products by these direct fast oversea steamers (without the objectionable delays and knocking about to which goods are subjected during transshipping) was a very big factor in working up our trade with Western Australia in particular, and this has steadily fallen off until it is now only about half what it was when direct shipments were possible, the falling off being largely attributable to the unsatisfactory means of delivery.

10715. You say that previously you had an opportunity of direct trade with Adelaide and Perth, which is not now possible. Do you contend that if it were possible, you would be assisted in developing it?—Yes, I am certain of that. A few days ago there was a buyer in Adelaide for a quantity of our pulp. He required direct shipment. We have looked everywhere, and cannot get an opportunity for shipment. We may have to wait a month or two, and then the pulp will be valueless.

Your Commissioners have already pointed out that the weekly service between Hobart and New Zealand has ceased, with the result that the timber export from Tasmania to New Zealand is practically negligible. Evidence of this was put forward that the lack of shipping facilities had killed the trade. Not only is this the complaint of Tasmania, but the fact is recorded in New Zealand, and on this matter the following is an extract from the Bluff Harbor Board's Report for 1922-23 :—

"The imports in Tasmanian timber which now come from Hobart, via Melbourne and Wellington, to Canterbury, Otago, and Southland have suffered so much from increased cost and uncertainty of shipment that this trade is practically extinguished."

Other exports are similarly prevented from going to New Zealand, and the following extract from the evidence of a representative of the Hobart Chamber of Manufactures is typical of the general complaint placed before your Commissioners in Tasmania :—

"There was an increasing trade between here and New Zealand, particularly in timber, jam, and dessert fruits ; our trade with New Zealand is now practically nil. As transshipment is now necessary in Sydney, involving extra handling and expense, this trade is no longer practicable. There is now no direct regular service to New Zealand, and the trade has been lost. If we, or other shippers, desire now to make direct shipments to Western Australia, North Queensland ports, or New Zealand, it would be necessary to charter special boats, which in turn would no doubt have to come down here in ballast."

On the question of the lack of shipping facilities to maintain trade with New Zealand, the following is an extract from the evidence given in Hobart :—

C. E. Webster, Representing the Hobart Chamber of Manufactures.

During this year it occurred that New Zealand could take our chaff and oats, but the very heavy additional cost of freight to and transhipment at Sydney practically debarred Tasmania from the opportunity.

There is an intermittent service direct from here to New Zealand. It is sometimes six weeks or three months, but is availed of very little, because the boats will not book freight until they are alongside the wharf here. There is no hope of our selling to New Zealand if we cannot guarantee to deliver by a certain boat, and have to wait until the next one. If that position were understood better, it would be seen why trade is so small between here and New Zealand.

Not only does it appear to your Commissioners that Tasmania has lost a great deal of export trade with the other States and with New Zealand by reason of the Navigation Act, but evidence is also given that even some of the internal trade of the State has been diverted thereby. As pointed out before, the Navigation Act caused the cessation of the service from Hobart to Melbourne via Strahan, the only port serving the mining fields of the West coast. The result is that there is no shipping service between Hobart and Strahan. The natural consequence is that practically all requirements from the West coast of Tasmania are brought from Melbourne through Burnie, with the result that this rich portion of Tasmania is practically compelled to trade with Victoria, and no trade is carried on with Hobart.

The evidence placed before your Commissioners has shown that the effect of the Act has been to crush small trading vessels in the interstate trade. In comparison with larger vessels their working expenses are not much lower, but their earning capacity is considerably lower. In Hobart this fact was clearly shown in the evidence of a master-mariner, who owned and sailed his own sailing vessel of 80 tons between Southern Tasmanian ports and the mainland. For years this man has sailed similar vessels between Tasmania and Victoria ; the sea has been his home all his life, and with four good men with him he has worked his vessels and was contented with the small profits his ship earned. The Navigation Act came into force, and in addition to expenditure on improvements to his ship, the law ordered him to carry a passed mate, at an extra cost of £16 a month and keep, say £250 a year in all. That £250 represents to this trader practically the amount of his present annual running loss. The expense cripples him. In the first place it is hard to get the services of a passed mate for an 80-ton sailing ship. The only class of man he can get is one who is beyond the useful age. But even if he were more qualified than the captain himself, it is claimed that he is not necessary for the running of this small vessel, to assist a man who for 40 years has taken small sailing vessels between Hobart and almost every other interstate port in Australia.

In the opinion of your Commissioners these small vessels are a necessity. They are able to go to outports, where bigger steamers will not go, for freight. While a big steamer meets the requirements of the big centres, the small steamer lifts small amounts of produce and suits the requirements of the small primary producers along our coast line. In a young country every part should be catered for, and the question arises whether a young country can be developed with big ships which only go where a big ship can be run profitably.

From the evidence placed before your Commissioners, it does appear that small vessels are essential to the development of the districts served by the outports of Tasmania, and that the Navigation Act has so increased the running cost of these small vessels in proportion to their earning capacity, that they are being forced out of the trade to the detriment of the development of the State.

(b) LAUNCESTON AND THE NORTH-WEST COAST PORTS.

A remarkable feature of the enquiry in regard to Tasmania is the fact that while Hobart is a storm-centre of discontent, Launceston and the North-West Coast ports of Burnie, Devonport, Stanley, and Ulverstone have little or no complaint against the Navigation Act.

With regard to Launceston, there has been considerable rivalry between that city and Hobart for many years. When the Navigation Act brought about the cessation of the Melbourne-Hobart service, all the passenger traffic from Melbourne to Tasmania then entered Tasmania through Launceston, which was to the advantage of that port and to the detriment of Hobart.

Your Commissioners found contentment with shipping services, equal to that of Launceston, prevailing on the North-West Coast, and some interesting facts in regard to the ports serving that part of Tasmania were brought out in evidence.

About the middle of 1919, when there had been a good season on the North-West Coast, and a good market on the mainland, the shipping facilities at the ports of Devonport, Burnie, and Stanley were so inadequate that the producers were in despair of placing their produce on the mainland market. The position became worse, hundreds of tons of produce were being wasted because of no vessels to take it away, till the people of the North-West Coast, finding that no help was likely to come from the shipping companies or the Commonwealth Government, demanded that the State Government should do something. Public men who were opposed to any form of State enterprise, demanded a shipping service from the State, rather than see this fertile part of Tasmania languish. The result was that in May, 1920, the State Parliament passed an Act authorizing the Government to purchase or build vessels. In June, 1920, the Government bought the s.s. *Melbourne* (1,739 tons gross register) from the Melbourne Steamship Company, and at the end of 1921 the s.s. *Poolta* (1,675 tons gross register) was purchased.

Immediately the s.s. *Melbourne* began to trade on the North-West Coast, the interstate companies entered into keen competition there. The chief market for the North-West Coast produce is Sydney, and the bulk of the trade by the State boats has been between the North-West Coast ports and New South Wales. The interstate companies at once sent vessels trading from Newcastle to Melbourne across to Tasmania to lift produce, and the date of their sailings from the Tasmanian ports synchronized with the sailing of the State vessels. In other words, the interstate companies were out to crush the State ships, and while previously they had been unable to provide more than an occasional ship for the North-West Coast trade, as soon as the State bought one of their vessels and started to meet the needs of the producers, the interstate companies could find several vessels to run in keen competition with it.

The result has been that since the beginning of the State service, the North-West Coast ports have had a service which probably no other similar part of Australia enjoys. The number of vessels visiting these ports has increased greatly. The amount of cargo lifted shows a remarkable increase, while Ulverstone, which three years ago was not visited by vessels of any kind, suddenly rose to the status of an interstate port. As an example of the increase in shipping, evidence was obtained that in 1919 the total inward gross tonnage for the port of Burnie was 239,053, in 1920, six months after the State vessel started, the total tonnage was 458,529, in 1921, it rose to 532,231, in 1922, to 799,738, and in 1923, to 878,228.

The result of this competition has been (a) to increase shipping facilities; and (v) to increase production.

Your Commissioners were particularly impressed by the manner in which the increased shipping facilities in the North-West Coast of Tasmania have increased production. Wherever your Commissioners have found insufficient shipping facilities, it has been maintained by the shipping companies that the trade does not warrant a better service, that they are the sole judges as to what service is sufficient, and that to increase such services will not increase production and build up trade. The position of the North-West Coast of Tasmania is a refutation of these contentions, and in the opinion of your Commissioners shows that an irregular and inadequate service is detrimental to the primary and secondary industries of Australia.

In this case, the shipping companies, in trying to crush the State vessels, gave good shipping services, which they had previously denied to Tasmania. The trade at once increases. The exports from each port on the North-West Coast show a remarkable increase. A new port comes into existence. Greater production takes place. On this point the evidence of the manager of the State Shipping Service is as follows:—

William Robinson, General Manager of the Tasmanian Government Shipping Department

12213. *By the Chairman.*—Do you mean to infer that, having a regular service, the people in the district provided the products?—Yes. There has been a substantial increase in the produce on the coast.

12214. You contend that it is because the settlers have been sure of the service?—Yes, undoubtedly. It has not been so much the service provided by the State, but that which has followed in the wake of the State vessels.

12215. You think that a plentiful and regular service will increase production?—Undoubtedly. If you were to visit Stanley, you would be provided with evidence on that point. A good deal of the land went out of production because the produce could not be sent away, but since our vessels have been running a regular weekly service the production has very considerably increased.

PART VI.—WESTERN AUSTRALIA.

(a) PRIMARY PRODUCTION.

The weight of the evidence taken by your Commissioners in Western Australia strongly emphasized and stressed the fact that the farther the primary producer is from the great industrial and thickly-populated centres, the greater are his disadvantages in the matter of transport, and that this position has been accentuated by the operation of the Navigation Act.

The storm centres of unrest and irritation against the effect of the Act are undoubtedly from the more remote parts, such as Western Australia, North Queensland, Tasmania, New Guinea and Papua.

These States and territories, dependent on sea transport for the carriage of their produce and their necessities, must always be at some disadvantage when compared with other States which are amply catered for by railway and sea carriage.

The evidence of the Managing Director of Westralian Farmers Limited, shows the position very clearly. In reply to a question as to whether his firm imported certain requirements in the shape of machinery from other States, he answered in the affirmative, and further stated when asked :—

B. L. Murray, Managing Director of Westralian Farmers Limited.

859. How do you find that the charges, including freights, compare with Victoria?—We find that the farmer in this State is very much at a disadvantage compared with the farmer in Victoria. Whereas the overseas freights from London, Liverpool, and New York are the same to Victoria as to Western Australia, the freights from Victoria to Western Australia are very heavy.

The result is that if we import from Newcastle the local article made by the Newcastle Steel Works or the Broken Hill Company, we pay from Newcastle to Fremantle 42s. 6d. per ton. The farmers in New South Wales can purchase that article in Newcastle at the same rate as we can, less 42s. 6d. per ton. On the other hand, if we import from London, although the boat goes past Fremantle, the farmer in New South Wales can import it at exactly the same rate of freight as we can. The rate current to-day is 38s. from London or New York.

860. Would that same condition apply as far as machinery is concerned?—Just the same.

861. Have you seen the report of the Tariff Board, in which they make reference to the Navigation Act?—No

862. They said in their report—

Many bitter complaints have been made to the Tariff Board that the working of the Navigation Act is acting detrimentally at present to the best interests of Australian industries, both primary and secondary.

It was stressed, whilst the Government professes to do all in its power to encourage decentralization and the peopling of our distant parts, yet it indorses the policy of the Navigation Act, which, more than any other legislation, discourages the settler on our coasts far removed from industrial centres.

It was also urged that the oversea merchants are assisted in their trade against our own producers by the fact that our present method of administering our shipping laws places heavy freights on our own products, whilst oversea goods are carried for much lower freights.

The Board found that this discontent existed in all States, but that the application was most keenly felt in Western Australia and Queensland. Not only is the freight on Australian goods shipped to those States high, but the heavy freight in return places the producers at a serious disadvantage when endeavouring to compete with imported goods shipped to the other States.

You say that the Tariff Board were correct in that assumption?—I do.

On the price of fertilizer in Western Australia, his evidence is as follows :—

884. Have you on occasions to import fertilizers to this State?—Yes.

885. Have you compared the cost of fertilizer here with its cost in the other States?—Not imported fertilizer. I have compared many times the cost of the Australian manufactured fertilizer.

886. In connexion with the Australian manufactured fertilizer, is there a difference in price in Victoria and Western Australia?—Yes; there is a difference in South Australia also. It would be 7s. per ton greater in Western Australia than in South Australia, which, with the enormous turnover, makes a very considerable difference.

The difficulty of building up a trade with Java is also stressed :—

888. Do you know if Western Australia is endeavouring to open up markets with Java and the Far East?—I do. I have had one of our own staff in Java for some considerable time.

889. Is it a fact that the American people are endeavouring to nurse that trade?—Yes.

890. What products have we to ship from Western Australia?—My company ships to Java such produce as potatoes, onions, and mostly fruit—apples, grapes, and oranges, and sometimes pears.

891. In your competition with America is it necessary that you should have equal freight facilities?—Certainly, if we can get them. We have to compete in the same market, and get the same price.

The fact that there is no competition in existence in regard to interstate shipping freights is also brought forward :—

902. In your negotiations for the purchase of material on behalf of your shareholders, have you obtained any direct knowledge that if it were not for the Navigation Act you might possibly get the wire and machinery at a less cost?—We are quoted a price for wire on board a ship that is available and is permitted to carry it. No matter from what line you get a quotation, the quotation is exactly the same, and you are naturally led to believe that that is arrived at by combination. The boats that are permitted to carry it have a definite agreement as to the rate of freight.

905 You have not direct evidence that the Navigation Act has been detrimental to Western Australia?— I am giving evidence that the rates of freight charged by boats run under the Navigation Act, for a short journey, are more than those charged by boats not governed by the Navigation Act for three times the distance.

The same witness also shows how Western Australia is at a disadvantage because in that State there is no great local market :—

974. That local market was an extraordinary valuable factor to the producers. In Western Australia we cannot earn pence if we grow stuff for the local market, and if our cost of production will not permit us to sell at a profit overseas we will have no chance to live.

976. Practically all your business is done overseas?—Oh, no; we do a considerable interstate business. We have, unfortunately, to buy an enormous amount of stuff in the eastern States, and that is where our cost of production is raised.

The fact that the Navigation Act gives no benefit to the producer, while it forces him to pay for it, and penalizes him in his competition with the producers of other countries, is also brought forward by the same witness :—

1016. Would you expect the Australian ship-owners, paying very high rates of wages, to compete against them?—That question hits the vital principle. If certain conditions have to be observed in Australia under the Navigation Act, it would be perfectly unfair to give an advantage to some one who has not to comply with those conditions. You could not expect it. It has the effect of penalizing the producing community of this State in regard to something from which they derive no advantage.

1017. If you were called upon by the laws of your country to pay a certain running cost on the material which you purchase or the labour which you employ, you could not possibly compete with somebody who can carry on at lower rates?—Certainly not. Unfortunately, the wheat-grower in Australia is, by those Acts of which you have spoken, forced to do what you tell me it is not right that he should do. He has to sell his goods in competition with people who are not similarly forced.

Further evidence as to the higher cost in Western Australia of the requisites for production was furnished by a representative of the Primary Producers' Association of Western Australia, who quoted the following examples :—

Walter Sutcliffe, General Secretary, Primary Producers Association of Western Australia.

An agricultural machine offered for sale in Melbourne at £105, costs the Western Australian farmer £121, or a handicap of £16 in this case on the Western Australian farmer.

Further, as showing the high interstate shipping freights, it may be mentioned that fencing wire, which can be imported from England or New York at 38s. per ton, costs 42s. 6d. per ton to bring from Newcastle to Fremantle.

That interstate freights are excessive is stated by Mr. S. McKay, Works Manager of the firm of H. V. McKay Limited (Sunshine Harvester Works). This firm does a great amount of shipping, and the freights of their manufactured articles are nearly all borne by the primary producer :—

"Would you regard the coastwise freights as exorbitant?—Yes; we feel that they are exorbitant. The cost of conveying our goods from one port to another is certainly very excessive. To bring coke from Queensland to Melbourne costs 33s. per ton."

"Would that be coke produced in Queensland?—Yes; coke from the Brisbane Gasworks. On smelting coke from New South Wales the freight is about 22s. dead weight, which we regard as very excessive."

This witness also stated :—"We do not like the idea of charging more for machinery in Western Australia than we charge in Victoria, but we are compelled to do so on account of the extra cost of getting the machinery over there."

The Mining Association of Western Australia also makes the following assertion :—

The general effect of the protective policy of the Federal Government, functioning through the Customs in the first place, and the Arbitration Courts in the second place, has been to so completely paralyze the mining industry that there is, for all practical purposes, no base metal industry existing requiring the services of interstate shipping. Experience has also proved to those formerly engaged in this industry that the cost of smelting in the eastern States, based, as it must be, upon a cost of living which reflects the incidence of taxation through the Customs House, makes the shipment of ores to smelters in New South Wales and South Australia an unremunerative business.

The Mining Association has, therefore, for other reasons, been able to take a detached view of the operation of the navigation laws of the Commonwealth, but nevertheless feels that if its own particular industry had not been killed and buried several years ago, it would have been regarding the Navigation Act as another nail in the coffin of what should be a very flourishing and important primary industry in Western Australia.

(b) THE TIMBER INDUSTRY.

The chief complaints against the shipping services in relation to the Western Australian interstate timber trade are :—

1. High freights on timber.
2. Irregular service and insufficient space.
3. Monopoly of interstate shipping companies.

1. *High Freights on Timber.*—The following table shows the rise in timber freight from Fremantle to Adelaide for the past 15 years :—

Date.	Freight Rate.
21st August, 1909	16s. per load of 50 cubic feet
3rd June, 1914	21s. per load of 50 cubic feet
18th September, 1918	29s. 8½d. per load of 50 cubic feet
6th October, 1919	32s. 10d. per load of 50 cubic feet
29th April, 1920	39s. 5d. per load of 50 cubic feet
10th April, 1922	31s. 6d. per load of 50 cubic feet
5th April, 1923	35s. 5d. per load of 50 cubic feet

It is contended by representatives of the timber industry that these freights are adding so much to the cost of timber sent to the eastern States that timber produced in these States is so much cheaper; consequently, the demand for Western Australian timber is not so great. For example, the following is taken from the evidence of the Manager of the State saw-mills :—

D. G. Humphries, General Manager, State Saw-mills, Western Australia.

47. What effect have high freights on timber from this State to the eastern States in competition with timber from other countries ?—They effect the price in the other States, and naturally we are not selling the quantity which we would sell if the freight rate was lower.

85. Do you attribute the rise to the Navigation Act ?—I do.

86. Do you think the reduction in the output of the mills has been due to the high freight ?—When we were agitating for the reduction in 1922, overseas steamers could be chartered at a cheaper rate than we were paying interstate companies. Many mills were closed down because they could not get orders at a payable price.

89. In your opinion the Navigation Act is interfering with the development of the saw-milling industry ?—It is interfering with our trade. We could do more business in the East if we could get a lower freight, which would enable us to quote a lower price.

It is also contended by the timber industry representatives that these high freights remain high owing to the effect of the Navigation Act; for example, the manager of the State saw-mills further states :—

101. Another statement you make is that you are being ruined owing to the operation of the Navigation Act ?
Yes.

102. You say the Act had the effect of increasing freights on the coast ?—Yes.

103. Has not the action of the ship-owners increased freights ?—If we had not had the Navigation Act at this particular time we could have chartered steamers overseas at very much lower freights, got rid of our accumulation, satisfied our customers, and kept our trade together. We were not able to do that.

141. Will you explain to the Commission in what way the Navigation Act has increased freights and prices on the coast ?—Perhaps when I said it increased freights I was not exactly correct. It keeps freights at a higher level than they are obtainable outside.

2. *Irregular service and insufficient space.*—It was asserted that the shipping of timber to eastern States has been often held up so long that the saw-millers have been unable to fulfil contracts; that not only are there insufficient vessels calling for timber, but when they do call the allotment to each company is small compared with the amount of timber waiting to be shipped.

The following is extracted from the evidence of the manager of the State saw-mills :—

Has there been any period when you have a lot of timber for which you have orders and it was laid up in this State ?—Yes, especially at this particular period about which I was writing (June, 1923). There have been other periods, but I cannot recollect the dates. In 1920, two years after the conclusion of the war, there were big accumulations of timber which we could not shift for many months. In some cases the orders were cancelled and imported timbers were purchased in their stead.

50. Would that be a considerable quantity ?—There were big quantities at that particular time. Everybody was in the same boat. Most of the timber companies had contracts, but could not get their timber away on account of the shortage of shipping space.

51. Could you tell the Commission how frequently you were unable to fulfil orders ?—At that particular time the shortage of timber extended over some months. In the particular instance to which I refer, we loaded a steamer in May for Adelaide and Melbourne, and the next opportunity afforded us was in August, by the *Ashridge*.

109. There was a period when you could not get your cargo shifted ?—Yes.

110. That was about last May or June ?—Yes. We made no shipment from May to August.

111. Was that owing to the refusal of the shipping companies to carry your freights or owing to the Act ?—I pleaded for space on the *Woolgar* and *James*, and was informed that I could not get the space as it had been allotted.

112. The *Woolgar* left in May ?—I was refused space in the *Woolgar* in July and in the *James* in June.

113. Who refused you ?—We rang up the secretary to the interstate companies and were told that the space in those vessels was allotted.

114. Did you apply for accommodation in May ?—In May we loaded a lot of timber on a vessel called the *Iron Monarch*.

115. You had plenty of accommodation ?—No, not plenty.

This evidence is borne out by that of the manager of Millars' Timber Company, who states the following :—

N. Tenperley, Manager of Millars' Timber and Trading Company, Perth.

225. You have not the space which you had before the Navigation Act operated ?—Prior to 1914, the space was adequate for our requirements.

226. You did not have stocks of timber held up unduly, as you have to-day ?—We were never in the position we are in to-day; we never had such an accumulation.

227. How do you anticipate disposing of the difference between that which you have to ship and that which the companies are prepared to take ?—I suppose we shall have to pay more money, and get special steamers to take it.

3. *Monopoly of the Interstate Shipping Companies.*—With regard to the complaint that the shipping companies have a monopoly of timber space from Western Australia to the eastern States, the position was revealed very clearly in the light of the following circumstances.

It was found by the timber industry that it could not continue to pay the high freights to the eastern States; and mills were beginning to close. The timber industry made representations to the shipping companies that a reduction of 20 per cent. was necessary. The shipping companies offered a reduction of 10 per cent. and refused to reduce any lower. The timber industry representatives then communicated with Messrs. Scott Fell and Company of Sydney, who are outside the Shipping Federation, and who agreed to carry timber from Western Australia to the eastern States at a 20 per cent. reduction on existing freights. As soon as the Shipping Federation heard of this, they decreased their freight by 20 per cent., and this was satisfactory to the timber industry. Scott Fell and Company did not come into the trade, and when it was evident that that firm was not going to compete, the Shipping Federation raised the timber freights by 10 per cent. The timber industry again opened negotiations with Messrs. Scott Fell and Company, and an arrangement was being made for that firm to carry timber at the 20 per cent. reduction in freight, when the Federated Shipping Companies threatened the sawmilling companies with practically a "boycott" if they patronized Scott Fell and Company's steamers. It is stated that negotiations again fell through on account of the coal strike.

Dealing with the same matter, the manager of the State Saw-mills gave the following evidence :—

182. You were threatened with certain dire consequences. Have you any correspondence dealing with that matter ?—No.

183. Have you any objection to giving us the name of the person who informed you of what would happen to you ?—No, I have not. It was Mr. J. Downer. I think he is the manager of the Adelaide Steamship Company in Western Australia.

184. What did he say to you ?—He told me that I was flirting with Scott Fell and Company, and that the interstate companies were in a much better position than Scott Fell and Company to lift the timber; that I had to recollect that if I was left by Scott Fell and Company I might find that the interstate steamers were booked up, and would have considerable trouble in getting my timber away.

185. Do you think that that was bluff, or was he in a position to give effect to it ?—I believe at that particular time he would have done it if he could. We could not get freight in the *June* and the *Woolgar* afterwards.

186. You think that that was a fulfilment of his threat ?—It appeared to me to be so.

The Honorable W. Scott Fell in his evidence also bears out the above statements :—

William Scott Fell, Ship-owner, Shipping Agent, and Coal Exporter, Sydney.

12569. I presume that you are aware of the fact that certain evidence was given in Western Australia as to the State Timber Mills having approached you with regard to timber freights ?—I have heard about that evidence.

12570. Do you remember being approached by the State Timber Mills in Western Australia in that connexion ?—Yes, and I have carried timber for them. As a matter of fact, I am carrying some timber for them within the next few days.

12571. Were you able to reduce freights below the rates charged by the steamers of the Federation ?—I think that I charged a little less.

12572. Are you a member of the Federation ?—No.

12573. You are on your own ?—Yes.

12574. When you reduced the freight rates for the State Timber Mills in Western Australia did the steamers of the Federation also reduce the freight rates ?—I believe that they did do so; that is the little method they have of trying to kill opposition.

The truth of the foregoing circumstances is also borne out by the general manager of Millars' Timber and Trading Company, whose evidence reads as follows :—

209. You have intimated in a letter that you wrote to me as Chairman of this Commission on the 20th inst., that you desire to place before the Commission some information regarding the shortage of steamer space to the eastern States. Will you now communicate that information to the Commission ?—The chief point I want to put before the Commission is this—the principal complaint that we have regarding the operation of the Navigation Act as it affects the timber industry generally, and Millars' trade in particular, is that we are entirely in the hands of the associated shipping companies; that is to say, if there is a fluctuation in trade which demands more space than they can provide we have no alternative—we cannot go to any other quarter to secure shipping space. At present we have a very large accumulation of timber in Western Australia which requires to be shipped to the eastern States, and the regular steamers of the coastal companies cannot lift our immediate requirements. We are really in the position that we have to sit down and wait until they can do so.

Your Commissioners find that the interstate export timber industry of Western Australia is affected by the operation of the coastal trading provisions of the Navigation Act, and that the position, so far as rates and service are concerned, has shown little improvement since the War and control period. Freight on timber were in 1923 70 per cent. higher than those paid in 1914. The Act, by giving a virtual monopoly to "licensed" ships, places the Shipping Federation in a position under the Act to retain war "control" conditions, high rates of freight, and limited service, while your Commissioners feel that in order to develop industry, the tendency should be to return as far as possible to pre-war conditions. Only very feeble competition is brought to bear upon the Shipping Federation, which practically controls the shipping of Australia.

(c) THE RESTRICTED SHIPPING FACILITIES OF ALBANY.

The port of Albany is the natural geographical zone which should serve an area with a population of about 20,000 people.

Before the Great War there was regular weekly service by interstate vessels (in addition to the regular White Star Liners and casual steamers), which carried passengers and cargo to the eastern States. During the war this service was curtailed, and after the war, instead of getting the same service as before, or a service anything approaching it, Albany received a three-weekly service. At present the monthly service consists of the *Katoomba*, which carries passengers and cargo, and one irregular cargo vessel. The evidence shows clearly that the cargo service is by no means a regular service, and that during the last two years as much as 35 days, and sometimes 66 days, have elapsed between the calling of interstate steamers. This service is the only practical means by which cargo can be brought from the eastern States.

The people of Albany contend that this service is totally inadequate for their requirements. The Shipping Companies state that there is not sufficient trade to warrant a more frequent service.

The fact remains that before the war, when the interstate companies had competition, one boat, carrying passengers and cargo, arrived at Albany from the eastern States on Tuesday of each week and proceeded to Fremantle, and returned each Sunday *en route* to the eastern States, picking up passengers only at Albany. In addition, another vessel arrived at Albany on the way to Fremantle from eastern States towards the end of each week, carrying passengers and cargo, and returned via Albany with cargo and passengers during the following week.

Now that the competition is eliminated by reason of the restrictions imposed by the Navigation Act, it would appear that the interstate companies are taking advantage of the fact that they have a monopoly, and have ignored the requirements of the port of Albany to such an extent that the trade of that port has declined. Probably the trade of Albany at present does not warrant a more frequent service than it receives when regarded from the point of view of immediate profit, but it is contended by the people of Albany that the deplorable decline in trade at that port has been brought about by the interstate companies refusing to provide an adequate and regular service immediately after the Government control ceased, with the result that the trade has been largely diverted to Fremantle.

An irregular service is entirely unsatisfactory for any port. In the case of Albany a fair trade was done by the merchants there with Katanning, Wagin, and other inland towns, because Albany is their natural port and direct market. But owing to the irregular service to Albany, the business people in these places can no longer depend on Albany for supplies, and the consequence is that the greater portion of their business is now done with Fremantle, at greater cost to them on account of extra railage.

Another example of the effect of an irregular service is instanced by witnesses in giving evidence concerning wire netting, barbed wire, and ordinary wire. The Australian supply comes from Newcastle. The following is an extract from the evidence of a Customs and shipping agent of Albany:—

F. L. Williams, President of the Albany Chamber of Commerce.

4034. Do you say that you are not able to get sufficient quantities of wire?—The shipping facilities are not all that they might be. We have had no boat leaving Newcastle for just on three months, consequently we have not been able to get our supplies. The business has gone through Fremantle, where the merchants can draw their supplies weekly from Newcastle, Sydney, or oversea ports. They are sending the wire down to our back door as far as Mt. Barker. One man wrote to the paper asking why he could not get supplies of fencing material through Albany. The reason is that Fremantle can land goods very frequently, while the man in Albany can land them only at long intervals. The Fremantle man, therefore, can sell more cheaply. The trade is being centralized in Fremantle, making the purchasing power of those men such that they can command better prices and terms from the manufacturer. The wholesale merchant in Albany is being placed outside the realm in which he should be able to do business.

The following extract from the evidence of the same witness shows that the export of primary products is also handicapped :—

4053. Do any of the farmers have to send their produce by rail to Fremantle to catch the Eastern States boat because of the lack of shipping here ?—This year one shipment of fruit for Adelaide had to be railed from Mount Barker to Fremantle to pick up the boat there, because the sailing from Albany did not fit in with the seller's contract in regard to the delivery of the fruit.

4054. What would be the difference between the rail freight and water carriage ?—I understand it is about 7½d. per case higher by rail.

4055. And it is a very great inconvenience to send the fruit by rail ?—If it happens to be hot weather it is almost a calamity. The shipment to which I refer was made two months ago. If it had to be made to-day I think they would sooner cancel the contract than take the risk of shipping the fruit out of cool stores a distance of 340 miles in a truck, allowing it to lie in Fremantle a couple of days before being put on board.

4056. Then the fruit-growing industry is suffering because of the lack of shipping from this port ?—This year it has suffered to some extent.

4057. If the fruit-growing area continues to increase its output, and the shipping facilities do not improve, the industry will be still further hampered ?—Particularly if we can obtain a market in the eastern States. This year there has been a big market, but we have not been able to get the boats which would enable us to avail ourselves of that market.

A further disadvantage which the infrequent and irregular services entails to the Albany merchant is that in ordering supplies it is necessary to estimate what a month's requirements of goods will be, and to order accordingly. If he under-estimates he cannot continue to supply his customers until the next boat arrives, and if he over-estimates he may lose money owing to a drop in price of some commodity. In any case, he would be required to finance greater stocks than he would if he had a regular and frequent service. The following extract from the evidence taken at Albany is a case in point :—

L. S. Barnett, Business Manager, Albany.

4177. It was announced in the press that a drop was to take place in sugar as from the 15th. Our supplies would have been shipped on 13th. That meant that we would have had a month's supply of the higher priced sugar. We had to take it. If we cannot supply sugar to the people in the country we might as well go out of business.

4178. Did not that actually happen when the other change in sugar took place ?—It did. Unfortunately we had to pay £180 excess on a consignment of sugar as the result of the rise taking place when it did.

After having heard the evidence tendered by the people of the district, your Commissioners are of the opinion that it shows how an infrequent and irregular transport service will retard the development of a district.

For many years prior to the war, Albany appears to have enjoyed a regular and efficient service at least once a week. This in itself created certain useful employment within the town of Albany, as well as adequately serving the district. To-day it is stated that the population of the district has increased by 25 per cent. since 1911, due largely to the land settlement policy of Western Australia. Small producers, as well as large ones, are anxious to despatch their produce to markets when they have been prepared. But from the evidence given it is clear that little other than the making of the steamship service pay has actuated the shipping companies in supplying the service which Albany now receives.

It should be stated that the Trans-Australian Railway has taken a considerable portion of the passenger traffic from this, as well as from other ports, of Western Australia.

It is clear, however, to your Commissioners, that unless a sufficiently regular and frequent service is given, it will be very difficult for this fertile district, which possesses an excellent harbour, to develop.

Steps should be taken to arrest this decline, particularly as a representative of the Interstate Shipping Companies stated that they (the companies) were the arbiters as to what should be an adequate and efficient service for any port.

Further, as Albany is about 300 miles distant from the Trans-Australian Railway, it constitutes a great hardship for residents of the district of Albany, intending to journey to the Eastern States, to be debarred from travelling by other than boats licensed under the Navigation Act. The extra journey entailed from Albany to Perth adds considerably to the cost, as well as the discomfort of the journey, and in view of the peculiar geographical position of Albany, which places it on the route of oversea steamers, and leaves it over 300 miles from the Trans-Continental Railway, it must be patent that the coastal provisions of the Act are a serious disadvantage to the whole of the Albany district.

(d) THE RESTRICTED SHIPPING FACILITIES OF GERALDTON.

Your Commission, during its sitting at Geraldton (Western Australia), had evidence placed before it that the trade of that port had showed serious retrogression. This was partly attributed to the fact that the Murchison gold fields, which required considerable machinery and stores had, during recent years, greatly declined. It was further shown that the harbour dues charged at

this port constituted a considerable handicap on shipping as against railway facilities, and that as a result, much of the trade that was previously conducted between Fremantle and Geraldton, now passes over the Midland Railway Company's line to Perth, there being very little difference between the freights charged, while the handling costs on the railway are much less.

This is not the only instance that your Commissioners have been informed that where railway service is in competition with shipping, owing to the increased freight rates and the irregularity of the shipping service, the traffic has reverted to the railway. With regard to the irregularity of service, the following is from the evidence taken at Geraldton :—

Frank Green, Merchant, Geraldton.

3285. You have no complaint against the Federal Navigation Act; you do not think it is hampering you?— It has hampered us thus far, in that the boats come here and bring no cargo. Very often when I have cargo from overseas I have to wait a month or six weeks before it arrives here. The documents arrive in Fremantle through the bank and you have to take them up or pay interest. I have waited as long as six weeks or two months for the goods to arrive in Geraldton; although there have been two or three ships which have called in, they have not been allowed to bring that cargo.

To give some idea of the falling off of the port of Geraldton, the following evidence by a Stevedore, Forwarding, Customs and Commission Agent, is given :—

3075. In 1917 the wages for the men on the jetty were 1s. 9d. per hour, ordinary time. My wages for that twelve months, to the lumpers, amounted to £4,946. In 1921 the rate was 2s. 9d. per hour, and I paid a total of £1,819 in wages. In 1922 I paid £2,227 on the same rate. The ships which arrived in 1913 numbered 198, and in 1922 the number had dropped to 72. Up to the present date this year (4th October) 57 ships have arrived.

The exemption which applies to certain boats on the North-west of Western Australia does not apply between the ports of Fremantle and Geraldton.

Your Commissioners are of the opinion that the Navigation Act, which increased freights and brought about irregularity of service, gave the railways an opportunity to secure the bulk of the trade, with the result that the port has declined. If the Act did not apply to Geraldton, there is little doubt that the "permit" boats would go there to try and secure what business there is offering, and to build up greater trade, in the same way in which they have built up trade at the ports north of Geraldton, where they are allowed "permits."

(e) "PERMITS" GRANTED TO CERTAIN VESSELS TRADING ON THE NORTH-WEST
COAST OF WESTERN AUSTRALIA.

The question of the "permits" granted under Section 286 of the Navigation Act to certain vessels trading between Fremantle and Singapore has been raised so often during the course of this inquiry, that Your Commissioners consider it necessary to deal separately with the question.

The vessels to which permits have been granted are as follows :—s.s. *Gascoyne*, 3,850 tons gross; s.s. *Gorgon*, 2,886 tons gross; s.s. *Minderoo*, 2,720 tons gross; and s.s. *Charon*, 2,681 tons.

The service between Fremantle, the North-western Ports of Australia, and Singapore was established in the year 1833 by the West Australian Steamship Company, with a steamer of 700 tons gross register. In 1886 the West Australian Steam Navigation Company was formed, and built the s.s. *Australind*, 1,000 tons gross register. This vessel was, at that time, one of the largest and most up-to-date boats on the Australian coast. Other vessels came into the trade, and the number has gradually increased until the present service consists of the s.s. *Gorgon* and s.s. *Charon*, belonging to the Ocean Steamship Company, and the s.s. *Gascoyne* and s.s. *Minderoo*, belonging to the West Australian Steam Navigation Company. These four vessels maintain a regular service from Fremantle to Singapore, calling at Geraldton, Carnarvon, Onslow, Point Samson, Port Hedland, Broome, and Derby on the West Australian coast, and Java ports.

These steamers have good passenger accommodation, and carry monthly an average of 980 tons of cargo for discharge at various North-west ports. On the southern voyage they carry during the year about 9,000 bullocks and 20,000 sheep for butchering for the metropolitan market. In addition, from Derby to Singapore each voyage, they lift from 150 to 200 bullocks and about 1,500 sheep for the Singapore market. They also carry regular consignments of sandalwood, flour, fruit, chaff, oats, hay, potatoes, and beer, &c., to Java and Singapore, and pearl-shell, wool, and ore for transhipment to European ports.

The personnel of these ships consists of white commanders, officers, and pursers, with coloured crews.

These four vessels trade between the North-western ports of Australia by virtue of a "permit" granted under Section 286 of the Navigation Act.

In 1911, the State Government of Western Australia established a service on the North-west coast, to carry cargo and passengers, as well as live stock. This service consists of two boats, the *Kangaroo*, 2,700 tons nett, oil driven, and the s.s. *Bambra*, 1,844 tons nett. The *Kangaroo* has 300 tons of insulated space, and trades, in addition to the North-west ports, with Java and Singapore. The *Bambra* trades from Fremantle to Darwin, but it is the general opinion, and also the opinion of the State Shipping Service, that she is most unsuitable for that trade.

The State Service is run at a considerable direct loss, but it is admitted even by the manager of Dalgety and Company, agents for the "permit" ships, that the *Kangaroo* is necessary for the Java and Singapore trade.

During the 40 years since the establishment of the service by the private companies, these vessels carrying coloured crews have given a regular and for the most part efficient service on the North-west Coast, and have, at the same time, developed a very necessary reciprocal trade with Java and Singapore.

The evidence of those persons most vitally interested in the development of the north-west of Australia was unanimous in the opinion that it would be disastrous to take away the "permits" from these boats.

If these "permits" were terminated, it is very doubtful whether the boats would continue to trade with the north-west ports, and from the evidence it seems fairly certain that this line would trade, if at all, direct from Fremantle to Java and Singapore.

The manager of the State Shipping Service, who views the matter dispassionately in spite of the fact that these "permit" vessels are his competitors, stated:—

S. S. Glyde, Manager of the State Shipping Service of Western Australia.

856. Would you suggest cutting out the permits from those ships?—Only assuming that others will come in and put ships on the coast. Looked at from the point of view of the State, you cannot cut out the permits until somebody else is ready to take up the job.

The president of the Pastoralists' Association of Western Australia, in his evidence, states:—

The opinion of the pastoralists concerning the operations of the Navigation Act is that it is 20 years before its time. We hold that a young country, small in population and small in trade, should be allowed all the freedom possible to develop.

We claim that the people should be given every facility to move from one State to another, every facility to move their goods or produce in the quickest and cheapest manner, to help us to develop our resources.

To inflict the Navigation Act on our north-west coast would be such a hardship that settlers would seriously wonder what they had done to deserve it.

The early days of the settlers in the north were hard enough and difficult enough, and now that facilities are being provided we do not want to see them abolished by the infliction of the Navigation Act.

Even to-day, shipping companies hardly know where they are, as I understand that the exemption granted can be rescinded by six months' notice. If the Government would say definitely that our coast would be exempt for ten years and then the matter be reconsidered, it is quite likely we would have faster and better boats on our coast.

Western Australia has such a long coast-line, and the Navigation Act would be a greater handicap upon us than upon any other State. If the Navigation Act is enforced on our coast, the ships which are now exempt would immediately leave us.

The State-owned boats are reported to have lost £78,000 on last year's operations. A private company could not afford this, and would necessarily have to cease running or vastly increase their charges, to the great detriment of the people they are now serving and those who contemplate assisting in the development of our northern areas.

Mr. R. H. Underwood, a member of the State Parliament of Western Australia, representing a North-western Division, appearing before the Commissioners to express the views of all the Members of the State Parliament from North-west constituencies, stated the following during his evidence:—

2714. You are of the opinion that if the exemption now granted were removed it would affect detrimentally the development of the north-west?—Yes. The statement of Mr. Glyde, Manager, State Shipping Service, that he could do that work with two ships is, in my opinion, incorrect. There is too much work for two ships.

2718. If the other boats were cut out, there would be no development of the trade with Java?—The Singapore boats would then trade with Fremantle direct to Singapore, and all the products from the north-west coast would have to be brought south to Fremantle, necessitating additional handling charges.

The Whim Creek Progress League made the following statement:—

If the Navigation Act be applied to this coast, it seems certain that unless other steps are also taken the ships now serving this coast and trading with Singapore will cease running.

That this would be a disastrous thing for the north-west is certain, and, presumably, not denied. The progress of settlement in the north has been extremely slow at all times. It has been entirely stagnant or retrogressive for years. If the main means of communication and of trading with the outside world are to be removed the result is obvious.

To apply the Act here, therefore, would not create work for white seamen. It would destroy employment for white men on land, and would injure everyone having interests here and ruin some. It would not only prevent expansion of enterprise, but would destroy part of the established industries. Mining in particular, already burdened by costly transport, would be set back still further.

When the application for permits for these "black" vessels was made, such application received the support of the Government of Western Australia, and the Interstate Shipping Companies stated that they raised no objection to the permits being granted.

The only objections now raised to the permits being continued are from the industrial organizations. The secretary of the Fremantle District Council of the Australian Labour Party stated the following in his evidence as one of the chief grounds of objection:—

2168. We view the position in this way—that while the boats manned by white labour were trading on that coast, the provisioning, the victualling, the supplying of coal, and all that kind of thing was done in this State, and provided quite a large amount of employment, with the result that a great deal of money circulated in the State. The exempted boats, generally speaking, obtain all their supplies outside the State, thus minimizing opportunities for employment and trading generally, which would be created by boats manned by white labour.

The same witness also stated:—

2340. You would like to see men working in those mines?—Certainly. The exempted boats get their supplies of coal from Singapore.

Your Commissioners are satisfied that neither of these statements are true, and that the coaling and victualling of the "permit" ships is done for the greater part and as far as possible in Western Australia.

Your Commissioners, after closely examining the position in the North-West of Western Australia, taking into consideration its semi-developed condition, and its long coast-line and its vast areas, are of the opinion that the "permits" under Section 286 of the Navigation Act should be continued indefinitely, so long as the coastal trading provisions of the Act remain law.

The development of this portion of Australia has always been a difficult problem, and any derangement of its coastal service, in view of the fact that it has no railway service, would undoubtedly have the effect of retarding its development. The present service is so arranged that it develops not only the North-West Coast, but creates a very helpful reciprocal trade with Java, Singapore, and the Dutch East Indies, which trade is highly essential to the development of Western Australia.

(f) THE EFFECT OF THE NAVIGATION ACT ON THE WHALING INDUSTRY.

Your Commissioners investigated the case of the North-West Australian Whaling Company, and found therein ground for complaint against high freights, and the effect of the application of the Navigation Act to this industry.

The North-West Australian Whaling Company is a new Company, purely Australian, which operates between Carnarvon and Onslow. The supply of whales is ample at seasons of the year, and the Company is said to be capable of supplying at least the whole of the Australian demand for whale oil.

In 1916, three Norwegian Companies began operations on the Western Australian coast. They withdrew owing to War conditions and this Australian company was formed, which, in view of the withdrawal of the previous companies, needed every possible assistance.

Owing to high freights on interstate vessels, the company decided to send their 1922 output to England, and chartered a sailing ship to bring out empty drums for the oil, and take them back full to England. The residue of the whales after extracting the oil was converted into fertilizer, amounting to about 280 tons. When the sailing ship arrived at the whaling station, it was found that she required about 400 tons as ballast in addition to the cargo and oil. The company asked permission to ship this fertilizer as far as Fremantle or Bunbury, discharge it there, and take timber from there to England with the balance of the available space. This request was refused, as it meant that taking fertilizer as ballast would amount to "trading on the coast." The vessel, therefore, loaded with 400 tons of sand as ballast.

Your Commissioners have no hesitation in pointing out that in this case the effect of the Navigation Act on a striving and deserving industry was pernicious, and the administration of the Act was too stringent; it had a serious effect upon the development of this particular industry.

With regard to the effect of high freights on this industry, the following evidence was given by the Manager for the Company:—

4616. Did you find that an excessive charge was made to carry that fertilizer down?—It all depends on what you call an excessive charge. I had to pay £1 a ton, which is reasonable from an Australian point of view having regard to the fact that the ship-owners have to pay abnormal rates of wages and overtime; and if they use their seamen as stevedores, as they do on this coast north of certain ports, not only do they pay them the seamen's wages, but they have to pay them lumpers' wages, even if they work within the eight hours. That happens at ports like Point Cloates, where there are no lumpers. All that reacts on the freight. I will give you an illustration of that. I have just sent the *Kurawal* up to the whaling station with a number of empty oil casks. She has to bring back a consignment of 150 tons, plus as many oil casks as she can get filled within a certain period. She cannot stay there very long owing to the wages they have to pay their men. I am paying her 3s. for each cask she carries up. I pay the Harbor Trust 1s. on each cask.

I pay 4s. per cask when I purchase them. Six casks go to the ton. That means that it is costing me £2 8s. a ton. When I send them up on the ship they charge me measurement rates. I can send the oil direct from there to England at a less rate than from Point Cloates to Fremantle. Then I have to compete in the open market. You will understand therefore that we are working under a very considerable handicap. May I use one more illustration. When I chartered the sailing ship she had quite a number of empty oil drums in which to take the oil to England. She had a couple of hundred excess drums which she landed. There was no upward freight to pay on those. I brought them down to Fremantle. Then I inquired where I could best dispose of this oil. I found that the freight to London or Liverpool was £4 per ton dead weight, and from Fremantle to Melbourne it was 45s per ton measurement. I want to impress upon you that this was a most favorable opportunity for me to ship, because the drums were up there and I had nothing to pay to convey them. Nevertheless it paid my company better to send that oil to Great Britain than to Melbourne.

PART VII.—THE SHIPPING COMPANIES OF AUSTRALIA.

(a) THEIR RELATIONSHIP TO THE OVERSEAS COMBINE.

Your Commissioners have already made the bare statement in Part I. of this Report, that while the primary objective of the Navigation Act was to build up an Australian Mercantile Marine, the Act has failed in its purpose, and the Australasian Steamship Owners' Federation are practically part and parcel of the great English Shipping Combine. Some explanation of this statement is necessary.

It is well known that almost the whole of the overseas shipping of England is in the hands of the shipping combine known as the "Inchcape Group," of which the head is Lord Inchcape. There is no secret about this fact, and it is not for one moment asserted that there is anything sinister in this combine. In fact, the combine is openly defended in the United Kingdom, for it is claimed that this shipping monopoly eliminates waste, and instead of one English company fighting another, they are combined to compete with foreign shipping. This, it is claimed, is the patriotic aim of the Inchcape Combine. With the same motives, in order not to waste ships and money in competing with the Australian companies, the English combine has chosen the easier way, and acquired controlling interests in almost every Australian company. Thus we find that the A.U.S.N. Company is a subsidiary company of the British India S.N. Company, over which Lord Inchcape has control. The McIlwraith, McEacharn Line is also an English company, the majority of the shares being held in England. Burns, Philp, and Company are an Inchcape company. The Union Steamship Company is also controlled by Lord Inchcape, and this company, with Huddart Parker and Company, control the Tasmanian Steamships Pty. Ltd., while the Huddart Parker Company has a large interest in the Melbourne Steamship Company. The firm of W. Holyman and Sons Ltd. (Ship-owners) is also controlled by the Union Steamship Company, and Huddart Parker and Company. The firm of McDonald, Hamilton, and Co. is also owned by British interests, and the largest shareholders have large interests in Burns, Philp, and Co. and the P. and O. Company, both Inchcape Companies.

This brings us to the position that seeing that our Navigation Act has failed to build up an Australian Mercantile Marine, we are saddling the whole of Australia with the expense of the Navigation Act, which only benefits a comparatively few seamen, a number of whom have been attracted to the Australian coastal ships on account of the higher wages.

Therefore, in the opinion of Your Commissioners, the only practical use which the Act has, is to prevent foreign shipping competition in Australian waters, and, in view of this fact, your Commissioners suggest that the Commonwealth Government should enter into negotiations with the British Government with a view to evolving by mutual agreement an Empire Navigation Act. Such Act to contain similar conditions (manning, wages, wireless, &c.) to preserve the coastal shipping of Australia to the mercantile marine of the British Empire.

(b) THEIR RELATIONSHIP TO ONE ANOTHER.

In the preceding section Your Commissioners have shown that the Australian Steamship Owners' Federation is, in effect, a branch of the English Combine. The Australian Navigation Act protects this part of the English Combine from foreign competition. It has a monopoly of Australian shipping. What, then, is the scope of this monopoly?

Your Commissioners have found considerable difficulty in finding out what is the extent of the operations of the shipping companies of Australia. Soon after Your Commissioners began their inquiry it became evident that the shipping companies had other interests, apart from shipping. In some cases they are interlinked with each other, and also have bonds of relationship in other industries. The extent of these relationships and co-partnerships has been very difficult to determine. Your Commissioners, therefore, have had to resort to official records of lists of shareholders, which in a number of cases are incomplete and also are misleading. For example, a trustee agency or a bank may be found to hold a large parcel of shares in a company. There is nothing to show for whom these shares are held. Other "dummies" are used, consisting of officials of companies and relatives of directors.

Some facts, however, did come to light, of which the following are examples :—

- (1) The Adelaide Steamship Company holds about half the shares of the Abermain-Leaham Collieries Ltd., and about 35 per cent. of the North Bulli Colliery Ltd.
- (2) Howard Smith Limited, which originally had coal and shipping interests, separated its interests, and gave its shipping branch the title of the Australian Steamships Pty. Ltd. This Company, in addition, holds controlling interests in Caledonian Collieries Ltd., Invincible Collieries Ltd., Australian Sugar Company Ltd., Commonwealth Steel Products Ltd., and Brisbane Wharves Ltd. In their latest balance-sheet this company shows that the amount invested in other companies is £2,430,000.
- (3) Several large shareholders in the North Coast Steam Navigation Company are also large holders in Burns, Philp, and Company.
- (4) Burns, Philp, and Company have controlling interests in the Solomon Islands Development Company Ltd., Burns, Philp (South Sea) Company Ltd., Choiseul Plantations Ltd., Shortland Islands Plantations Limited.
- (5) Huddart Parker Limited are large shareholders in the Abermain-Leaham Collieries Ltd., and also in Hebburn Ltd. (Colliery), and also holds 88 per cent. of the stock of the Metropolitan Coal Coy. Ltd.
- (6) McIlwraith, McEacharn Ltd. holds 45 per cent. of Bellambi Coal Company Limited.

There are numerous other examples of the interweaving of shipping interests with other interests, and all these examples point to the fact that the shipping companies of Australia have a grip of the key industries of Australia.

As the great meat Trust of the United States built up its business by its interlinking with railroad interests, so the fortunes of the principal shipping companies of Australia (a branch of the overseas shipping combine) are bound up in those of the greatest of Australian industries, and thus it becomes patent that a comparatively few persons, mostly resident outside Australia and with large English and foreign financial interests, constitute an enormous Trust which, to a large extent, controls the economic destinies of Australia.

The farther Your Commissioners have investigated this phase of the question the more apparent the Trust becomes, and the Australian branch of the Trust is of such formidable proportions that Your Commissioners consider the matter of sufficient importance to warrant the Government examining the matter in all its aspects.

PART VIII.—THE EFFECT OF HIGH FREIGHTS ON PRIMARY AND SECONDARY PRODUCTION GENERALLY.

Sir Mark Sheldon, giving evidence as President of the Associated Chambers of Commerce of Australia, states the effect broadly of the Act on production to be as follows :—

8908. The effect of the Act has undoubtedly been to diminish the facilities for communication and distribution between the States, and at the present juncture, at any rate, this is very detrimental to the interests of the producers. There has been a curtailment of the facilities that existed in the past.

8913. Do you think that a regular, efficient, and frequent shipping service around the coast of Australia would tend towards the development of this country ?—Nothing would do more in that direction. It seems extraordinary that one can get goods more cheaply from New York to Western Australia than from Sydney to Western Australia.

With regard to the effect of the Navigation Act on primary and secondary production, your Commissioners, after having weighed the evidence and considered the position as it stands, recognize that in order to keep up Australian standards of living, seamen, as well as workers on the land, are entitled to the Australian standard, and in the same manner the shipping companies whose ships are licensed under the Navigation Act, being obliged to provide this high standard of living, are entitled to charge fares and freights commensurate with the added cost to them, in order that they may run at a profit. This is axiomatic, but when an attempt is made to place the primary and secondary producer of Australia, especially the primary producer who exports his products, in an equal position, great difficulty is met with as to how he is to be placed under the Australian standard of living. The shipping company, having passed its obligations on in the shape of higher freights, the primary producer, after paying them, is unable to pass them on. The burden, therefore, must rest upon his shoulders while they are able to bear it.

It will be helpful to compare the world movements in shipping rates since the War with those of Australia.

The following table, prepared from the monthly records of *The Compendium*, shows examples of the movement of oversea freight rates during 1921, 1922, and part of 1923, and discloses a general downward tendency in such rates :—

MEAN FREIGHT RATES FOR 1921, 1922 AND 1923.			1921.	1922.	1923 (to July).
			<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
Coal Freights—					
Cardiff to River Plate	..	..	18 0	15 6	16 0
Cardiff to Alexandria	..	..	20 10	14 6	12 6
Cardiff to St. Vincent	..	..	12 7	11 0	10 7
Cardiff to Gibraltar	..	..	11 3	9 3	9 0
Tyne to Genoa	..	..	17 4	12 9	11 6
Tyne to Bordeaux	..	..	9 6	8 1	6 11
Tyne to London	..	..	6 9	5 5	5 3
American Coal Freights—					
			\$	\$	\$
Northern Range to Continent	..	..	5	—	3
Virginia to West Italy	..	..	5.37	4.25	3.32
Ore Freights—					
			<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
Bilbao to Tyne	..	..	10 4½	6 10½	8 0
Freights to United Kingdom from—					
Bombay	..	..	35 0	22 3	28 9
Java (Sugar)	..	..	51 6	32 6	35 0
Alexandria	..	..	16 3	10 9	11 0
River Plate	..	..	38 3	28 0	23 3
Montreal (Grain, per qr.)	..	..	5 3	3 10	3 8
Danube (Grain)	..	..	28 4	19 3	19 3
Australia (Grain)	..	..	64 0	43 9	37 6
Nitrate Ports	..	..	47 6	34 10	32 6
Sundsvall	..	..	87 6	55 0	44 0
Time Charters—					
General Trade	..	..	6 9	4 6	4 0

The following table shows the increase in freights on general cargo on the Australian coast from 1913 to 1922 :—

General Cargo—			1913.	1920-21.	1922.
			<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
Melbourne-Sydney and vice versa	..	..	12 6	20 0	20 0
Melbourne-Adelaide and vice versa	..	..	12 6	20 0	20 0
Melbourne-Fremantle and vice versa	..	..	25 0	25 0	35 0
Sydney-Adelaide and vice versa	..	..	17 6	17 6	25 0
Sydney-Fremantle and vice versa	..	..	30 0	30 0	40 0
Adelaide-Fremantle and vice versa	..	..	22 6	22 6	30 0

From these two tables it will be seen that, while the tendency is for freights in other parts of the world to drop, on the Australian coast there is no such tendency. In other parts of the world, notably England and America, the cost of labour, cost of production, &c., have shown reductions since the War. In Australia there has been no such decrease; there has been an increase.

The rise in freights has been brought about by the increases in expenditure due to increased wages, increased cost of coal, victualling, and overhead expenses, &c. In regard to these expenditures, the average increases from 1913 to 1922 are as follow :—

Labour	..	..	..	..	..	Increase of 63 per cent.
Deck and Stewards' Stores	..	..	..	..	..	Increase of 161 per cent.
Engineer's Stores	..	..	..	..	..	Increase of 99 per cent.
Victualling	..	..	..	..	..	Increase of 83 per cent.
Wages	..	..	..	..	..	Increase of 123 per cent.
Coal	..	..	..	..	..	Increase of 155 per cent.

The above percentage increases do not include those directly brought about by the Navigation Act, namely (1) cost of alterations to vessels to comply with the provisions of the Act; (2) cost of wireless services; and (3) cost of extra manning.

The following is a comparative statement showing the increased percentage of earnings and costs of certain vessels in the interstate trade, as compared with 1913, for the years 1920-21 and 1922 respectively, under :—

Year.	Per Gross Ton Employed.		Running Days.		Net Earnings and Expenses.	
	Percentage Increase on 1913.		Percentage Increase on 1913.		Percentage Increase on 1913.	
	Earnings.	Expenses.	Earnings.	Expenses.	Earnings.	Expenses.
1920-21	% 95.58	% 93.82	% 117.00	% 115.15	% 52.78	% 51.56
1922	83.27	90.88	103.57	112.2	76.36	83.82

From the foregoing, no matter which way we analyze the figures, it is clear that the margin between the percentage increase of earnings and expenditure in 1920-21 has entirely disappeared in 1922. It may therefore be equitably deducted therefrom that under trade conditions in 1922 fares and freights have not been unduly increased. In fact, the percentage increase of earnings has not marched *pari passu* with the percentage increase of costs.

From these figures, and from other information extracted from the books of the shipping companies, which, being treated as confidential, are not quoted in this Report, it is evident that the profits made by the vessels of the interstate shipping companies, cannot be regarded as excessive. It appears that generally the companies do not levy exorbitant charges for the services rendered in the light of the expenses incurred, but such charges are at such a height that they place the shipper of goods at a considerable disadvantage in paying for the maintenance of this high standard of conditions and wages.

The Navigation Act is not wholly responsible for this enormous increase in expense ; other economic factors, including the Arbitration Court and the Customs Tariff, are not less powerful factors. All these factors keep freights at a high level. They may not be too high when placed beside the expenses of the shipping companies; but your Commissioners have no hesitation in stating that they are too high for the primary and secondary producers, especially to those who are competing in the open markets of the world.

PART IX.—THE PERMIT SYSTEM.

There is a general complaint in Australia that the permit system, under section 286 of the Navigation Act, is not sufficiently adaptable to meet the requirements of the travelling public. This section is as follows :—

286.—(1.) Where it can be shown to the satisfaction of the Minister, in regard to the coasting trade with any port or between any ports in the Commonwealth or in the Territories under the authority of the Commonwealth—

- (a) that no licensed ship is available for the service ; or
- (b) that the service as carried out by a licensed ship or ships is inadequate to the needs of such port or ports,

and the Minister is satisfied that it is desirable in the public interest that unlicensed ships be allowed to engage in that trade, he may grant permits to unlicensed British ships to do so, either unconditionally or subject to such conditions as he thinks fit to impose.

(2.) The carriage, by the ship named in any such permit, of passengers or cargo to or from any port, or between any ports, specified in the permit shall not be deemed engaging in the coasting trade.

(3.) A permit issued under this section may be for a single voyage only, or may be a continuing permit.

(4.) A continuing permit may be cancelled by the Minister upon not less than six months' notice to the master, owner, or agent of the ship of his intention to cancel it.

(5.) The Minister shall, within fourteen days of the granting of any permit under this section, or the notice of intention to cancel any such permit, notify in the *Gazette* the issue of the permit, or the giving of the notice, as the case may be, with particulars thereof.

The disability applies chiefly to the passenger traffic, and in the case of cargo, the chief complaint is dealt with under the heading of "Queensland Meat Industry."

With regard to passengers, the oversea companies will not bother about applying for permits. By obtaining permits they pick up only the leavings of the inter-state vessels, and run the risk of serious industrial trouble. An example of this phase of the position recently came before the Commission, during a strike by the seamen engaged on the s.s. *Katoomba*, trading between Sydney and Fremantle. Owing to this "hold-up" of the interstate vessel a number of intending passengers from the port of Albany to Eastern States attempted to obtain a permit to travel by the White Star liner *Suevic* due at Albany on the 15th May last. The Director of Navigation was interviewed, and stated that he would, under the circumstances, recommend that a permit be granted to the *Suevic* to lift passengers from Albany, if Dalgety & Co., the agents for the White Star line, applied in the usual manner. Dalgety & Co. were approached. They declined to apply for a permit, and stated that their reason was in consequence of the experience of other oversea companies, which had met with industrial trouble by carrying coastal passengers.

It is fairly clear, therefore, that section 286 of the Act has not achieved its object. Its object was to enable use to be made of oversea vessels when an interstate vessel is not available. The object has been defeated by two factors, namely :—

- (a) the indifference of the oversea companies to casual passenger traffic between interstate ports; and
- (b) the attitude of the Seamen's Union and other industrial organisations.

Your Commissioners are therefore of the opinion that if the coastal trading provisions of the Act are not repealed in accordance with our final recommendation, some alteration of the Act is required to enable the travelling public to make use of oversea passenger accommodation where the circumstances warrant it, and it is accordingly recommended that provision be made in the Act to make it mandatory on the interstate shipping companies to allot a berth immediately upon application, and if they cannot do so to issue the applicant with a certificate to that effect. On production of such certificate to the Navigation Department, the applicant shall be issued with a permit to travel by any other passenger vessel, not necessarily "licensed" under the Act, within a given period from the date of issue of the permit.

PART X.—PORT AND HARBOUR DUES.

While the question of port and harbour dues is hardly within the scope of this inquiry, it is felt that as they constitute a serious additional running cost to shipping, and have a large influence on freight rates some reference to the matter is necessary and desirable.

In regard to light dues, since the Commonwealth took over the coastal lights of Australia, there has been an enormous increase in charges. Some of this increase is doubtless due to the Commonwealth administration, but all the blame does not lie with the Commonwealth, for all the States, with the exception of Western Australia and Tasmania, are still charging the same light dues, although the Commonwealth Government has taken over all coastal lights and levies a heavy charge in respect of these lights.

Port and harbour dues in nearly all the States have increased enormously. The Council of the Chamber of Shipping of Great Britain met in August, 1923, and passed resolutions requesting the discontinuance of high port charges, light dues, pilotage rates, quarantine expenses, and other costs in Australian ports, and urging the Federal and State Governments that such charges constituted a serious obstacle to the development of Australian trade. That this contention is correct was borne out by evidence placed before this Commission. A specific example was quoted at Newcastle (New South Wales) of a ship of 1,700 tons, loading about 2,800 tons dead weight for the west coast of America. The following were the charges and costs incurred at Newcastle :—

	£	s.	d.
Towage in and out, at 2s. per ton	170	0	0
Towage for at least five shifts in the harbour, at £7 per shift ..	35	0	0
Pilotage in and out, at 4d per ton	28	16	0
Pilotage for five shifts in the harbour, at £3 per shift ..	15	0	0
Commonwealth Government Line dues, at 9d. per ton (dues to be paid every three months)	63	15	0
State of New South Wales harbour and light dues, at 4d. per ton	28	16	0
Tonnage dues	30	0	0
Commonwealth Government Income Tax	40	0	0
Fumigating of ship	20	0	0
Discharging of 800 tons of ballast, at 6s. 6d. ton	260	0	0
Harbour and Works Department's charges on ballast, at 6d. ton	20	0	0
Trimming of 2,800 tons of coal, at 1s. 3d. ton	175	0	0
For mooring at buoy for four days, at £3 per day	12	0	0
Boatman	5	0	0
	903	0	0
Commission, 1s. 2d. freight and 7½ per cent. freight commission	275	0	0
with exchange difference on 1s. 2d. advance and freight ..	1,178	0	0
Crew expenses	300	0	0
Stores (carefully arranged at lowest prices)	300	0	0
	1,778	0	0
Total freight on 2,800 tons, at 15s. 6d.	£2,100		
Balance of freight to cover expenses at the discharging port	322	0	0
	£2,100	2,100	0 0

It will be seen that there was little left to cover expenses at the port of discharge, and nothing to cover insurance and running expenses.

The following is also a statement of port charges in connexion with the s.s. *City of Exeter* a vessel of 9,450 tons gross and 6,000 tons net register :—

STATEMENT OF PORT CHARGES.

Based on a 72-hour stay in each port by s.s. *City of Exeter*.

	Brisbane.	Sydney.	Melbourne.	Adelaide.	Fremantle.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Light Dues	44 18 1	44 18 1	44 18 1	44 18 0	44 18 0
Tonnage Dues	40 0 0	99 15 8	149 13 6	104 15 5	Not charged at Fremantle
Pilotage	40 0 0	50 0 0	112 8 10	40 16 0	38 8 0
Quayage	87 7 6	87 17 6	87 17 6	82 4 3	140 11 11 (Port Dues)
Shed Rent .. .. .	.. .. .	.. .. .	12 0 0	.. .. .	.. .. .
Towage	41 0 0	10 0 0	25 0 0	33 0 0	41 5 0
	263 15 7	292 11 3	441 17 11	305 13 8	265 2 11

Light Dues—Payable at first port. Have been divided equally between each port.
At Fremantle.—'Tonnage dues and quayage' were discontinued several years ago and a charge known as "Port Dues" levied in place thereof

These high port and light charges to some extent add to the difficulty of effecting a reduction in freight. Where the actual expenses of the port need the revenue raised from shipping, no objection can be taken to the port charges; but where Harbour Boards earn revenue beyond their needs, they are revenue-producing agencies, and constitute a burden on shipping. For example, in 1923 the Fremantle Harbour Board is stated in evidence to have paid into the Consolidated Revenue of Western Australia its surplus of £47,000, while in the same year the Melbourne Harbour Trust paid into the State Treasury the sum of £135,000.

While in England, the Prime Minister of the Commonwealth stated that he would endeavour to arrange that in future the charge made by the ports should be sufficient to meet expenses, and that they would no longer be used to swell consolidated revenue.

It does appear to your Commissioners an unwise policy which permits Government revenues to be increased at the expense of the export trade so vital to Australia's progress. The balance of trade is already against Australia. The longer this artificial restraint upon trade continues, the more difficult will it be to maintain our present markets.

SUMMARY OF PRINCIPAL CONCLUSIONS.

PURPOSE OF NAVIGATION ACT.

The Navigation Act has failed in its purpose, namely, to establish an Australian Mercantile Marine.

NEW SOUTH WALES AND VICTORIA.

The states of New South Wales and Victoria have no complaints against the Act, which are not common to all states. The outlying parts of the Commonwealth are more severely affected than the large centres of New South Wales and Victoria.

QUEENSLAND.

1. The statement of the Tariff Board "that much of the benefit conceded by the Tariff is lost through additional cost in freight on Australian goods" has proved correct, and examples in Queensland are the cement industry and the maize-growing industry.

2. In connexion with the Queensland fruit industry, the only way that the operation of the Navigation Act could be attributable to the unsatisfactory handling and carriage of fruit, is that in the absence of the competitive element in this trade no attempt is made by the shipping companies to handle the products on modern scientific lines.

3. The monopoly of the interstate shipping is responsible, to a large extent, for the decline of the timber industry in the Innisfail district.

4. In regard to the effect of the Act on the meat industry of Queensland, there is no doubt that the Act has restricted the interstate trade, and the "permit" system, under section 286 of the Act, has not been sufficiently workable to enable the meat industry to take practical advantage of it.

TASMANIA.

1. The Navigation Act is responsible for the cessation of several important overseas and interstate shipping services to Hobart.
2. The cessation of such services has militated against the building up of the tourist traffic of Tasmania, and that state has suffered thereby.
3. The Tasmanian timber industry has been severely handicapped through the restriction of shipping services with South Tasmania, and considerable trade, particularly with New Zealand and South Australia, has been lost thereby.
4. Since the Act came into operation, the mail steamers will not visit Hobart except under contract to lift large cargoes of fruit. This has affected Tasmania in two ways, firstly, by depriving the fruit industry of a regular and satisfactory shipping service to the English market, and secondly, by hindering a wealthy class of tourist visiting that state.

WESTERN AUSTRALIA.

1. The Act, by helping to keep freights on a high level, has seriously affected primary production in Western Australia, and has made trade relations with the Eastern states in primary and secondary productions almost impossible. By high freights, all importations from other states are made more costly, and thereby trade with the rest of Australia becomes difficult.
2. The timber industry of Western Australia is suffering at the hands of the shipping monopoly of the interstate trade, made possible by the coastal trading provisions of the Navigation Act, which has resulted in high timber freight and insufficient cargo space for timber from Western Australia.
3. The prosperity of Albany has been prejudicially affected by the operation of the Act, and the district of Albany at present has insufficient passenger and cargo shipping service.
4. The port of Geraldton has declined by reason of the fact that since the Navigation Act came into operation the irregularity and infrequency of shipping services to that port prevented the merchants of that place obtaining their merchandise promptly on through bills of lading.
5. That the "permits" granted to certain vessels trading in the north-west coast of Australia are essential to the development of the north-west of Australia, and if these permits were discontinued, the growth of settlement there would be retarded.
6. The Navigation Act was to a considerable extent responsible for the failure of an attempt to develop the whaling industry in Western Australia.

THE SHIPPING COMPANIES OF AUSTRALIA.

1. The Interstate Shipping Companies of Australia are to a great extent owned and controlled by British overseas shipping companies.
2. The Interstate Shipping Companies have large interests in the key industries of Australia.

FREIGHTS GENERALLY.

1. Freights generally on the Australian coast are abnormally high when compared with overseas freights, but from these high freights the shipping companies are not making exorbitant profits in view of the enormous increases in expenses.
2. Such freights are too high for the primary and secondary producers, especially to those who have to compete in the open markets of the world.

GENERAL COMPLAINT OF INFREQUENCY AND INADEQUACY OF PASSENGER SERVICES.

There being fewer passenger ships regularly engaged on the Australian coast now than in 1914, the facilities of travelling by overseas vessels having been taken away, and the population of Australia having materially increased during the ten years from 1914 to 1924, it is obvious that the above complaint has real foundation in fact.

THE "PERMIT" SYSTEM.

The "Permit" system under section 286 of the Act has failed in its purpose, namely, to provide that passengers and cargo may be carried between interstate ports when an interstate vessel is not available.

PORT AND HARBOUR DUES.

The port and harbour dues of Australia are excessive, constitute a serious restraint on trade, and add to the difficulty of effecting reductions in freight.

RECOMMENDATION.

The only recommendation which your Commissioners desire to make is one which will remove most of the grounds for complaint made before your Commissioners, and such recommendation is that Part VI. (The Coastal Trade) of the Act be repealed.

Your Commissioners have the honour to be,
Your Excellency's obedient Servants,

JNO. HY. PROWSE,
ALFRED CHARLES SEABROOK.

Melbourne,
7th August, 1924.

REPORT BY THREE COMMISSIONERS

(F. ANSTEY, M.P., SENATOR C. S. MCHUGH, AND G. E. YATES, M.P.)

To His Excellency the Governor-General of the Commonwealth of Australia.

YOUR EXCELLENCY,

Your Commissioners were authorized to inquire into and report as to what had been the effect of the operation of the Navigation Act on the trade, industry and development of Australia; in other words, whether the Act had injuriously affected the primary and secondary industries of Australia, or had in any way retarded the industrial development of Australia. The scope of the inquiry included all Commonwealth territories. In presenting this report we have followed the order indicated by the following syllabus:—

- Part 1.—The attack on the Navigation Act by the Tariff Board.
 - Part 2.—The three States of New South Wales, Victoria, and South Australia.
 - Part 3.—Queensland.
 - Part 4.—Western Australia—
 - (a) The Port of Albany.
 - (b) Geraldton and the Murchison.
 - (c) The North-West Ports.
 - (d) Western Australia in general.
 - Part 5.—The Timber Industry—
 - (a) Coastal freights and market prices.
 - Part 6.—The Meat Industry.
 - Part 7.—Tasmania—
 - (a) Fruit exports.
 - (b) Tasmanian Tourist Traffic.
 - Part 8.—The economic and financial position of Tasmania, compared with that of Western Australia.
 - Part 9.—Freights—
 - (a) Java.
 - (b) New Guinea.
 - (c) Europe.
 - (d) Outward freight rates to United Kingdom, &c.
 - (e) re Statement that high freight rates nullify the Tariff.
 - (f) Coastal rates—South America.
 - (g) Coastal rates—South Africa.
 - (h) United States—New York to Galveston and New Orleans.
 - (i) Pacific Slope—United States.
 - (j) Black-manned and white-manned vessels.
 - (k) South Africa and New Zealand.
 - (l) Freights—Summary.
 - Part 10.—The remedy proposed by the Tariff Board.
 - Part 11.—Queensland fruit.
 - Part 12.—Eyre's Peninsula—South Australia.
 - Part 13.—Cargo accommodation.
 - Part 14.—Passenger Accommodation—
 - (a) The Adelaide—Port Lincoln service.
 - (b) Summary—Passenger Accommodation
 - Part 15.—Administration.
- Summary of Conclusions.
Recommendation.

PART I.—THE ATTACK ON THE NAVIGATION ACT BY THE TARIFF BOARD.

The subject matter of the Commission was originally entrusted to a Select Committee of the House of Representatives. That Committee was appointed to investigate statements made against the Navigation Act—statements set forth and endorsed by the Tariff Board in its Annual Report dated 29th June, 1923.

One of the witnesses before the Select Committee was Mr. H. McK. Oakley, Chairman of the Tariff Board, Comptroller-General of Customs, and head of the Department controlling Navigation. Mr. Oakley placed a memorandum before the Committee and gave evidence in support of the statements made in the Tariff Board's Report. These additional statements also became subjects for investigation by the Commission.

The summary of the statements in the Tariff Board's Report, the memorandum, and other evidence placed before the Select Committee by Mr. Oakley in his triple capacity of Comptroller-General of Customs, official head of the Navigation Department, and chairman of the Tariff Board, is as follows :—

In regard to freights—

1. The Navigation Act "places heavy freights on our own products." (Tariff Board Report.)
2. The Navigation Act nullifies the benefits conferred by the Tariff. (Tariff Board Report.)
3. The Navigation Act deprives manufacturers "of the full share of the markets to which they are entitled." (Tariff Board Report.)
4. The Navigation Act has raised coastal rates out of all proportion to freights from overseas (Memo. by Chairman of Tariff Board.)
5. The Navigation Act operates especially against Western Australia and Queensland—"places the producers at a disadvantage when endeavouring to compete with imported goods shipped to other States." (Tariff Board Report.)

Apart from freights—

1. The Navigation Act apart from freights has a disastrous effect. (Memo. by Chairman of Tariff Board.)
2. The Navigation Act retards the settlement of our distant parts. (Tariff Board Report.)
3. The Navigation Act injures the settlement of Australia. (Memo. by Chairman of Tariff Board.)
4. The Navigation Act imposes hardships on the struggling settlements far removed from the cities. (Memo. by Chairman of Tariff Board.)
5. The Navigation Act "more than any other legislation discourages the settler far removed from industrial centres." (Tariff Board Report.)
6. The Navigation Act favours capital cities and centralization. (Tariff Board Report.)
7. The Navigation Act restricts shipping. (Tariff Board Report.)
8. The Navigation Act places Tasmania at a serious disadvantage. (Tariff Board Report.)
9. The Navigation Act has robbed Albany and Geraldton of their "former splendour". Restriction of shipping, caused by the Act, has had disastrous effects on Geraldton and Albany. (Memo. by Chairman of Tariff Board.)
10. The Navigation Act brought about the Shipping Combine. (Evidence of Chairman of Tariff Board given before Select Committee.)
11. Discontent exists in all States against the Navigation Act. (Tariff Board Report.)

Finally the members of the Tariff Board reported that the Board "has no hesitation in reporting that the Navigation Act is working very detrimentally against the best interests of the primary and secondary producers".

A member of the Tariff Board informed the Commission that the Board had not made "full and exhaustive inquiries" because the Board was "not concerned with the Navigation Act" (Question 13734). He accepted the statement that there was not sufficient trade at Albany to justify a more frequent service (Question 13778). He knew nothing about Geraldton (Question 13779), but endorsed everything alleged as to the disastrous effect of the Navigation Act on those ports. He did not know whether certain statements were true or not (Question 13850), but he endorsed them (Question 13852). He did so without evidence (Question 13858), because "he knew who had prepared those statements." The officer who prepared them was Mr. Cocks. "He was sure of it" (Question 13860). Mr. Cocks was called. He had no knowledge of how or by whom the statements in question had been prepared.

**PART 2.—THE THREE STATES OF NEW SOUTH WALES, VICTORIA,
AND SOUTH AUSTRALIA.**

No witness came forward in these States to substantiate any of the statements made in the Tariff Board indictment. There was no evidence that either primary or secondary industries had been injuriously affected by the Act. There was no evidence that the development of those States has been in any way retarded by the Act.

The three States of New South Wales, Victoria, and South Australia contain three-fourths of Australia's population, turn out three-fourths of its primary and secondary products, and between their ports are interchanged four-fifths of Australia's interstate cargoes.

The Navigation Act came into operation on 1st July, 1921. For two years prior to that date and for two years subsequent to that date the outward interstate cargoes were as follows:—

INTERSTATE EXPORTS.		1st July, 1919, to 30th June, 1921.	1st July, 1921, to 30th June, 1923.
		Tons.	Tons.
New South Wales, Victoria, and South Australia		7,754,000	8,625,000
Queensland, Western Australia, and Tasmania		1,651,000	2,046,000
Total interstate exports		9,405,000	10,671,000

The records (see Appendix 1) also demonstrate that the three States of New South Wales, Victoria, and South Australia possessed prior to the war over four-fifths of the total interstate export trade of Australia. There has been no additional centralization in those States since the Navigation Act came into operation.

PART 3.—QUEENSLAND.

It was alleged by the Tariff Board that the Navigation Act operates especially against Queensland.

There is no evidence that the productive processes of Queensland have been injured, or her development retarded, or the transport of her products to other States diminished. The percentage increase of her population since the Census of April, 1921, is greater than any other State of Australia. Her exports to other States have increased. There is no sign of decay, injury, or "disastrous effects" resulting from the Act.

The following are the exports from Queensland to other States for two years prior to the Navigation Act and two years following the commencement of the Act:—

		Queensland Interstate Exports. Tons.
1st July, 1921, to 30th June, 1923		854,000
1st July, 1919, to 30th June, 1921		669,000
Increase		185,000 (See Appendix 1)

Queensland cases quoted as evidence against the Act are dealt with under their respective headings—Timber, Cement, &c. It is enough to say here that the Timber Protective Association of Queensland has no complaint against the Act. Its representative did not support the statements of Mr. Oakley. He said "if the freight on the Australian coast were practically nothing it would not give us sufficient protection." (Question 6579).

The cement question is at least fourteen years old. The majority of the other complaints existed before the Navigation Act came into existence.

PART 4.—WESTERN AUSTRALIA.

It was alleged that the Navigation Act operates especially against Western Australia, injures its primary and secondary industries, retards its development, and has affected the ports of Albany and Geraldton with disastrous results.

(a) THE PORT OF ALBANY.

In all parts of the world there are languishing ports. Between those ports are flourishing, prosperous ports. Between Albany and Geraldton there is the port of Bunbury. The Secretary of the Bunbury Marine Board, giving evidence, said:—"Great future in front of this place. . . . great future in wheat and coal, even if timber declines. . . . I cannot suggest any way in which Navigation Act could be amended to the benefit of this port" (Questions 3617-8, 3620-1).

Bunbury is as much under the Navigation Act as the languishing ports on either side of it, but the Tariff Board did not mention its existence.

Albany is a down-grade port. It is alleged this is due to the Navigation Act. But Albany was on the decline not only prior to the Act but prior to the war. The decline of Albany arises from a variety of causes anterior to the Act, and if the Act were abolished the causes would remain.

Albany is the finest natural harbour in Western Australia, and for many years it was a prominent port of call for the great ocean liners. They made it their first and last coaling port within Australia. The Government of Western Australia spent large sums upon harbour improvements at Fremantle. The ocean liners gradually made Fremantle, instead of Albany, their first and last port of call. The Government had provided a new outlet and inlet, and the Albany channel, so far as oversea passengers and cargo were concerned, began to dry up.

With the ocean liners went the collier fleet from Newcastle. They followed the trade. Thousands of tons of coal required for the bunkering of oversea steamers, previously discharged at Albany, were carried to Fremantle. For Albany there were fewer ships, less work, and a diminishing volume of circulating cash.

Western Australia developed its own collieries. These turn out 450,000 tons of coal per annum. They supply railway requirements, and the colliers from Newcastle carrying coal into Albany for that portion of the railway system were no longer required. This meant a further decline of Albany trade and shipping.

The Government of Western Australia spent large sums improving the port of Bunbury. It ran lateral lines into that port from the Albany-Perth main trunk railway. These lines tapped districts previously exporting products and receiving requirements through Albany. Thousands of tons of primary products found an outlet via Bunbury, and Bunbury progressed. Albany correspondingly declined. Its local coasting inside the State trade has declined 70 per cent. That decline was continuous for years prior to the Act, and it is a trade outside the Act.

Western Australia made a demand for an East-West railway and got it. To date it has carried 170,000 passengers, who without it would have had to travel by sea. Interstate passengers who previously landed at Albany, or went there to pick up the East-bound Steamers dwindled to insignificant numbers. There was less money spent in Albany, less trade and more decline—fewer steamers called.

The development of the ports of Fremantle and Bunbury—the expansion of lateral lines from the main trunk line into Bunbury—the tapping of zones previously feeding Albany—the coal supplied by rail from Western Australian mines instead of by sea from Newcastle—the East-West railway diminishing the number of sea-going passengers—these are the basic causes of the decline of Albany, not the Navigation Act.

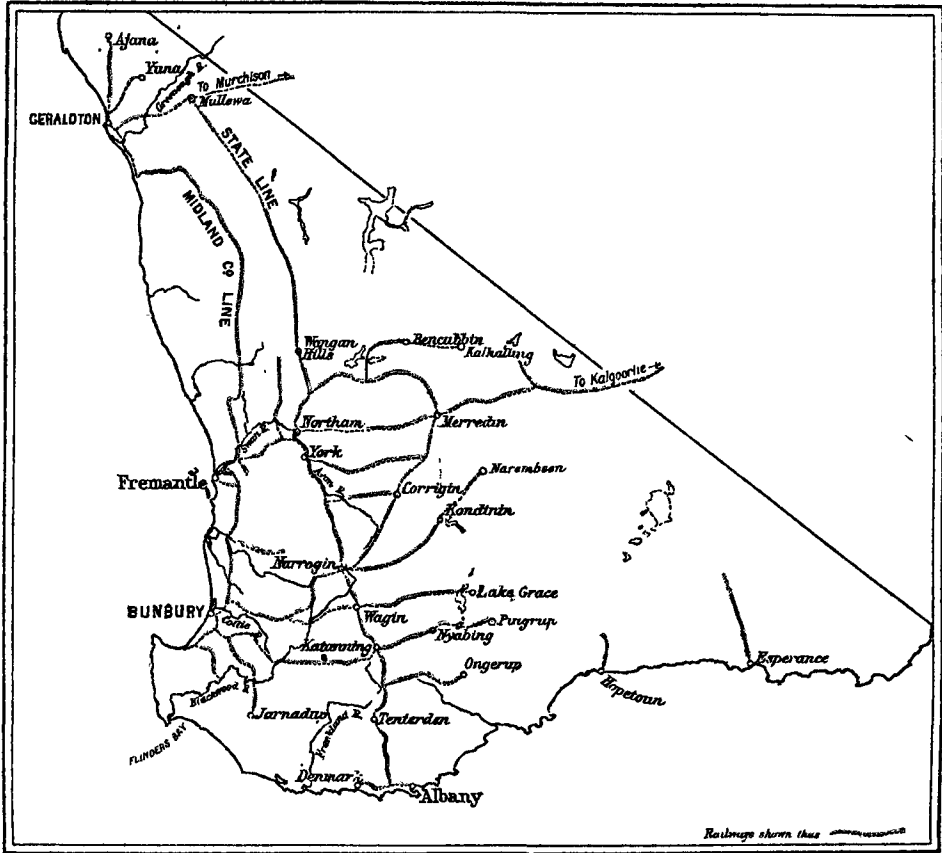
It is a remarkable fact that the decline of Albany's shipping, going on before the war, and accelerated during the war, reached its lowest ebb in 1920, and is recovering to some extent under the Act which is alleged to be killing it. The records show outward shipping as follows:—

Year	Overseas.	Interstate.	Coastal	Total	Tonnage.
1920	18	81	47	146	461,903
1923	29	84	81	194	741,578
Increase	11	3	34	48	279,675

Passenger vessels in and out of Albany have been reduced owing to the thousands of passengers drawn off by the East-West railway. It is admitted (Question 4092) that "cargo boats have been put in their place." These increased cargo facilities have not revived Albany trade. There is a continuous decline in the supply of exportable cargo from Albany for anywhere—overseas, interstate or coastal. Imports show a similar decline. This goes on while other ports under the same Act are flourishing. The causes are outside and anterior to the Act.

Albany witnesses made the following statements:—

1. Interstate sea carriage of passengers seriously affected by the East-West railway (Question 4093). Had there been no Trans-Australian Railway, Albany would be in a better position (Question 4466).
2. District has become more self-contained, therefore importing less (Questions 4014, 4464).



3. Oversea ships call at Albany for cargo but cargo not offering (Question 4263).
4. Very little cargo for either overseas or interstate (Question 4278). Only small amount of cargo offering (Question 3819). Coastal trade between Albany and other Westralian ports fallen off (Question 843). Presume railways carry more and coastal boats less (Question 4272). Wagin nearer to Albany and a cheaper freight to Albany than Fremantle, but Wagin merchants prefer to buy in Fremantle (Question 3952). Not the same demand for coal from the Eastern States (Question 3950).

Katanning is 116 miles from Albany. Those two places and the country between them have a population of about 8,000. During 1923, all the cargo and passengers the port of Albany had to offer for Eastern States averaged monthly 170 tons of cargo and 20 passengers, and inward cargo and passengers were in similar proportions. A passenger steamer calls every fortnight going West, and returning East, picking up an average of ten passengers, there is also a cargo service of at least one ship per month—sometimes two. It is admitted that the available tonnage is ample, but asserted that the service is not sufficiently frequent. The shipowners say the service is as frequent as the trade warrants, and cannot be more frequent without heavy financial loss.

It was stated in evidence that if "black" boats were excluded from participating in the North-West coastal trade, the principal inducement for the maintenance of the Fremantle-Java-Singapore service would be gone. In a similar manner if the Navigation Act were suspended to permit oversea boats to carry cargo and passengers in and out of Albany, there would be no inducement and no law to compel the interstate boats to go into Albany to pick up the loadings of the Oversea Companies, so the ultimate shipping services of Albany might be worse without the Navigation Act than at present.

A similar contrast between the ports of Bunbury and Albany lies in the Northern Queensland ports of Cairns and Townsville. Cairns is flourishing while Townsville is languishing. The cause is not in the Navigation Act but in economic transformations. The Townsville *Daily Bulletin* (17th November, 1923) explains the position:—

1. 30,000 tons of coke that yearly went to Townsville by sea for the Cloncurry Copper Mines no longer go because the mines have closed down.
2. Coal-using industries in Townsville dependant upon Cloncurry work have had to restrict operations; they use less coal. Charters Tower ceased as a gold producer and as a Townsville feeder.
3. Queensland has developed its own coal-fields, at Bowen. The railway has been extended to Townsville and all the coal for Northern and Western Queensland goes by rail instead of by sea—there are 100,000 fewer tons for steamers to carry into Townsville by sea and so much less to pass over its wharfs. The *Daily Bulletin* further says:—"The outlook is so depressing that the Harbour Board cannot be optimistic concerning future rapid expansion of trade."

These changes in the fortunes of ports brought about by the rise of new trade routes (railways) carrying trade along new channels, by decrease of exportable products on account of the decay of an industry, by drought, or by diversion to other ports, or by production within a State of what was previously imported from without—these are the factors that paralyse a port, leave ships without cargoes, and compel ship-owners to re-adjust their shipping to the new conditions. These re-adjustments, causing inconvenience to a few, are an imperative necessity. They have their foundation in the economic circumstance—not in an Act of Parliament.

The business of the port of Albany declined years before the Navigation Act from causes already described. There is no evidence of any injury inflicted upon the productions of Albany and adjacent territory by reason of the Act.

(b) GERALDTON AND THE MURCHISON.

Geraldton is another Western Australian port alleged to be injured as a result of the Navigation Act.

Geraldton was the port of the Murchison gold-fields. The Government ran a railway from Geraldton to the gold centres. Coal, coke, food, plant and appliances for the fields went through Geraldton. Colliers brought coal and coke from Newcastle. Regular interstate liners made Geraldton their Westralian terminal. Lands in the vicinity of Geraldton were put under wheat. Wheat for overseas found its way into Geraldton, and was taken away in vessels that brought machinery for mines, or rails for extending lines. The Midland Railway Company fed the port, and when all these agencies were in full swing, Geraldton reached its flourishing apex.

Then the tide turned. The gold-fields declined. Mines closed down, demands for coal and coke diminished. The Murchison gradually reverted to the squatter, fewer men were employed, less products and fewer people were in transit.

Then the interstate passenger boats ceased to call—Geraldton ceased to be a terminal port. Then the Westralian collieries developed. Coal for the railways and gasworks of Geraldton came by rail. The colliers from Newcastle that at one time had carried 40,000 tons of coal per annum into Geraldton lost their occupation—they disappeared from the port.

Then the Government extended the State Railway northward from Wongan Hills, tapped the Geraldton-Murchison line at Mullewa and drew off traffic previously going through Geraldton. It paid the Murchison people to use the direct rail. There was no untrucking at Geraldton and re-loading into ships (Question 1087). There was no handling from the time wool, hides or live stock left the Murchison, until arrival at Fremantle (Question 3104).

The development of the State railway from Wongan Hills not only intercepted ship traffic—it intercepted all Midland Railway Company traffic to and from all territory east of Mullewa.

The Midland Railway Company made a determined bid for all available traffic in intermediate territory. It cut rates. It captured all light weight cargo from Perth and Fremantle into Geraldton, and all back loading of wool, hides, skins, &c. (Question 3406). It left the steamer nothing; the regular boat service ceased. The position is summed up in the following question and the answer:—

“3314 *Frank Green, Merchant, Geraldton.*

By Senator Elliott.—You mean that the port was killed before the Navigation Act came into operation?
Answer.—Yes”

The position as regards Geraldton is—

- (a) The oversea mail and passenger steamers did not at any time call at Geraldton.
- (b) The interstate passenger service ceased to make Geraldton its terminal port years before the Act operated.
- (c) Nobody in Geraldton supported the statement of the Tariff Board that the Navigation Act had deprived Geraldton of its “former splendour.”
- (d) There was no evidence that the Navigation Act had diminished the facilities, injured the productions, or in any way retarded the development of Geraldton.

(c) THE NORTH-WEST PORTS.

The 1,800 miles of Westralian coastline from Geraldton to Wyndham is open to four black-manned ships for whom Dalgety and Co. act as agents. The terminals of these “black” boats are Singapore and Fremantle. They serve the North-West coast as far as Derby (1,300 miles).

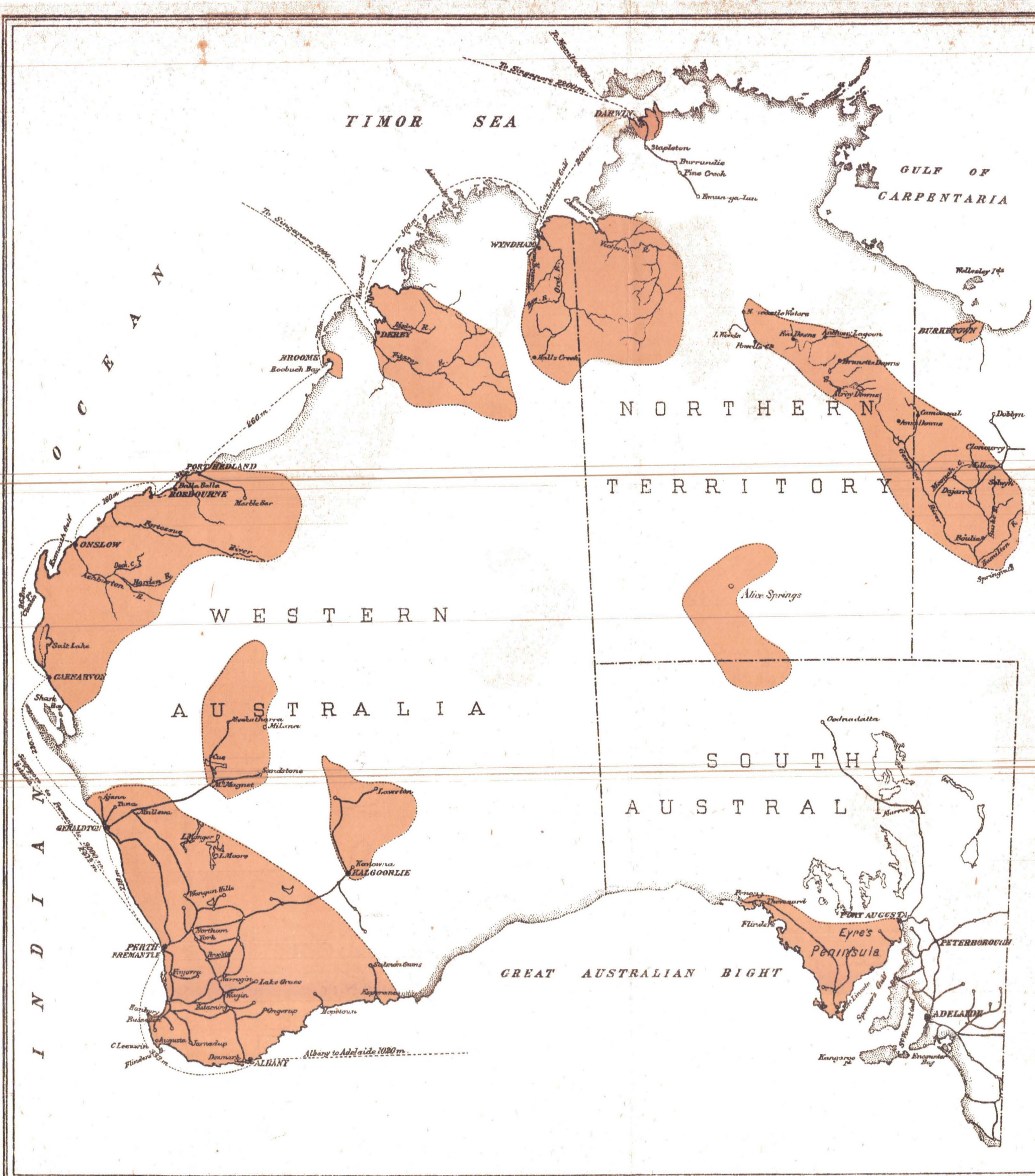
In addition to the “black” boats there are two State-owned steamers. These touch not only the ports visited by the “black” boats but serve places on the coast that the “black” boats only visit when the available cargo is large enough to be profitable. The State boats therefore render a special service. They are also considered as instruments in the keeping down of passenger and general cargo rates (Questions 671–3, 811, 14206). The State boats are therefore maintained, not only by the public sentiment favorable to State enterprise, but by those who, while opposed to State enterprise “on principle,” cling to it whenever it suits their economic interests (Questions 2697, 2709, 2728).

From Fremantle to Geraldton is 218 miles. It is another 200 miles to Gladstone. From Gladstone to Hedland is 600 miles. 600 miles by 200 miles inland covers 120,000 square miles—four and one-half times the size of Tasmania, one and one-half times the size of Victoria—an area equal to Great Britain. This territory carries 90,000 cattle, 2,000,000 sheep, 1,800 men and 500 women—2,300 adult persons.

Hedland to Derby is 500 miles. Derby is the port of West Kimberley. The West Kimberley leases cover an area larger than Tasmania, and carry 150,000 sheep and 350,000 cattle, 300 men, and 50 women—350 adult persons.

Midway between Hedland and Derby is the pearl fishing port of Broome, with an adult population of 350 men and 170 women.

There is no part of Australia with population so small and available cargo so meagre, so amply supplied with sea service as the north-west coast of Western Australia. Yet, with a “black” sea service untouched by Australian Acts of Parliament, a service where the owners are permitted to employ the cheapest and most docile labour procurable—a service supplemented by a State-owned subsidized service to serve places and purposes that the “black” boats ignore—with all these facilities the North-west coast does not progress. On the contrary, it retrogresses. The only railway in the North-west—Hedland to Marble Bar—has ceased regular service. It now only runs “when inducements offer.” There is no development in any direction; exports and imports diminish, population recedes.



NORTHERN TERRITORY.

There are 300,000 cattle in Victoria River Section
 " " 200,000 " in Barkly Table-lands
 " " 60,000 " in all other parts.

WESTERN AUSTRALIA.

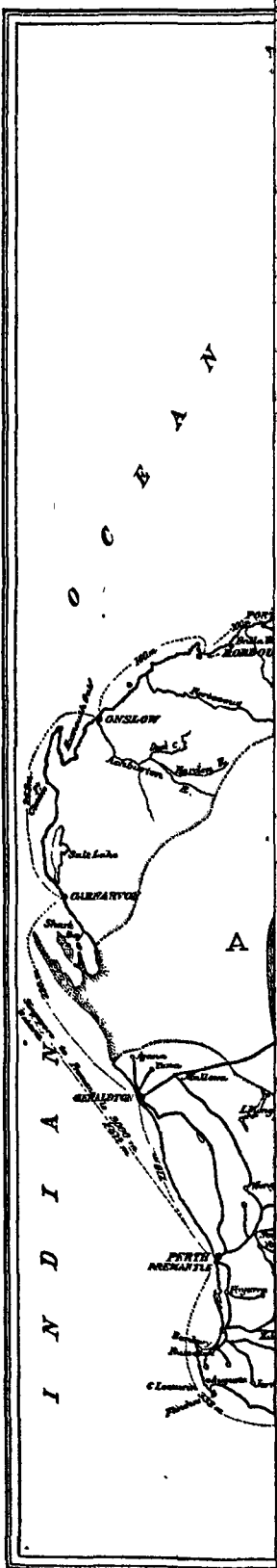
Total population .. 350,000
 Adult population .. 188,873
 Number of cattle .. 940,000
 " " sheep .. 6,660,000

DISTRIBUTION.

	ADULT POPULATION.	SHEEP.	CATTLE.
South-west	.. 166,600	.. 3,960,000	.. 160,000
Kalgoorlie	.. 16,132	.. —	.. 20,000
Murchison	.. 2,609	.. 200,000	.. 70,000
North-west	.. 2,332	.. 2,300,000	.. 90,000
Broome	.. 522	.. —	.. —
West Kimberley	360	.. 200,000	.. 360,000
East Kimberley	318	.. —	.. 240,000
	188,873	6,660,000	940,000

Many of the Northern runs cover territory in the Northern Territory and Western Australia. Country within 300 miles of Wyndham on the Northern Territory side carry 300,000 cattle, and an adult population of 300. In the East Kimberley there are 44 women in West Kimberley 54, in the North-west 502. Alice Springs—cattle, 72,000, population, 72.

Drawn by Home's Territory's Dept Lands & Survey Branch, Melbourne, 1924.



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The principal products of the North-West are sheep and cattle. At one time the market was in the South. The South is now producing more of its own beef and mutton (Questions 734, 2728, 2730, 2733). The South has become more self-contained. It requires less from the North, and the North must find new outlets for its products. For reasons dealt with elsewhere, it is not finding markets adequate for its needs—it withers. The sheep and cattle runs of the North are not being extended; flocks and herds do not increase—they are decreasing. Improvements are not being made on the runs—less money is spent on developmental work (Question 5174). There is reduced volume of work, declining population (Question 5175), and reduced imports of all the essentials of life and industry (Question 4551).

One thousand three hundred miles of Australian coast-line—from Geraldton to Derby—a longer distance than from Melbourne to Brisbane—furnish proof that the mere augmentation of transport facilities cannot manufacture markets or multiply products. Out of Australia's North-West, the Tariff Board could draw no samples of economic expansion flowing from a cheap black-manned service, free from the operations of the Navigation Act. It, therefore, made no reference to the North-West, quoted no freights, and drew no comparisons.

(d) WESTERN AUSTRALIA IN GENERAL.

The land surface of Western Australia is as large as Argentina. Argentina carries seven times as many sheep, thirty times as many cattle, forty times as many pigs and horses.

The Buenos Ayres province of Argentina is one-eighth the size of Western Australia, and carries three times more live stock than Western Australia.

The little European State of Jugo-Slavia is one-tenth the size of Western Australia. It carries four times the amount of live stock—more sheep, more horses, more cattle and more pigs.

Greece is one-twentieth the size of Western Australia, yet it carries more live stock.

The exported products of Western Australia in 1923 were 74,000 tons below 1913 (512,000 tons compared with 586,000 tons).

The exportable surplus has decreased, while the annual charges upon old debts and new borrowings have enormously increased.

The average annual exports from Western Australia to Eastern States are 100,000 tons; the average annual imports from other States are 350,000 tons. Vessels going loaded to Western Australia return three-parts empty. This one-way traffic has to carry the cost of empty returns.

Interstate exports from Western Australia are 90 per cent. timber. Interstate imports into Western Australia are 40 to 50 per cent. coal. This coal is for the bunkering of oversea vessels. Western Australian coal is alleged to be unsuitable for bunkering, owing to its liability to spontaneous combustion.

It is alleged that Western Australia is compelled by high duties to buy in the Eastern States and pay heavy coastal freightage. There is no duty on coal, African, Japanese or English, but Western Australia does not import it. Other factors than freights and tariffs, and the Navigation Act, are in active operation.

Western Australia imports from the Eastern States other products than coal, far in excess of her exports to other States. She imports, for instance, butter, cheese, potatoes, jams, confectionery, boots, and tobacco. The alleged high freights do not prevent the importation of these articles, although said to prevent the exportation of Western Australian products to Eastern States. The explanation has, therefore, to be found in other factors than freights and the Navigation Act.

The exported products of Western Australia to interstate and oversea ports during two years prior to the Navigation Act, and two years after it came into operation were as follows:—

	Overseas.	To Other States.
1st July, 1919, to 31st June, 1921	.. 937,000	.. 185,000 tons
1st July, 1921, to 30th June, 1923	.. 896,000	.. 210,000
Decrease	.. 41,000 tons	.. Increase 25,000 tons (See Appendix 1.)

The decline of exports was in the oversea trade. To this the Navigation Act does not apply. The recovery was in the trade alleged to be injuriously affected by the Act—the interstate trade.

The problems confronting Western Australia do not arise from the Navigation Act, and are not solvable by its cancellation or amendment.

PART 5.—THE TIMBER INDUSTRY.

The Tariff Board draws attention to the fact that "Timber is a primary industry of vital importance to the Commonwealth"; it alleges that "coastal freights place the local producer at a serious disadvantage," and the cause is to be found in the Navigation Act.

In 1914 Western Australia exported overseas 157,000,000 super. feet of timber; in 1921, 85,000,000 super.; in 1923, 59,000,000 super. The Navigation Act does not apply to this oversea trade. The timber millers are free to engage the cheapest charters the world can provide.

It is alleged that the Navigation Act has raised timber freights and ruined interstate business. The interstate timber trade is below pre-war level, but it has not declined since the Navigation Act came into existence. It has improved.

The oversea trade is 40 per cent. below pre-war level. It is not affected by the Act. It continues to decline.

(a) COASTAL FREIGHTS AND MARKET PRICES.

During 1919 the price of Jarrah in the Adelaide selling yards ranged (according to size) from 27s. 6d. to 42s. 6d. per 100 feet super.—average 35s. per 100 feet super. Freight from Western Australia to Adelaide was 5s. 5d. per 100 feet super.

On 29th April, 1920, the Commonwealth Government, on the recommendation of the Shipping Board, empowered the Shipping Companies to raise their timber rates (Western Australia to Adelaide) to 6s. 8d. per 100 feet super. A few months later the minimum and maximum price of Jarrah in the Adelaide selling yards was raised to 50s. and 67s. (according to size)—average 58s. per 100 super.—an increase of 23s. per 100 super. on 1919 prices.

In 1922 the Timber millers wanted reduced rates and threatened to secure freightage from a shipping company outside the Shipping Federation. On 10th April, 1922, the ship-owners reduced the rates by 1s. 6d. per 100 super., to 5s. 2d. per 100 super.—3d. per 100 super. below 1919 rates—but the timber millers did not reduce the price of timber (Question 310).

On the 5th April, 1923, the Shipping Companies refused to carry at 5s. 2d. on the ground that the rate had proved unprofitable. They raised their rates to 5s. 10d. The Timber Companies re-adjusted their prices—increased the price on some sizes—reduced on others. The net result was that the minimum and maximum prices in the Adelaide selling yards were 41s. and 69s. 6d. respectively—average 55s. 3d. per 100 super. This was 22s. 3d. per 100 super. over 1919 prices, whereas freights had only increased 5d. per 100 super. over 1919 rates, and were actually 10d. per 100 super. below 1920 rates (6s. 8d.). In terms of tonnage (480 super. feet to ton) the relationship of freight rates to prices in 1919 and 1923 is as under :—

	Timber freight per ton Western Australia to Adelaide.		Price in Adelaide Selling Yard.
1919	.. £1 6 4	..	£7 18 6
1923	.. £1 8 4	..	£13 5 3
Increase in Timber freights per ton	.. 2s.	..	Increase in price of Timber per ton .. £5 6 9

(See Appendix 2.)

Interstate rates on timber are actually a smaller percentage of the selling price of timber than before the War—they are lower than they were when the Act came into operation (1st July, 1921).

It is alleged the Navigation Act prevents the Timber Companies from chartering outside vessels at cheaper rates. The Timber Companies, however, did not charter outside steamers prior to the Act.

The Timber millers did not reduce timber prices when the Shipping Companies in 1922 reduced rates. There is no evidence that the Timber millers would reduce prices to the public if they had the cheapest shipping in the world.

It was alleged by one witness that "imported timber supplanted our timber from 1920 onwards"—"Business going past us"—"Our Adelaide and Melbourne business being ruined" (Questions 96, 101, 152). The witness had no facts—only general opinions. The representatives of the Timber Milling Companies gave no endorsement to his statements. The following is extracted from the evidence of the local Managing Director of the Karri Timber Company (W.A.) :—

3724 Would you say that Australia is seriously handicapped by reason of the importation of timbers from America ?—I do not know that it is affecting the position to-day.

3725 You are not afraid of the competition from America ?—Not to-day; there has been quite a revival in trade here.

A representative of the Adelaide selling yards gave evidence that he imported from overseas and from other States. In 1914, the freight rate upon American Oregon was 2s. 9d. per 100 super.—now the rate is 6s. 8d. Further evidence by this witness is as follows:—

5341. Then the American increase is equivalent to the interstate increase?—It is a bigger increase.

5342. Then the question of freights has no effect on the competitive aspect of foreign and local timbers?—I should say no, so far as this State is concerned.

5343. The local freight rates have not of themselves induced foreign trade?—I should say not.

The output of Australian sawmills, apart from timber for fuel and mining purposes, was 610,167,000 super feet in 1922, and 617,343,000 super feet in 1923. Records for the Commonwealth have only been tabulated during recent years and comparison with 1913 is therefore not possible. The quantity and value of imported timbers is as under:—

Year.	Quantity Super Feet.	Import Value.	Import Value per 100 Feet Super.
		£	s. d.
1912-13	450 millions	2,771,000	12 2
1922-23	365 "	4,051,000	22 6
1923-24 (First 10 months) ..	375 "	4,573,000	24 5

It will be noted that import values have jumped 100 per cent. and that as compared with pre-war figures 75,000,000 super feet less imported timber costs £1,800,000 more money.

It was stated by the Chairman of the Tariff Board that timber from Noumea (New Caledonia) was carried to Sydney for 2s. 3d. to 2s. 6d. per 100 super feet (10s. 10d. to 12s. per ton). The fact that loading and unloading costs had to be paid by the consignee was not mentioned. General rates between Sydney and Noumea, 1,058 miles, are 42s. per ton, against 30s. between Fremantle and Adelaide, 1,350 miles.

It was alleged in Tasmania that high freightage and shortage of shipping had pushed Tasmanian timber out of the South Australian market. The representative of Adelaide timber merchants said:—"We are using more Tasmanian timber than in 1919" (Questions 5415, 5552), "and have never been in a position when we could not get supplies" (Question 5357).

The largest timber mills in Tasmania and Western Australia are owned by the same overseas interests. The mills of the Huon Timber Company of Tasmania, and the mills of Millars' Timber Company of Western Australia are in reality one company owned by the same people, directed by the same minds. The Tasmanian interests were not acquired to develop production against the production of the Western Australian end of the company. It was done to control Tasmanian timber areas and regulate output. The output of the Tasmanian section of the united company has been reduced from 27,000,000 super. feet to 9,000,000. An apparent loss is created, but what is publicly dropped out of the window at the Tasmanian end is quietly picked up with a bonus in the better market for the output of the Western Australian end. The main factor in Tasmania's timber industry is the control of its principal sources of supply and its mills by outside timber interests.

The *Investor's Digest* (1st January, 1924) reports that Millars' Timber Company controls the Huon Timber Company; that it has £300,000 invested in subsidiary companies; that it holds softwood supplies to the extent of £215,000, and that while the overseas trade has fallen off, "Australian local trade has been well maintained."

Not only does Millars' Timber Company control the Huon Timber Company, but it holds a large interest in the Queensland Company known as the Pines and Hardwoods of Australia Limited. In this Queensland Company John Sharp and Sons Pty. Ltd., one of the largest timber companies in Australia, also has a substantial interest. Thus two of the biggest timber companies in the Commonwealth have mutual interests.

The Tariff Board asserted that coastal rates were a crushing impost on Queensland timber. The freight on timber from Brisbane to Melbourne is 5s. 3d. per 100 super. From Cairns to Brisbane or through to Melbourne the freight is 8s. per 100 super. Queensland timber interests said the Navigation Act inflicted no injury on their industry (Questions 6596-7). They did not ship timber to Southern States. There was an ample market in Queensland for all log timber (Question 6610). The only surplus they had was on "tops" (Question 6609) useful for making butter boxes.

The Canadians landed "Top stuff" in Melbourne for 17s. per 100 super. The Queenslanders had to get in Queensland a basic price of 20s. per 100 super. This basic price would be plus costs to the ship's side. No reduction of local freights could counterbalance Canadian dumping. The Queensland Timber Protective League did not agree with the Tariff Board statements. The grievance of its members was against the Tariff—not the Navigation Act.

The Tariff Board quoted timber rates to Australia, but omitted to quote rates on Australian timbers carried overseas. Oversea ships charge 100 per cent. more to take Australian timber overseas than they do to bring foreign timber inwards. A surcharge is levied on the Australian export to make up for the cheaper carried import. The explanation is made that Australian timber is heavier than overseas timber. This explanation is not made when dealing with Australian coastal rates.

The disparity between overseas timber rates to Australia and local coastal rates for a given distance is alleged to be due to the Navigation Act. The disparity has always existed. It has not increased, and so far as American timber rates to Australia are concerned, has actually diminished.

The Navigation Act has not injured or retarded the development of the timber industry. Timber production, since the Act, has not diminished—it has increased. Timber freights are not higher than when the Act first operated—they are lower. The Navigation Act has not placed the timber industry at a "serious" or any sort of disadvantage with overseas timber.*

PART 6.—THE MEAT INDUSTRY.

Meat production is a primary industry of vital importance to the Commonwealth. In connexion with this industry there was no statement to bear out the assertion of the Chairman of the Tariff Board, that "the coastal freights place the local producer at a serious disadvantage." There was no evidence tendered that it had been in any way affected or injured, or its development retarded by the Navigation Act, but facts in connexion with the industry were placed before the Commission.

There are two great Meat Works in Northern Australia—Vestey's at Darwin, and the State Meat Works at Wyndham (W.A.).

Vestey's works operated during the 1917, 1918, and 1919 seasons, and then closed down. Vestey's own or control the output of fourteen stations covering 45,000 square miles, carrying 267,000 head of cattle, of which 146,000 are in East Kimberley, and 121,000 in the Northern Territory. Vestey's send their cattle to the State Meat Works.

The State Meat Works at Wyndham cost £827,000 to construct. It commenced operations in 1919, and its record is as follows:—

	1919—treated 9,000 cattle.			
	1920—treated 18,000 cattle.			
	1921—market slumped, Works closed.			
	1922—treated 22,500 cattle.			
	1923—treated 30,400 cattle.			
				£
Working Loss since 1919				£213,000
Accumulated Interest				245,000
				<hr/>
Total Loss to date				£458,000

The Manager of the Meat Works stated:—"Almost the whole of the Wyndham losses arose from a drop in values of canned meats, which fell from £5 5s. per case in 1919 to 18s. per case in 1920—after heavy storage and other costs had been incurred through lessened rate of consumption."

In 1921 overseas meat prices slumped so badly that the Wyndham Works were closed. In 1922 the Western Australian Government decided to resume operations. Over £100,000 was paid to cattle-owners. The result for the year was a loss (interest and working expenses) of £88,000—£3 18s. per head of cattle treated.

In 1923, £133,000 was paid to cattle-owners (£4 10s. per head of cattle). £72,000 was paid away in freights (1½d. per pound—£10 10s. per ton), £56,000 was paid in wages, and the loss was £2 2s. per head of cattle treated.

If there had been no labour costs, a heavy loss would still remain. Labour costs are augmented by many factors. First of all there is the seasonal character of the industry. The Manager of the Meat Works stated:—"From September the condition of stock is unsuitable. Heavy rains start in November or December, and last till March. The boggy state of the lower country, the flooded state of rivers and creeks, the excessive heat, preclude the working or travelling of stock during those months."

* The editor of the *American Lumberman*, in a letter to the Bion Timber Company Limited, stated:—"Thinking that you might be interested, we are enclosing herewith wage table which gives the minimum wages now in effect upon the Pacific Coast. In the south in both the hardwood and southern pine producing sections, common labour on the average is getting from \$1 75 to \$2.00 a day. In Michigan, Minnesota, and Wisconsin common labour is getting around \$2.25 a day, but woods labour is back upon a pro-rata basis, largely due to the fact that in the large cities there is at present more or less idleness. Consequently, men are willing to go into the woods and work for around \$30.00 a month and their board and lodging." (Question 14096)

Secondly, outside the Meat Works there is no work in the country. Aboriginals are preferred on the stations to white men. The adult white population is 40 per cent below that of 1914. As a result the Meat Works must draw its workmen from Perth, 2,000 miles away, and take them back at the end of the season.

The cattle of East Kimberley and of the Northern Territory, within a 300-mile radius of the Wyndham Meat Works, total 500,000. The cattle runs are not half stocked. The annual average supply of cattle available for the Meat Works is 35,000 head. This supply is equal to the Meat Works' present working capacity. The cattle necessary to make a ton of beef are four, five or six, according to condition. Condition is therefore not only a factor on the selling market. It is an important factor in the economic working of slaughter yards and freezers. Mr. Frank Houlder, a director of Houlder Bros. and Co. Shipping Company, and of the Bergl Australian Meat Co. of Bowen, stated (*Argus*, 12th April, 1923):—"In Argentina, fattening paddocks are maintained in close proximity to the killing yards."

Few cattle go from West Kimberley to Wyndham. West Kimberley cattle are reared on soft country, and to reach Wyndham have to pass over rough, stony, mountainous country, constituting the watershed dividing the Fitzroy and Ord Rivers. The main outlet for West Kimberley cattle is as live stock southward to Perth, aided by sales of some 4,000 or 5,000 head per annum in Java.

The State Meat Works at Wyndham were laid out with the idea of supplying the Metropolitan market with chilled beef. The "lay-out" was done by officers of the Public Works Department. Twelve insulated cars were built to carry chilled beef from the works to the ship's side at Wyndham. But no thought was given to the shipping aspect—to cool storage in the metropolis, or the commercial prospects of a chilled beef trade in the South.

Frequent steam service with suitable refrigerator space was necessary—it did not exist. If it did exist it could not be efficiently utilized, because the Perth-Fremantle population is not sufficient to provide a market large enough to keep going a frequent steamer service requisite to ship the Wyndham output. Finally, if the two factors had existed they could only have operated by invading the only market for small growers in the South and interfering with the market for cattle supplied from Derby. Wyndham could not, therefore, be utilized for its original purpose. It had to find a frozen meat market overseas, and it had to pay higher meat freights than those charged from Eastern States to overseas markets.

The condition of the cattle industry in the north-west portion of Australia is affected largely by the situation in Queensland.

The export meat trade of Queensland is dominated by massed capital controlling cattle stations, meat works, refrigerator space on steamers, and cold storage at ports of discharge. The meat works of Queensland are not isolated outposts like Wyndham. Construction is less costly and labour more easily available. Labour in Queensland is local. It passes from one seasonal occupation to another. It has not, as at Wyndham, to be carried 2,000 miles to and from the occupation.

The Oversea Shipping Combine controls all oversea steamer refrigerator space (Question 396-7). It decides in London how much shall be allocated to any particular country, and when it shall be diverted from one country to another (Question 400).

The section of the Oversea Shipping Combine working Australia has large refrigerator space on a majority of its steamers. To guarantee frozen cargo it controls Queensland Meat Works. To guarantee supplies to meat works it controls the output of scores of pastoral properties. To guarantee an outlet and in many places, as in the Far East, to control the market, it controls cold storage at discharging ports (Questions 442, 507, 508, 509, 513-4, 517).

The section of the Oversea Shipping Combine known as "The Inchcape Group" controls the Philippine Cold Stores and the Singapore Cold Storage Co. It controls refrigerated space to Singapore, Manila, China, and the East generally. The Manila Army Contracts for frozen meat are held by the allied meat works of Queensland, and the share of each is allocated from London (Question 400). The products of the State Meat Works at Wyndham cannot get into the cool stores of that combine. Wyndham has been able to secure the service of the Commonwealth "B" boats—*Boonah*, *Barambah*, *Boorara*, *Booral*, and *Bakara*. They carry Kimberley products to Europe. They are suitable for the Wyndham service, having derricks suitable for continuous loading (Statement by Manager of Wyndham Meat Works). The charge is £2 7s. per ton more than from Queensland. If these boats are sold Wyndham will have to close down (Question 457). Should this occur it would bring further disaster to the north-west of Western Australia, but the Navigation Act would not be responsible.

The meat rates to Singapore are double the rates to Europe—three times the distance. The surcharge on meat for Europe from the State Meat Works at Wyndham is 25 per cent. on rates from the Eastern States (Statement by Manager of Wyndham Meat Works). The meat freights (31st December, 1923) from Eastern States to Europe, are 75 per cent. above pre-war rates. Australia's Arbitration and Navigation Laws are not factors in these matters.

PART 7.—TASMANIA.

It was alleged that Tasmania had "been placed at a serious disadvantage," its development retarded, its industries injured, and its tourist traffic diminished by the Navigation Act.

There was no evidence against the Act from Burnie, Devonport, or Launceston. The allegations of disastrous results were confined to Hobart.

It was asserted that the export trade of Tasmania has been seriously injured by reason of the Navigation Act. The cargo shipped out of Tasmania is as follows (see Appendix I.) :—

	Overseas Tons.	Interstate Tons.
Pre-War—1913	47,000	251,000
Since War { 1919-20	25,000	379,000
{ 1920-21	43,000	418,000
Since Navigation Act { 1921-22	85,900	480,000
{ 1922-23	86,000	501,000

Tasmanian exports measured in actual tonnage are double the 1913 record.

In the two years after the Navigation Act Tasmania's exports were 287,000 tons more than during the two years before the Act.

The following are extracts from Harbour reports of Tasmania :—

Hobart—The reports and evidence of the Hobart Marine Board show "rapid expansion in the exports and shipping of Hobart."

Launceston—Launceston *Examiner* describes the shipping of the Tamar as having "taken a remarkable leap."

Burnie—The Marine Board of Burnie declares its shipping business in 1923 to be "a record."

Devonport—The shipping of Devonport is described in official reports and press as "still on the up grade."

(a) FRUIT EXPORTS.

It was asserted that the overseas fruit export of Tasmania has been seriously injured by reason of the Navigation Act. The Tasmanian fruit exports overseas are as follows :—

FRUIT EXPORT OVERSEAS.		
Pre-War Record—1914 .. .. .	.. .. .	952,000 cases
Since War { 1920 .. .. .	.. .. .	450,000 "
{ 1921 .. .. .	.. .. .	586,000 "
Since Navigation Act { 1922 .. .. .	.. .. .	1,352,000 "
{ 1923 .. .. .	.. .. .	1,562,000 "

More overseas boats went into Hobart during 1923 to carry away fruit than ever went into it before in a single year. It is complained that there were only half the number of fast mail boats now going into their capital port. That fact applies to every capital port in Australia, because the overseas mail service is 50 per cent. below pre-war. The Commonwealth Shipping Line boats calling into Hobart carry away more fruit than the mail boats carried, and give a quicker dispatch. The mail boats lose two days going up the Gulf of Taranto to deliver mails.

There is an interstate market for Tasmanian fruit equal to the 1923 overseas record—1,500,000 cases.

It is stated that Tasmanian fruit-growers obtain no more for a case of fruit in 1924 than in 1914.

Sir Henry Jones, the largest exporter of fruit and manufacturer of fruit products in Australia, told the Commission that the Navigation Act "operated most adversely on the fruit-grower," but he would not say it had operated adversely on his company, although it dealt in

fruit and came into direct contact with interstate and oversea shipping. Whatever may be the fate of the growers of fruit, the handlers of their products are not suffering. Last year the firm of H. Jones & Co. divided £100,000, reserved £35,000, and passed out 50,000 shares at par, worth 43s. on the market—equivalent to an additional gift of £57,500.

The Investor's Digest of 1st January, 1924, reports that "some of the subsidiary companies of Henry Jones Limited have accumulated so much in liquid assets that they can lend considerable sums to the parent company, which presumably have been re-invested in other subsidiary concerns or investments."

The rates on fruit and the products of fruit between interstate ports on ships under the Commonwealth Navigation Act and the Arbitration Laws are 30 per cent. above pre-war rates. On oversea ships not affected by these laws the rates on fruit and the products of fruit are 60 to 250 per cent. above pre-war rates.

(b) TASMANIAN TOURIST TRAFFIC.

It is alleged that the Navigation Act has seriously injured and diminished the tourist traffic of Tasmania. The records are as follows :—

PASSENGERS FROM MAINLAND TO TASMANIA.

[Note.—Each year ends 30th June.]

	Pre-war		Pre-Navigation Act.		Since Navigation Act.	
	1913	1914.	1920	1921.	1922	1923.
Melbourne to Launceston	23,300	22,890	18,660	20,238	25,635	24,213
Melbourne to Burnie	7,364	6,848	6,611	6,148	9,083	10,851
	30,664	29,738	25,271	26,386	34,718	35,064
Sydney to Hobart (via interstate boats) ..	6,220	6,443	7,064	6,306	6,513	6,784
Sydney to Hobart (via oversea boats) ..	624	953	185	146	72*	106*
Melbourne to Hobart	1,954	1,947	144	24	..	15
	39,462	39,081	32,664	32,862	41,303	41,969

* In Commonwealth Liners.

MAINLAND PASSENGERS INTO TASMANIA DURING TWO YEARS.

Prior to the War (1913 and 1914)	..	..	78,543
Prior to the Act (1920 and 1921)	..	..	65,526
Since the Act (1922 and 1923)	..	..	83,272

When the Act came into existence, Tasmania's total inward passengers for a two-year period were 13,000 below the two years pre-war level; during the two years since the Act the inward passenger lists have increased by 18,000, and are now 5,000 above the two years pre-war figures. The Hobart Chamber of Commerce in its last annual report, referring to the tourist traffic, says :—

"Last season provided a record Business people of the city who deal direct with the tourist traffic report a record business. Port Arthur is a good index, and the guides employed there to show visitors over the ruins dealt with larger numbers than ever before."

The officer in charge of the Tasmanian Government Tourist Bureau in Brisbane, reporting to his Government, says—"You will see there has been a considerable increase of business compared with the previous year."

The position is summarized as follows :—

- (a) The Navigation Act came into operation on 1st July, 1921.
- (b) Before the War only 2 per cent. of those who went to Tasmania travelled on oversea boats.

- (c) After the War and before the Navigation Act came into existence, fewer than 1 per cent. travelled by oversea boats. At no time did the oversea boats carry more than a few of the thousands travelling annually to and from Australia. When there were not Navigation restrictions, when people could travel by any boat, 98 per cent. of those who visited Tasmania travelled on steamers manned by Australian citizens.
- (d) Since the Act, travelling facilities have been ample. The Hobart Chamber of Commerce was asked by the Prime Minister to furnish evidence to the contrary—it did not do so. The Director of Navigation admitted to the Select Committee—"Not only are licensed vessels trading to Hobart capable of carrying the passengers and cargo offering, but there is almost always a large percentage of vacant space." (Question 14.)
- (e) Not only is accommodation in the main ample, but under the Act travellers to Tasmania have increased by many thousands.

The year 1923 was Tasmania's record year in—

- (a) Tourist traffic,
 (b) Export overseas,
 (c) Exports to other States.

The Navigation Act has not destroyed, diminished, or injured the tourist traffic into Tasmania, but, on the contrary, this traffic has grown to record proportions. It has not inflicted injury upon Tasmanian industries, or in any way retarded the development of that State.

PART 8.—THE ECONOMIC AND FINANCIAL POSITION OF TASMANIA, COMPARED WITH THAT OF WESTERN AUSTRALIA.

Tasmania had an era of active metalliferous development. To aid development, to extend roads and rails and to build schools, Tasmania borrowed and invested millions.

So long as the mines lived the loans were easy. They were borne in part by the men engaged in the mineral industry. Those men, in addition, provided a home market for the primary products of Tasmania, stimulated commerce, and widened the avenue of other occupations.

But the mining fields in many districts have ceased to operate. The metalliferous output of the remainder has diminished. Commerce and occupations, population and public revenue in the mineral areas have withered; but the State's debts remain. They have had to be renewed at higher rates of interest. This increased annual burden has to be carried by other industries.

This to a large extent is the history of all States, but in several States the mines were in the area of good soil and rainfall. Agriculture, horticulture, dairying, in some cases factories, have taken active life on worked-out mineral belts. The State is none the poorer—in many cases it is richer.

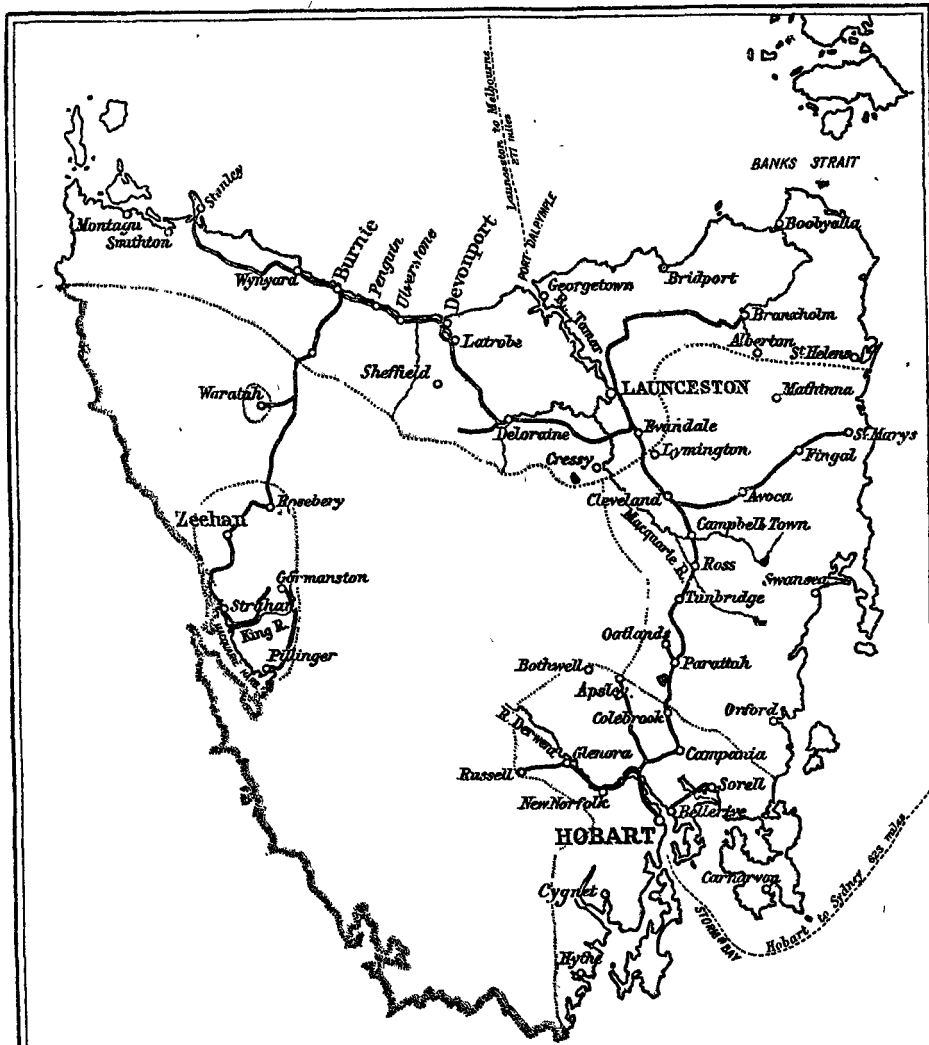
The principal Tasmanian mineral belts are in rough and almost inaccessible mountain country. Where mining has ceased the district has the appearance of an area suddenly evacuated. Schools and public buildings have no longer utility. They are deserted. One-time flourishing commercial establishments fall slowly into ruins.

The mineral history of Western Australia is similar to that of Tasmania. The mineral areas of Western Australia are in arid belts instead of rough mountains, but agriculture, horticulture, and dairying can no more develop in one area than in the other. Coolgardie and other places are illustrations of the legacy of non-productive debt that a dead mineral area bequeaths to a State when the character of the territory does not permit of agriculture rising upon the ruins of the dead industry.

The relative positions of Tasmania and Western Australia may be seen in the following tables (Quarterly Summary of Commonwealth Statistics, March, 1924)—

	Tasmania.		Western Australia.	
Population	219,000	..	350,000	..
State Debts	£22,000,000	..	£58,000,000	..
Debts per head	£100	..	£167	..
Exportable surplus per head	53 cwts.	..	30 cwts.	..
Overseas and Interstate Cargoes	587,000 tons	..	512,000 tons.	..

Western Australia has a larger indebtedness per head, and a smaller exportable surplus. Eighty per cent. of its exports have to find an oversea market, while 80 per cent. of Tasmania's exports are sold in the higher-priced Australian market.



TASMANIA.

	Total Population	.. ..	219,000
	Adult	.. ..	116,000
NORTH COAST	..	<i>Principal Products</i> —	Root Crops, Fodder, and Dairy Produce.
THE SOUTH	..	..	Timber, Fruit, and the Metallic output of the Risdon Zinc Works.
EAST COAST	..	..	Mutton and Wool.
WEST COAST	..	..	Metals.

Note.—There are 52,000 adult persons in the Northern Division of Tasmania, and about the same number in the south. There are 6,000 adults in the pastoral east, and a similar number in the mineral west. The trade of the north is almost exclusively confined to mainland markets. The trade of the south is in the main with Sydney and overseas markets.

The railways of Tasmania are more expensive per mile to maintain than those of Western Australia, but with a sixty per cent. additional population Western Australia has to maintain 500 per cent. additional mileage. Each 1,000 of the population of Western Australia has to provide for the upkeep of ten miles of railway, against three in Tasmania. The costs per mile are lower in Western Australia, but the cost per head of population is much higher.

	Tasmania. £ s. d.	Western Australia. £ s. d.
Annual upkeep of railways (per head (working expenses)	2 7 0	7 0 0
Annual interest and other debt charges (per head)	4 2 6	7 8 0
All other expenditure (per head)	4 16 5	7 15 2
Annual expenses per head	£11 5 11	£22 3 2

The additional "other expenditure" in Western Australia arises from the spread of schools and other public services over vast areas.

The way in which expenditure is endeavoured to be met is as follows (Quarterly Summary of Statistics, March, 1924) :—

	Tasmania. £ s. d.	Western Australia. £ s. d.
Railway freights and fares per head of population	2 11 10	9 0 0
From other sources per head of population	2 0 2	6 8 4
Land sales, rents, Commonwealth grants and subsidies per head of population	2 0 0	2 14 9
State Taxation	3 6 7	2 16 6
Annual income per head	9 18 7	£20 19 7
Annual Deficit per head of population	1 7 4	1 3 7
Total expenditure per head	£11 5 11	£22 3 2

Western Australia raises £7 8s. per head more than Tasmania by extra railway charges. Both States are in a bad position financially from causes operating long prior to the Navigation Act. Mr. L. F. Giblin, the Government Statistician of Tasmania, told the Commission that if the Navigation Act were amended to suit the Hobart complainants "it will not solve the difficulty of Tasmania's financial position, nor will it sensibly touch it."

PART 9.—FREIGHTS.

It is alleged by the Tariff Board that the Navigation Act has raised coastal freights out of all proportion to deep-sea freights, has put heavy freights on our own products, placed our producers at a disadvantage, nullified the Tariff and deprived our manufacturers of their full share of the local market.

There has been no increase in Australian coastal rates during the three years the Navigation Act has been in operation.

As to the statement that Australian coastal rates are "out of all proportion" to deep-sea rates—

1. (a) "Out of all proportion" is meaningless unless compared with something similar. A motor wagon on a good level road can carry more goods a longer distance with less wear and tear, and at lower rates than it could on a rough, mountainous, or boggy track. The test is not a tape measure, but similar conditions.
- (b) The determining factors in sea freights apart from wages and combines are whether a port is tidal, daylight or "anytime" port. What are the port charges and the number paid in a month? How many ports have to be entered to pick up full loadings, and how many before cargo can be discharged? What are the chances of getting outward cargo to replace discharged cargo? What are the facilities for loading and unloading? Is the work alongside a wharf with mechanical appliances, or in an open roadstead with lighters?

- 2 On the Australian coast there is a general rate between specified ports. Some concessions exist, but so far as the general trading public are concerned rates, even when expressed in relation to feet, cases, or casks, work out per measured ton at the general rate. Taking Sydney as a central port, the freight rates within a radius of 628 miles (including Hobart, Melbourne, and Brisbane) are from 18s. to 20s. per ton. To Adelaide (1,069 miles) 22s. 6d. per ton. Adelaide to Brisbane (1,579 miles) 33s. 9d. per ton. These rates cover nine-tenths of Australia's interstate cargoes. Outside the above areas the rate from Sydney to Townsville and Fremantle is 40s. per ton, to Cairns 50s. per ton.
3. (a) Deep-sea rates to Australia vary from 22s. 9d. to 147s. per ton.
 (b) Deep-sea rates on Australian products for the United Kingdom markets rise from the wheat rate of 35s. per ton to £15 3s. 4d. per ton.
 (c) Eastern products are brought to Australia at varying rates down to 25s. per ton.
 (d) Rates on Australian products for Eastern markets are 50 to 200 per cent. above rates on inward Eastern products. Refrigerated Australian products for Eastern markets are £14 to £18 13s. 4d. per ton.
4. (a) When the Tariff Board quoted oversea rates, it referred to lowest rates only.
 (b) The Tariff Board compared average Australian rates with, not the average, but the lowest oversea rates.
 (c) The Tariff Board compared rates on Australian runs involving transshipment with runs that did not involve transshipment.
 (d) The Tariff Board compared Australian rates from open roadsteads, necessitating loading by lighters, with rates on runs between ports in which such disabilities do not exist.
 (e) The Tariff Board compared rates on Australian runs involving calls and delays at intermediate ports with rates on straight runs from one port to another.
 (f) The Tariff Board compared rates on Australian runs involving compliance with White Australian conditions with runs supplied with cheap black labour.
 (g) The Tariff Board compared rates for distances and ignored every other factor.

(a) JAVA.

The Tariff Board quoted sugar rates, Java to Melbourne (4,400 miles), at 25s. per ton, as against the sugar rates of Townsville to Melbourne (1,900 miles), 27s., and Mackay to Melbourne (1,700 miles), 39s. 6d.

The ships bringing foreign sugar in at 25s. per ton do not take Australian products out at that rate. Higher rates on exports pay for lower rates on imports. The average general rate from Brisbane to Java (3,400 miles) is 50s. per ton. The general cargo rate quoted in the shipping list of 14th May, 1924, is 75s. per ton. The lowest rate is 35s. per ton. The Managing Director of the Royal Dutch Packet Steam Navigation Company told the Public Works Committee that 35s. per ton was a losing rate, but it was done to give Australian flour a chance against American flour (Darwin Wharf Facilities Inquiry, para 217 of evidence). Those boats are manned by low-paid coloured labour; 35s. per ton is a losing rate. To give Javanese sugar a chance against Australian sugar, they quote 25s. per ton. It is thus 10s. per ton below losing rate. The Tariff Board quotes to prove that White Australian rates are exorbitant.

On the 26th April, 1923, prior to the Tariff Board's report, Mr. J. G. Thompson, Chairman of the Export Committee of the Associated Chambers of Commerce, presented to Mr. Austin Chapman, Minister for Customs, a schedule of rates imposed on Australian products seeking oversea markets. On that schedule was the following item.—

Fodder Rates to Java

1914	1924
27s 6d	65s.

The Chairman of the Tariff Board in his capacity as Comptroller of Customs was present when the schedule was presented. With the schedule the Tariff Board was conversant when it drafted its report, yet it quoted a rate 30 per cent. below losing rate—50 per cent. below the Dutch Packet Company average rate—60 per cent. below fodder rates—actually 10 per cent. below pre-War black labour rates, and presented this as a standard by which Australian shipping rates ought to be measured.

It will be noted that on Australian products to Java there is a 37s. 6d. per ton increase, from 27s. 6d. to 65s. (140 per cent.). This increase is more than the total freight (25s. per ton) upon the inward "dump" rate.

Australian wheat to Singapore in 1914 was 15s. per ton. When Mr. Thompson reported to the Minister for Customs (April, 1923) it was 87s. per ton. In South Africa, case goods are 80s., as compared with 25s. pre-War rate, and 40s. per ton England to India, but from Australia to India (similar distance) 80s. per ton—double the rate. The Board selects a "dampening" rate, and presents it as an average rate.

(b) New Guinea

The memorandum presented by the Chairman of the Tariff Board to the Select Committee referred to the freight rates from New Guinea to Sydney, and said:—"Crushing freight charges hamper the trade of the Mandated Territories."

The principal New Guinea export is copra.

The freight from Rabaul to Sydney is 25s. per ton as against 20s. pre-War. The 20s. pre-War rate was the German rate. The pre-War rate of Burns, Philp and Company from the Papuan portion of New Guinea was 35s. per ton.

Prior to the Tariff Board's Report, Mr. L. F. East, an officer of the Navigation Department, had been sent to New Guinea. On his return he presented his report (Appendix 3). From that report the Board extracted the Sydney-New Guinea rate schedule. Upon that schedule the Board based its determination of loss-shipping rates.

What the Board omitted from Mr. East's report is here inserted. Through freight in 1922 from Mandated New Guinea and Papua to Europe, £11 per ton (par. 14). Pre-war through rates, £2 13s. 6d.—increase 28 6s. 6d.

The increase in the Mandated New Guinea to Sydney section is 36s., less than one-fifth of the total increase of £3 6s. 6d. Over 80 per cent. of the increased charges are outside the scope of the Navigation Act.

	Pre War. (per ton)	Present Rate (per ton)
Mandated Territories to Sydney	£ 8. 6	£ 8. 4
Oversea charges	1 0 0	2 10 0
Sydney transshipment charges .. (included in above)	1 13 6	6 1 0
	2 9 0	2 9 0
Total charges	2 13 6	11 0 0

Mr. East stated in his report that if the planter sold his copra in Sydney then:—"Cost from port of shipment to buyers in Sydney, £5 18s. 6d. per ton."

Fifty shillings was freight, so an additional 13s. per ton (£3 6s. 6d.) was levied on the product after it left the ship. As copra is bought at the shipside, something is taken off in one way or more than the total freight charge from New Guinea.

If the planter decided to send his copra to Europe then (par. 21):—

Freight from New Guinea to Sydney	£ 8. 6
Sydney Shore Charges	2 10 0
Freight—Sydney to Europe	2 9 0
European Shore Charges	4 0 0
	1 7 0
	—
Cost from port of shipment in New Guinea to buyers in Europe	13 6 0

The £11 previously mentioned is "through" rate. The £13 6s. includes charges right up to consignment on sale to buyers. Eighty per cent. of the above charges are outside the scope of the Navigation Act, 60 per cent. are oversea charges. These oversea charges are 300 per cent. above pre-War rates.

The Sydney transshipment charges were £2 9s. per ton. The Managing Director of the Dutch Royal Packet Company told the Public Works Committee that water-side labour in Sydney cost in January an average of 7s. per ton (Dunwin Wharf Facilities Inquiry, para. 216 of evidence). Mr. East (para. 33) stated that the Sydney port charges and handling costs were 20s. per ton,bourne put on another 25s. per ton and made transshipment charges £2 9s. per ton.

The New Guinea problem and the relationship with Burns, Philp and Company and the application of the Navigation Act thereto will be dealt with elsewhere. It is enough to say here that if the rate on the New Guinea to Sydney service by "crushing" they are under more compared with the increased charges on the oversea section.

To the crushing charges imposed on New Guinea products after they reached Sydney and after they left Sydney for Europe, the Tariff Board made no reference. It appropriated from Mr. East's report the portion dealing with Australian shipping charges, and suppressed the balance.

(c) EUROPE.

Cement.—The Tariff Board cited Portland cement carried from the United Kingdom to Australia for 22s. 9d. per ton against 35s. per ton from Melbourne to Fremantle.

Oversea general cargo rate from the United Kingdom is 100s. per ton. Boiler cement, Keen's cement, and cement for fireproof floorings pay 75s. plus 10 per cent. primage—82s. per ton. Oxides pay 50s. plus 10 per cent. primage—55s. per ton. When it comes to Portland cement, the oversea product is carried for 75 per cent. below general cargo rates and 72 per cent. below rates charged on other cements.

Oversea cement cannot undercut Australian cement at the point of production. When local cement has to reach a port visited by oversea vessels the protective advantage of £1 per ton is lost. Queensland furnishes an illustration. Oversea cement cannot compete in Southern Queensland, but oversea vessels can place their "dump" rate cement in North Queensland ports cheaper than Southern Queensland can land its cement. It costs the South Queensland cement works in railage, cartage, and wharfage 20s. per ton to carry cement from the works to the wharf. The Tariff advantage is lost before Australian cement can get to sea. If oversea Portland cement had to pay the same freight from overseas as other oversea cements or anything near general cargo rates, it could not get into any port in Australia.

Years before the Navigation Act, and before the War, when maritime wages were 50 per cent. below their present level, there were complaints of high coastal freights. The question whether the chicken or the egg came first was not more threadbare than whether Portland cement sailed in on oversea cut rates or on high local coastal rates.

In January, 1914, Mr. Northcote, then Chairman of the Federated Shipowners' Association, deplored high wages because they meant high running costs; high running costs necessitated high freights, and high freights crippled production, diminished trade, and ruined the shipowners. Mr. Northcote went on to say:—

"Take such a commodity as cement. High freights limit the distribution of Australian cement along the Australian coastline, and they enable foreign-made cement to be delivered at each of the ports where local ships are in competition with oversea steamers." (*The Trust Movement in Australia*, by H. L. Wilkinson.)

The Tariff Board discovered this ancient history and presented it as a recent event produced by the then two years' old Navigation Act.

The increases in freight rates imposed by the oversea shipping companies upon the majority of Australian oversea exports are more per ton than the 22s. 9d. "dump" rate at which the same companies bring in oversea cement.

Iron and Steel.—The Tariff Board quoted the freight on steel rails from Great Britain to Fremantle (11,000 miles) at 40s. per ton, in some cases 30s. per ton, against 42s. 6d. per ton from Newcastle to Fremantle (2,200 miles), but the Deputy Chairman of the Steamship Owners' Federation stated in evidence:—"The Commission should know that the Broken Hill Proprietary, who are the shippers of the rails, are quoted 30s. by the companies." Mr. Oakley was asked if he had any documentary evidence that the Broken Hill Proprietary paid 42s. 6d. per ton on steel rails from Newcastle to Western Australia. The following is extracted from the evidence:—

Answer.—Yes; particulars on actual invoices.

Question.—Where are they? *Answer.*—Do you wish me to produce them? I will produce them.

Mr. Oakley was not able to produce them. He referred the officer of the Commission to the Broken Hill Proprietary. The officer waited upon the Broken Hill Proprietary. He was allowed to inspect the invoices. They had no reference to steel rails. The explanation is in the fact that the Broken Hill Proprietary carried its own rails in its own vessels. The 30s. quote was an effort by the Shipowners' Federation to obtain a share of the business. It was not successful, therefore recent invoices for steel rails at 42s. 6d. or any other rate cannot exist.

The Oversea Shipping companies have 30 different rates on products of iron and steel. There are half a dozen rates on rails according to length and size, varying from 30s. to 75s. per ton. There are 26 iron and steel products upon which the freight rates to Australia are from 75s. to 145s. per ton, 35 from 50s. to 74s. per ton, 10 at 40s., 4 at 30s. The Board in every case quoted the lowest rate.

Australian iron and steel producers made no protest against the Navigation Act, and no affirmation that it was injuring their interests. Mr. S. McKay, of the Sunshine Harvester Co., told the Commission that bright steel shafting is manufactured in Victoria, and bright steel shafting is carried from Europe to Victoria for 40s. per ton. Forty shillings per ton is not the average import rate either upon steel products or general cargo; it is essentially a "cut rate." The lowest pre-war rate at which Mr. S. McKay, of the Sunshine Harvester Company, could get freightage to Buenos Ayres by direct charter or by shipping in steamers bound for Europe via Buenos Ayres was 33s. per ton. To-day, when shipping costs have doubled, the Tariff Board quotes, as fair average freight

rates, 30s., 25s., 22s. 9d. per ton for double the distance as evidence that Australian rates are "out of all proportion"—as proof that the Commonwealth Navigation Act is an iniquity working with "disastrous effect."

General.—Maximum freights are determined by consideration of what specified products can carry. Minimum freights over a long period are determined by rates of wages, port and harbour charges, light dues, price of coal, &c. But between these two extremes, freights are varied by concessional rates for the furtherance of some economic objective. Deep-sea rates to Australia vary within the same class of exports. Variation depends on many factors. One is what section within a class is manufactured in Australia, and to what extent the Combine is financially interwoven in the products of that section. On such section the rate will be 50 to 75 per cent. below the class rate. Another factor is the extent to which United Kingdom productions have to meet the competition of other countries. News print in competition with Canadian and Swedish pays 55s. per ton; all other papers, including wall paper, 100s. per ton.

The deep-sea shipping companies partly reimburse themselves for unprofitable "dumping" rates by rates above the average upon other imports into Australia. The other portion of the reimbursement comes from higher charges on Australian products bound for oversea markets. The rates charged in excess of pre-war rates on the majority of Australian oversea exports are greater than the increases on the majority of imports. The increased rates over pre-war rates levied by the Oversea companies upon the majority of Australian exports are more per ton than the total rate charged to bring into Australia the oversea products mentioned by the Tariff Board.

(d) OUTWARD FREIGHT RATES TO UNITED KINGDOM, ETC.

The following are the freights to the United Kingdom on some of Australia's chief exports:—

Leather—£7 13s. per ton.—Same rate charged to South Africa—half the European distance.

Skins (other than sheep skins)—1½d. per lb.; £15 3s. 4d. per ton.—For United States, Atlantic Ports—½d. per lb. additional (23s. 4d. per ton).

Wool (greasy)—1¼d. per lb.; £11 13s. 4d. per ton.

Wool (if scoured)—1½d. per lb.; £14 per ton.

Sheep Skins—¾d. per lb.; £8 3s. 4d. per ton.

Hides—¾d. per lb.; £5 11s. per ton.

Fruit in cases—Recently reduced from 4s. 6d. to 4s. per case as compared with 2s. 6d. pre-war. 4s. is 60 per cent. on pre-war, and nearly 200 per cent. on rates charged for the carriage of fruit from South Africa to Europe.

Fruit in pulp—Sir Henry Jones stated:—"70s. per ton as against 30s. pre-war." This is a 130 per cent. increase on the pre-war rate.

Jam in tins and canned fruits.—70s. per ton, as against 20s. to 30s. pre-war rate. The higher rate of 30s. was mail boat charges.

Zinc dross.—£7 per ton.

Whale oil.—£4 10s. per ton (Western Australia to United Kingdom).

Binder twine.—£6 2s. 6d. per ton.

Timber.—12s. 6d. per 100 super. feet, 11s. to South Africa; 100 per cent. higher than upon oversea timber brought into Australia.

Meat.—1d. per lb.; £9 6s. 8d. per ton—75 per cent. on pre-war rate. To Java and Singapore (one-third European distance) rates vary from £14 to £18 13s. 4d. per ton. From Townsville to Manila (2,900 miles), £14 per ton.

Mutton.—1¼d. per lb.; £10 10s. per ton. For Japan, £15 15s.

General Cargo.—70s. per ton to Europe, 85s. to Singapore, 80s. to South Africa, 80s. per ton on Australian products for India; 40s. per ton on Indian products for Australia.

Australian Agricultural Machinery—for Argentine (including transshipment), £3 per ton, pre-war, £3; 166 per cent. increase. The 33s. per ton mentioned on the previous page was for direct shipment, not now obtainable.

Freight rates on Australian products for Eastern markets are 100 to 500 per cent. above pre-war rates, although the majority of ships engaged in the traffic are manned by cheap coloured labour.

Freight rates to Europe on Australian products, apart from wheat, are 60 to 250 per cent. above pre-war rates.

Freight rates on the Australian coast under Arbitration awards and the Navigation Act are 30 per cent. above pre-war rates.

Mr. B. L. Murray, Managing Director of Western Australian Farmers' Limited, told the Commission (Question 874) :—"Homeward freight for wheat is the only thing I know down to pre-war rates." Another witness stated that "Freights from home have been reduced much more than from this end—except on wheat."

(e) RE STATEMENT THAT HIGH FREIGHT RATES NULLIFY THE TARIFF.

It is equally true that low freight rates nullify the Tariff.

1. *High Rates nullify the Tariff.*—When by rail, or road, or ship, it costs the producer as much to send his product from A to B as it does to bring the competitive product from overseas to B the Tariff is nullified. This fact applies to every class of transport by land or sea to all coasts and countries. This fact operates in a country where the Navigation Act does not exist and operated in Australia prior to the Act. The Act cannot be held responsible for world-wide and pre-existing facts. Finally, Australian coastal freight rates have not risen since the operation of the Act.

2. *Low Freight Rates nullify the Tariff.*—When the Oversea Shipping companies bring into Australia a number of oversea products at rates so far below the average rate as to constitute to the importer a refund of the amount paid in duty the Tariff is nullified. Thus "deprives our manufacturers of the full share of the market to which they are entitled." Australian Arbitration and Navigation laws are not responsible for this nullification.

3. High outward oversea rates on Australian products—"out of all proportion" to low inward rates—"place heavy freights on our own products," "place our producers at a disadvantage" in oversea markets and nullify any Tariff preference that may be given by oversea countries. For this nullification the Australian Arbitration and Navigation laws cannot be held responsible.

(f) COASTAL RATES.—SOUTH AMERICA.

General cargo rates along the Pacific coast of South America are 50 to 100 per cent. higher than along the Australian coast for similar distances, for example—

Valparaiso to Callao (1,302 miles), 45s.

Adelaide to Fremantle (1,378 miles), 30s. per ton.

Between Valparaiso and Callao are the ports of Antifagasta and Iquique. From Valparaiso or Callao to either of those intermediate ports, the rates per ton are 100 per cent. above Australian rates for similar distances.

The Atlantic side of South America furnishes the following similar illustration :—

Bueno. Ayres to Bahia Blanca (510 miles), 32s. per ton.

Melbourne to Sydney (564 miles), 18s. per ton.

The inter-republican ports of Buenos Ayres and Rio Janeiro are on the route of the great ocean liners to Genoa, Hamburg, London, and New York. They are open to the competition (if any exists) of the maritime world. Comparative rates are—

Buenos Ayres to Rio Janeiro (1,135 miles), 25s. per ton.

Sydney to Adelaide (1,076 miles), 22s. 6d. per ton.

(g) COASTAL RATES.—SOUTH AFRICA.

Coastal rates on the South African coast furnish further comparisons :—

General cargo—

Capetown to Durban (817 miles), 30s.

Adelaide to Sydney (1,076 miles), 22s. 6d.

Timber rates—

Capetown to Durban (817 miles), 4s. 2d. per 100 super. feet, 5s. 9d. if over 30 lineal feet.

Bunbury (W.A.) to Adelaide (1,250 miles), 5s. 10d. per 100 super. feet.

With the exception of maize (the principal food of the black races) all classes of goods transported along the South African coast are on a higher scale than Australian.

So far as South African ports are concerned, and so far as the inter-republican ports of South America are concerned, shippers are legally free to secure the cheapest charters, under any flag, any colour, any wages, any conditions.

Arbitration and Navigation laws do not compel the producers of those territories to pay freight rates "out of all proportion" to the territories where those laws do operate and "out of all proportion" to the cement and Java sugar rates quoted by the Tariff Board. There are operating factors in the world not less potent than legislation.

(h) UNITED STATES.—NEW YORK TO GALVESTON AND NEW ORLEANS.

Freight rates between Atlantic ports of the United States are based on Car Load (C.L.) consignments, with a 40 per cent. supercharge on consignments less than a Car Load. Car Loads mean railway truck loads varying according to ports, and cargoes from 10 to 18 tons. The C.L. rates vary from 23s. 6d. to 77s. 6d. per ton. Rates on consignments less than C.L. vary from 36s. to 106s. Where the super rate is given in the documents supplied to the Commission, it is stated in the following table:—

(h) UNITED STATES—NEW YORK TO—				NEW ORLEANS.		GALVESTON.			
		s. d.	s. d.	s. d.	s. d.	s. d.	s. d.		
Cheese, C.L.	..	56	0 per ton. Less than C.L.	106	0	C.L. 44	0 per ton. Less than C.L.	59	3
Canned Goods, C.L.	..	36	3 " "	48	6	" 36	0 " "	49	6
Soap, C.L.	..	32	3 " "	45	3	" 59	3 " "		
Hardware, C.L.	..	58	9 " "			" 67	3 per ton. Less than C.L.	76	6
Woodware, C.L.	..	48	6 " "			" 44	0 " "	76	6
Glassware, C.L.	..	40	6 " "			" 50	0 " "		
Stoneware, C.L.	..	50	0 " "						
Sugar and Syrup, C.L.	..	27	6 per ton. Less than C.L.	40	6				
Structural Steel, C.L.	..	29	9 " "			" 33	9 " "		
Pig Lead, C.L.	..	23	3 per ton. Less than C.L.	40	6				
Hides in bales, C.L.	..	33	8 " "	50	6				
Flour, C.L.	..	27	6 " "	36	0				
Onions and Potatoes, C.L.	..	48	6 " "			" 49	6 " "		
Agricultural Implements, C.L.	..		" "			" 44	0 per ton. Less than C.L.	57	0
Rice, C.L.	..		" "			" 76	6 " "		
Paper for Wrapping, C.L.	..	25	9 per ton. Less than C.L.	59	3	" 41	6 " "		
Paper Articles	..		" "	57	0	" 37	9 per ton. Less than C.L.	57	0
Printed Matter	..		" "	88	9				
Packing House Products, C.L.	..	40	6 " "						
Wool, C.L.	..	77	6 " "			" 77	6 per ton. Less than C.L.	106	0
Bags, C.L.	..	32	9 " "			" 36	0 " "	59	3
Average Rate—Car Load, 40s. Less than Car Load, 57s.				Car Load, 49s. Less than Car Load, 68s.					

In addition to the foregoing rates—Lumber between New York and Galveston, for not less than Car Load of 30,000 lb., is 51½ cents per cental, i.e., 48s. per ton, or 10s. per 100 super feet.

The following is the comparison with comparable distances on the Australian coast:—

United States.—Atlantic Coast Rates.

New York to New Orleans, 1,700 miles—Car Load rates average	..	40s.	per ton
" " " " " " " "	..	Less than Car Load average	57s. "
New York to Galveston, 1,893 miles—Car Load rates average	..	49s.	"
" " " " " " " "	..	Less than Car Load average	68s. "

Australian Coast Rates.

Fremantle to Melbourne, 1,858 miles—General rate	..	..	35s.	per ton
" Sydney, 2,422 miles—General rate	..	..	40s.	"

The following gives—

- Sea-going wages per month on the Australian coast;
- Average steam-boat wages in the United States coastal trade, as recorded by the United States Commissioner of Navigation; and
- Wages paid on the steamers of the United States Shipping Board.

	(a)	(b)	(c)
	Australia.	United States Average.	United States Shipping Board.
	£ s. d.	£ s. d.	£ s. d.
Ordinary Seaman	.. .. 12 5 0	.. .. 9 5 0	.. .. 9 15 0
Able Seaman	.. .. 16 0 0	.. .. 10 5 0	.. .. 12 17 0
Boatswain	.. .. 17 0 0	.. .. 13 7 0	.. .. 15 8 0
Fireman	.. .. 18 0 0	.. .. 11 6 0	.. .. 13 17 0
Carpenter	.. .. 19 9 5	.. .. 14 8 0	.. .. 16 8 0

(i) PACIFIC SLOPE.—UNITED STATES.

From San Francisco to Portland (Oregon) is 640 miles. The Sydney-Hobart run is 628 miles. On the Pacific side of the United States, as on the Atlantic side, there is no general cargo rate. The items supplied were few. Butter rates were given at 50s. per ton. If supplied in not less than Car Load consignments it was carried for 46s. 3d. per ton. A ton of butter is carried from Sydney to Hobart for 24s. per ton—one half the Pacific slope rate. Timber from Portland to San Francisco is 5s. 7½d. per 100 super. feet, of 20 lineal feet, equal to £1 7s. per ton. Timber from Hobart to Sydney (628 miles) is 5s. 3d. per 100 super. of 20 lineal feet. Grain is 14s. per ton; flour 17s.; meat (car load) 47s., less than car load, 60s.

On the Pacific slope the deck hands load and unload cargoes. The ship-owners are saved the cost of waterside labour. For this additional work the seamen, the section of the crew engaged in shifting cargo, are paid a special rate, bringing their monthly wages to £16 9s. per man. On the Pacific, as on the Atlantic seaboard of the United States, coastal costs are lower and freights higher than in Australia.

(j) BLACK-MANNED AND WHITE-MANNED VESSELS.

White-manned ships under Australia's Navigation Act carry cargo from Fremantle to Sydney, 2,400 miles, for 40s. per ton. The black-manned boats charge 60s. from Fremantle to Derby (1,617 miles) and 70s. from Brisbane to Darwin (2,000 miles).

White-manned ships under Australia's Navigation Act carry cargo 1,350 miles from Fremantle to Adelaide at 30s. per ton. Black-manned boats on the Western Australian coast charge 50s. for a 200 miles shorter journey (Fremantle to Hedland). The "black" boats wanted a 25 per cent. increase to make it 56s. per ton. They wanted £8 for a 500 miles deck passage. They had to cut the £8 down by one-half and stop where they were on cargo. The State boats refused to increase rates.

The following are comparisons between passenger fares on "black" and "white" manned ships:—

First-class passage,	Fremantle to Carnarvon—Black-manned, 576 miles, £5 10s.
" "	Sydney to Hobart—White-manned, 628 miles, £4 16s.
" "	Fremantle to Port Hedland—Black-manned, 1,139 miles, £11.
" "	Fremantle to Adelaide—White-manned, 1,350 miles, £10.

It is not to be understood that vessels on the North-West coast of Australia (even when manned with cheap black labour) could profitably carry cargo at East coast rates. The conditions are dissimilar. The tidal character of the North-West ports, loading facilities, scarcity of cargoes, cost of loading, and time occupied on a given distance are all factors. When other factors are ignored, when as with the Tariff Board, distance is the sole basis of comparison, then distance for distance, "black" freight rates outside the Arbitration and Navigation laws of Australia are higher than "white" freight rates under those laws, and are much more "out of proportion" to deep-sea rates.⁴

(k) SOUTH AFRICA AND NEW ZEALAND.

It was stated by the Tariff Board that maize from South Africa to Sydney was carried for one-half the rate charged from Maryborough (Queensland) to Sydney. The Board quoted 22s. 6d. per ton as the rate from South Africa; that was one-fourth the rate on Australian products to South Africa. At the present time (June, 1924) the general cargo rate to South Africa is 70s. per ton. Maryborough is a small port. Its products have to be transhipped, entailing double handling charges. The Tariff Board did not mention these factors.

The Director of the Queensland Producers' Association told the Commission that the maize rate from Cairns (728 miles beyond Maryborough) to Sydney was 11½d. per bushel, and 1s. 0½d. to Melbourne, compared with 1s. 2d. per bushel from South Africa to Sydney or Melbourne.

The importation or exportation of maize depends solely on the success or failure of the Australian crop. If there is a local shortage, prices rise, and South African maize comes in. If there is a local surplus, it finds a market in the Pacific Islands or New Zealand.

* * * * *

It was stated that it costs more to ship butter from Queensland to Melbourne than from New Zealand to Melbourne. The rates are:—

New Zealand to Sydney, 1,230 miles—37s. 6d. per ton.
Brisbane to Melbourne, 1,033 miles—27s. per ton.

⁴ Since the above went to press (14th July, 1924) the "black" boats on the coast of Western Australia have increased fares by 15 per cent., and increased cargo rates by 7½ per cent.

The Brisbane-Melbourne run is the cheaper. The Board quotes:—Cairns to Sydney, 1,400 miles—50s. per ton.

The New Zealand-Sydney run is direct. The Cairns-Sydney run is not merely longer in distance. It is longer in time and costs, owing to intervening ports. The difference in rate per lb. is fractional. The Brisbane-Sydney rate of 20s. does not keep New Zealand butter (37s. 6d. freight rate) off the Sydney market.

(I) FREIGHTS—SUMMARY.

There was a 30 per cent. increase in Australian coastal rates between the outbreak of war (August, 1914) and the advent of the Navigation Act (1st July, 1921).

Coastal rates have not risen since the Act, therefore the Act has not placed heavy freights on our products.

The increased freight rates imposed by the Oversea Companies upon the majority of Australian products for Europe, Asia, Africa, and America are far in excess of the above-mentioned 30 per cent. Therefore coastal rates are not more "out of proportion" to deep-sea rates than in 1914—they are less.

The Navigation Act has not "placed our producers at a disadvantage." The increase in oversea rates beyond pre-War on the majority of Australian exports places our producers at a disadvantage in oversea markets, and nullifies the value of any preference given by oversea governments.

The Navigation Act has not "deprived our manufacturers of the full share of the market" and nullified the Tariff. That has been accomplished by "dump" rates on certain inward cargoes. The abolition of the Act would not provide a remedy.

Australian coastal rates are not in excess of rates charged between ports of territories whose geographical circumstances are in any way akin to our own. Australian coastal rates are below the rates on the coasts of the United States, South America, and South Africa, although ships on such coasts have the advantage of lower running costs so far as wages are concerned.

That mere distance is not the sole factor in the comparison of freight rates is seen from the following:—

Adelaide to Fremantle, 1,353 miles—30s. per ton.

Sydney to Townsville, 1,248 miles—40s. per ton.

The reason why 10s. more per ton is charged for the shorter journey is because there are other factors than distance. The time factor is as important as that of distance. The shorter distance, Sydney to Townsville, occupies 50 to 100 per cent. more time than the Adelaide-Fremantle run. There are two services to Townsville. One occupies eight days, and the other six days. The longer distance (Adelaide to Fremantle) occupies only four days. The Sydney-Townsville run is delayed by intervening ports. One (Port Mackay) is an open roadstead. Loading and unloading is done by lighters. This work is affected by weather conditions. Handling charges are heavier in Northern Queensland ports than in the South. The Tariff Board ignored every other factor outside of mileage.

Coastal rates are everywhere on a higher scale than on the deep-sea routes. In coastal traffic there are, within a given mileage, more ports to be entered, therefore multiplied port and handling charges. Nowhere in the world are sea rates determined by the mere measuring of distances.

Cheap labour for the shipowners is no guarantee of cheap service for the public.

PART 10.—THE REMEDY PROPOSED BY THE TARIFF BOARD.

To counteract the alleged "disastrous effects of the Navigation Act," the Chairman of the Tariff Board proposed to grant a subsidy to all ship-owners, the subsidy to—

- (a) Cover interest on cost of alterations forced by the Navigation Act; and
- (b) Cover extra wages brought about by the Navigation Act.

The alleged benefits of the proposed subsidy were—

1. To be of great advantage to secondary and primary producers; and
2. To reduce unemployment greatly.

Mr. Larkin (Manager of the Commonwealth Shipping Line) told the Navigation Act Select Committee (Question 286) that if the Act were abolished and British and Japanese vessels ran on the coast the difference in freight would probably be 1s. per ton; it might be 2s., but not more. Oversea ships on the coast would have to pay the same for harbour and light dues, wharfage, stores, and coal. A representative of the ship-owners told the Commission (Question 5926):—
"I do not say we would be able to carry cargo cheaper if the Act had not been passed."

The Director of Navigation supplied the following comparison :—

S.S. <i>Aeon</i> (interstate vessel).	S.S. <i>Elswick Park</i> (oversea vessel).
Carrying capacity (cargo and bunkers), 6,255 tons.	Carrying capacity (cargo and bunkers), 7,300 tons.
Gross tonnage, 3,768.	Gross tonnage, 4,188.
Net tonnage, 2,007.	Net tonnage, 2,578.
Wages (less captain), £687 16s.	Wages (less captain), £343 10s.

If Australian seamen's wages were reduced by one half, or if the ship-owners were subsidized to the equivalent of one half the wages, it would not affect cargo rates by more than 1s. 6d. per ton.

PART 11.—QUEENSLAND FRUIT.

The fruit industry of Queensland has found an improved method of transport. Louvre railway waggons go into the fruit districts—the fruit is loaded practically from the trees into the trucks—one change at the New South Wales border, and thence direct into the Sydney market. Ships are cheaper, but rails are quicker and more punctual, and the fruit arrives in a better condition and secures a higher price. It arrives oftener, in smaller quantities, and secures a better regulated market. The fruit industry is not injured either as a result of sea freight rates or of the Navigation Act.

PART 12.—EYRE'S PENINSULA—SOUTH AUSTRALIA.

This is a service within a State. It is outside Federal jurisdiction, but it illustrates how railway expansion and changes in harbour facilities advance one form of sea transport and injure another.

Before the War all oversea products from Eyre's Peninsula were transhipped at Port Adelaide. Since 1914, Thevenard has been opened up as a deep-sea port. Last year 650,000 bags of wheat went directly overseas. Products from Port Lincoln are also mainly for overseas (Question 5708). A railway system into deep-sea peninsula ports has been developed (Question 6172). By these methods freights to, and transhipment costs at Port Adelaide have been saved to the Peninsula producers.

This economic transition has changed the character of the Adelaide to Peninsula traffic. Outward freight from the Peninsula has disappeared into deep-sea ships. The Adelaide to Peninsula steamers obtain very little back loadings. It has become a one-way traffic. The "one-way" cargo has to pay for the "other-way" empties.

The steamers are carrying to the Peninsula 51,000 more tons per year than pre-War, but are short of 57,000 tons of back loading. This lop-sided traffic cannot be conducted as economically as when it was an even in and out cargo. There exists a more frequent service to cope with actually less cargo. The pre-War rate was 10s. per ton. The average Australian rise in rates is 30 per cent. (3s. per ton). The Adelaide-Peninsula run is 16s. One of the principal witnesses admitted 14s. would be a fair rate. Ship-owners say they cannot run under 16s. Apart from the ship-owners' plea, the fact remains that so far as Peninsula oversea products are concerned, producers have no longer to pay freight to Port Adelaide with transhipment charges added. This means a saving of at least 20s. per ton. In any case, the traffic is under State laws, and the Commonwealth Navigation Act does not and cannot affect it.

The Patrick Company went into this trade and cut rates down by 10 per cent., and the local company cut its rates similarly. Apparently the Patrick Company could not afford to go lower, or even to carry on at that rate; it preferred to take its steamer off the trade.

PART 13.—CARGO ACCOMMODATION.

It is alleged that the Coastal Shipping Combine, taking advantage of its monopoly, restricts the supply of shipping, fails to lift all the cargo offering, and as a result the trading community suffers from inability to reach interstate markets or from inability to fulfil contracts.

There were no complaints from New South Wales, Victoria or South Australia. The Western Australian case is referred to under "Timber."

Mr. L. W. Davies, Manager for F. J. Walker Ltd. (Meat Exporters), told the Commission that the space in the interstate boats for the conveyance of frozen meat from Queensland to southern States is not sufficient for the requirements of the trade. The ship-owners replied that it was only during 1923 when there was an abnormal demand for chilled meat in Victoria

and New South Wales, that they were unable to cope with the requirements of the industry. In addition to the interstate boats there are the "Bay" steamers of the Commonwealth Shipping Board. The Chairman of the Board reported as follows:—

"The 'Bay' steamers of this Line cater regularly for the carriage of frozen cargo coastwise when required. On each trip leaving Brisbane they have unlimited space available, and could carry many times more than the quantities offered for shipment."

If the Minister is satisfied that the interstate vessels, in conjunction with the "Bay" Liners, are not sufficient for the coastal trade, or that they are so conducted as to injure in any way the coastal expansion of the frozen-meat trade or to prevent in any way the making of forward contracts necessary to expansion, he may protect the public interest by granting permits to oversea vessels willing to supply "adequate" service, and he may base his opinion of "public interest" on any grounds he thinks fit. There is no evidence of a permit for coastal meat transport by oversea vessels having been refused. All the evidence is to the contrary. Every application was granted with promptitude. The representative of the meat industry was asked if it were not possible to get forward permits and he answered:—"It depends how far ahead. Certainly not a month or six weeks ahead" (Question 8308). He had no evidence that he could not. He had not been refused. He was asked:—"Have you ever failed to get a permit when sought?" and he answered—"No." All evidence is to the same effect. No permit for either immediate or forward delivery has been refused.

Taking into consideration the statement of the Chairman of the Commonwealth Shipping Board, it appears that, for some reason unknown, F. J. Walker Limited did not wish to supply freights for the Commonwealth Liners, but were anxious to be able to ship in the vessels of oversea companies having proprietary interests in Queensland Meat Works.

Some timber merchants in South Tasmania have occasionally found it difficult to get space, while the electrolytic zinc works at Risdon secured the space required. Whether this be preference or something having its origin in the desire of the Timber Combine to restrict Tasmanian timber output is uncertain; it has certainly no connexion with the Navigation Act. It could happen just as easily if the Act did not exist.

Insufficient space for timber from Tasmania is unusual. The complaint in Hobart came from one timber merchant only, who admitted that he was a comparatively small shipper. On the 19th May, 1924, a statement was made in the *Hobart Mercury* by a correspondent that large quantities of timber were stacked at Hobart waiting for ships. The *Mercury* made inquiries, interviewed the timber merchants, and came to the conclusion that "in the opinion of those most vitally concerned, the number of cargo vessels trading between Hobart and the mainland ports, with the possible exception of South Australian ports, was sufficient for all requirements." One timber merchant stated:—"We are very large exporters of timber . . . perfectly satisfied with the services provided to Melbourne and Sydney, and think the Adelaide service also sufficient for requirements." Another timber merchant indorsed this view. He further stated that there was a shortage a few months previously when the wool sales were in progress, but the position had since righted itself. If timber was required on the mainland, vessels would soon be found to take it away.

The charge of insufficient space finalizes into no case in three States, one in Western Australia, one in Queensland and two complaints from one port in Tasmania.

There is in Australia ample cargo-carriers for all the cargoes to be lifted. On 99 per cent. of the trips the ships can lift all the cargo offering. The 1 per cent., when cargo is left behind, is not a higher percentage than in other forms of transport, and not higher than in the sea services of countries where a Navigation Act such as ours does not exist.

Mr. Larkin told the press that there was such demand for space in Commonwealth steamers that they were coming out loaded to the hatches. It is evident that what could not get under the hatches stayed behind. That is so in every service with or without a Navigation Act. A steamer is not a concertina; it cannot be stretched out or shortened like a freight train. Efficiency demands economy in space. Space economy in ships enlarges the risk of inability to meet rush demands. Interstate ships on a majority of trips are running with surplus space, and complaints are few.

PART 14.—PASSENGER ACCOMMODATION.

The Navigation Department declares that it is inundated with complaints of insufficient passenger accommodation arising from the rigidity of the Act and the cruel section prohibiting black-manned and other oversea vessels participating in Australian coastal passenger traffic.

From the three States of New South Wales, Victoria and South Australia there were no complaints.

Passenger traffic and accommodation between Tasmania and the mainland has been dealt with under "Tasmania."

Of Queensland it was asserted by the Director of Navigation that :—" Many people have tried to book berths from Brisbane to Sydney and have been told the boats are full." During the three years' operation of the Navigation Act the " many people " in Brisbane who could not secure berths to Sydney on interstate vessels totalled 41. For their accommodation permits were issued as under :—

Date.	Shp.	Interstate Passengers.
15th August, 1922 ..	<i>Euripides</i>	5
16th August, 1922 ..	<i>Marella</i>	4
9th September, 1922 ..	<i>Ormuz</i>	24
12th August, 1923 ..	<i>Montoro</i>	8

Only on one occasion since September, 1922, has an interstate vessel failed to provide ample accommodation between Brisbane and Sydney.

On the coast from Brisbane to Cairns, three passenger steamers during the year made 70 trips. On two trips north and two trips south the first class accommodation was filled to capacity. The maximum passengers (all classes) carried on one trip was 377. The minimum (all classes) carried on one trip was 29. On this latter occasion 93 per cent. of passenger accommodation was vacant. The total carrying capacity on these three ships was 17,800, and the passengers carried numbered 10,300—the average vacant berths amounted to 40 per cent.

The extension of railway services along the Queensland coast has already affected seagoing traffic. When the railway reaches Cairns it will be still more affected, and seagoing passenger service will probably be reduced to the proportions of reduced custom.

* * * * *

In Western Australia there is a transition in the character of interstate passenger traffic brought about by the construction of the East-West railway, completed in 1917.

No sooner was the Transcontinental Railway finished than 50 per cent. of the people travelling east and west went by rail. In 1920, the year before the Navigation Act came into force, the number travelling by rail was 23,000, by interstate steamers 15,000, by oversea boats fewer than 3,000. The percentage travelling by oversea boats, even when there were no restrictions, was relatively small out of the total travelling. For the vast majority of Australians the Transcontinental rail and the interstate steamers were adequate and good enough service. The complainants for whom an Australian land and sea service are not good enough are few in number. To accommodate these few, an alteration of the law is asked for. National laws cannot be subordinated to the convenience of a few, otherwise national law cannot exist.

In 1923, the Transcontinental Railway carried 33,000, and the interstate vessels 18,000. The number carried now by interstate vessels is one-half of the number carried before the construction of the railway. All railways entering a seaport have a similar effect upon sea-borne traffic. There is no complaint from Western Australia that passenger accommodation is insufficient. There was a complaint from one port (Albany) that the service was not sufficiently frequent. One of the witnesses appointed to represent Albany brushed this passenger question aside as " a minor matter."

* * * * *

In 1920, the oversea boats carried 19,550 interstate passengers. Of that number 16,000 were carried between Adelaide, Melbourne, Sydney and Brisbane. It is alleged that the inability to travel along the coast in oversea vessels has stopped thousands of people from travelling. Interstate railway passenger traffic has increased by scores of thousands. The interstate steamers in 1923 carried 125,000—29,000 more than in 1920, with ample berth capacity for other thousands.

For those holiday and " rush " periods when all means of transport are crowded, the Act provides that permits may be issued for oversea vessels to carry interstate passengers, if the interstate vessels are inadequate. The Director of Navigation stated that the Australian Steamship Owners' Federation has undertaken to advise the local Deputy Director of Navigation whenever the accommodation on a local ship is fully booked, and the Federation has been advised by the Minister that if the interstate vessels shut out passengers in the class in which they desire to travel, permits will be issued to oversea ships to carry such passengers. (Question 13,499.)

(a) THE ADELAIDE—PORT LINCOLN SERVICE.

This is a service within a State. It does not come within Federal jurisdiction. Therefore it could not be quoted by the Tariff Board, Customs or Navigation officials as a case against the Act. It was, however, a subject mentioned in Parliament, placed before the Commission in Adelaide, and, as it illustrates an essential point, is given a place in this Report.

There are two passenger steamers on the Adelaide-Port Lincoln service, the *Wandana* and *Paringa*, with a berth capacity of 120 each. On the 23rd December, 1922, the *Paringa* left Adelaide for Port Lincoln with fifteen excess passengers, but the *Wandana*, which preceded and followed her, had 33 per cent. of her accommodation empty.

In March, 1923, the *Wandana* firemen tied her up. The *Quorna*, with only half the *Wandana* passenger capacity, had to be put on in her place. The *Wandana* could have carried all passengers offering. The *Quorna* could not. The excess passengers had to make the best of the situation and get across on deck. The circumstances were not normal.

On the 10th April, 1923, the *Wandana* carried seventeen excess passengers; the boat that preceded and followed her carried an excess of empty berths.

On the 8th September, the *Wandana*, on the Port Lincoln to Adelaide trip, carried 29 excess passengers, but the boat that preceded her on the sixth had 79 empty berths.

On the 27th September, the rush was backward (Adelaide to Port Lincoln). The *Wandana* had seventeen excess passengers. The *Paringa*, which preceded and followed, was below her capacity. These boats during the year made 200 trips, carried 12,695 passengers, were on the average only half loaded, and, apart from the *Quorna* relief case, only on four occasions were the boats loaded to full capacity. These affected 2 per cent. of the trips and fewer than 2 per cent. of travellers across the Gulf.

(b) SUMMARY—PASSENGER ACCOMODATION.

"Full inside" is an occasional sign on every form of public service in all parts of the world. Late applicants in time of rush are always liable to be left or be badly accommodated. It is a probability in train or tram transport. It is a probability in sea transport in all countries. Taking the Australian coastal service generally, the totality of thousands of trips made during the year, the percentage of full loading and the percentage of rejected or excess passengers is not one in a thousand.

That this inconvenienced percentage should feel annoyed is natural, understandable, and excusable. But when a world-wide occasional factor in transport service by land and sea is laid against the door of a local Act by officials responsible for its administration it becomes a reflection upon their senses, or an imputation upon their motives.

PART 15.—ADMINISTRATION.

The Director of Navigation asserts that he is paralyzed in his administration of the Act by fears of High Court injunctions, by inadequate definitions, and by the alleged fact that under the Act he has "no discretionary powers."

The Director, explaining the position in Queensland, made the following statement:—

"In the case of meat, it was a case of satisfying the Deputy Director, of telling him they were unable to book ship space on the coastal boats, and the permit was issued."
(Question 13939.)

There is no fear here of High Court injunctions. No doubts about the meaning of adequate or inadequate, no need of Crown Law advice, no groping through official channels to the Minister, no hesitation, no refusals, no delay, no annoyance. In the case of meat, the Department moved with as much promptitude as if the meat companies were issuing their own permits. The obligations of the Department to the travelling public are not fewer than its obligations to the owners of dead meat. Its powers are not less, but its manufactured official procedure is different. The application for a permit to carry passengers is submitted by the Department to the Federated Ship-owners. If they approve, the permit is issued. If the Federation does not approve, the Department develops fears of High Court injunctions and doubts about "adequate." The Deputy is barred from action. He cannot, as with dead meat, issue a permit if satisfied coastal boat accommodation is not available. The Deputy must refer to the Director. The Director must not act. He must submit it to "My Chief." "My Chief" is the Comptroller-General of Customs. The Comptroller-General may decide. He may not. He may "if he deems it necessary" submit to the Minister. Whoever decides, whatever the decision, the waiting public are delayed and annoyed. They are told it is the Act. It is not the Act. It is the administration.

On the 15th and 16th August and 9th September, 1922, permits were issued, on the Ship-owners' Federation approval, to the *Euripides*, *Marella*, and *Ormuz*. A few days later the Ship-owners' Federation objected to a permit for the *Orsova*. It said the *Wyreema* was "adequate." The Navigation Department upheld the objection. Whether upheld or rejected it was an administrative decision. The law left the Administrator "discretionary power" to decide either way. Two years later the Director quotes this case as evidence against the Act.

On the 26th November, 1923 (fourteen months after the *Wyreema-Orsova* case), the *Moeraki* applied for a permit to pick up interstate passengers for Hobart. The Navigation Department submitted the case, as usual, to the Ship-owners' Federation. It objected. It said licensed steamers running under contract with the Federal Government between Melbourne and Tasmania were adequate for all passenger traffic. The Director of Navigation told the Comptroller-General it would be extremely difficult to justify refusal. The permit was issued on the 29th November. The *Moeraki* sailed on the 4th December. Very few applicants for a passage responded to the *Moeraki* advertisements.

In this case neither technicalities, definitions, nor fears of High Court injunctions stood in the way. "Public interest" was paramount, and "discretionary powers" were ample. The Director admitted the interstate passenger service to Tasmania was ample, that there were more berths than passengers, but he wanted the Navigation Act restrictions lifted from the vessels of the P. and O. and other oversea companies. The restrictions on oversea companies, according to the Director, "adversely affect" the volume of interstate traffic. There is another side to this picture. Local white-manned ships have been driven off the North-West coast of Western Australia by "black" boats' competition. The Director does not think traffic is adversely affected in this case. If people cannot travel "white," they can travel "black." There is here a difference in outlook. The Director explains that the "white" ships were driven off "in the ordinary way of business." The law did not step in to make them withdraw. Apparently, if the law restricts the operations of "black" or other overseas boats on our coasts it "adversely affects" the nation's traffic. If "black" boats drive off "white" boats, that is "business."

There is a whaling station on the North-West coast manned by white men. A vessel brought out supplies from Europe. It had to go to Bunbury to secure a cargo of timber for Europe. It could not put to sea without ballast. On the beach at the whaling station were hundreds of tons of whale refuse, magnificent fertilizers for southern fields. The captain wished to take this aboard as ballast. The Navigation Department refused permission. The captain was compelled to carry a load of useless sand. The law does not define "ballast." The circumstances were unusual. The whaling station was an isolated outpost. It was not a regular port of call. It was an endeavour to develop a new industry in a lone part of the Continent. Whale refuse is not a recognized Australian cargo. Here was scope for discretion, judgment in the "public interest." The Department decided for sand. The Department had "discretionary power." It exercised it. Then its officials assailed the Act as a detriment to outpost industry. In other instances the Department, considering the rigid application of the law might be oppressive, injurious, or against the public interest, have exercised discretionary power and not enforced the Act.

The pearlery of the North-West coast employ Javanese labour from the island of Kopang. This labour was brought from Kopang by the pearling schooners and carried back to that place on termination of engagement. This traffic was prohibited to the schooners on the ground that they did not comply with the requirements of the Navigation Act. Neither did the black-manned steamers, but they were permitted to carry on the traffic. They at once made a demand for £8 per head deck passage to or from Kopang, a distance from Broome of 500 miles. This £8 per head for a deck passage was more than a man would have to pay for a first class passage for a longer distance on a white-manned steamer. It was attempted robbery. The pearlery were told it was the law. It was not. It was officialism working to discredit the law. If a "pig" passage for a human being is within the law on the "black"-manned steamers, it is equally within the law for the North-West schooners.

The "black" boats on the Western Australian coast wanted permits to carry cargo and passengers between Fremantle and Geraldton. The Melbourne Steamship Company had the cargo steamer *Kurnalpi* on that run. The Federation objected to a permit for cargo, but, as its vessel was not carrying passengers, it had no objection to a "black" permit for passengers. Merchants of Geraldton expressed the opinion that the permit should cover cargo. The Director reported that Geraldton had a railway, and, if the *Kurnalpi* was not adequate, the surplus cargo could go by rail. In addition to the *Kurnalpi* there were two State-owned vessels carrying passengers as well as cargo. The railway was there for excess passengers as for excess cargo. The Director in this case forgot the railway. The two State-owned vessels were declared "inadequate" for passengers. A permit was given to the "black" boats to compete with the State-owned ships for passengers, but not against the *Kurnalpi* for cargo.

In November, 1923, Mr. Airey, the Deputy Director of Navigation in Western Australia, notified the central office in Melbourne that the "black" boats were acting in contravention of the law, and asked for instructions. He was instructed (10th November, 1923) to take no action, not even to raise the question, and if any person did raise it, he, Mr. Airey, was to tell the "black" companies what steps to take to cover the illegal operations of their vessels. There was here no statement that "we must apply the law as we find it"; the Department had, in this case, ample discretionary power, and exercised it.

The cases cited exhibit the fact that the Commonwealth Navigation Act not only supplies protection to those registered under the Act, but supplies adequate machinery for the immediate prevention of any abuse of that protection. It gives priority to ships licensed under the Act. If they will not furnish sufficient accommodation for cargo and passengers, then other ships may, and the permission can, as in the case of meat, be coincident with the necessity. The flexibility of the administrative clauses is equal to every emergency, and the only difficulties are those created by the administrators.

The Director of Navigation appeared before the Commission and made nine distinct allegations against the Commonwealth Shipping Line. His statements were reproduced in the public press. The General Manager of the Commonwealth Line wrote to the Director. He informed the Director that, if correctly reported, his statements were "a tissue of misrepresentations." The Director neither affirmed nor denied. He replied that he paid no attention to statements in the press. He suggested that the General Manager obtain a transcript of the evidence. On that date, the evidence and the statements in the press were identical. Whatever applied to one was applicable to the other, and the declaration that his statements were "a tissue of misrepresentations" so far remains unanswered. After the Director informed the General Manager of the Commonwealth Line that he took no notice of newspaper reports, he wrote to the Commission and asked leave to amend his evidence in connexion with the Commonwealth Line.

The Navigation Act covers hundreds of ships, millions of capital, millions of tons of moving trade, and scores of thousands of lives. It needs to be administered by a man in sympathy with its public purpose, in direct contact with the Minister, and under no official necessity to speak through a funnel or by permission of some other official. The Navigation Department is under a gentleman designated a "Director" who reports to or "recommends" to the Comptroller of Customs, who endorses or rejects or recommends the recommendation to the Minister.

The Director represents the Act as a hidebound instrument without flexibility. The Act makes the Minister sole judge of "adequate" service. When he deems it "desirable in the public interest" he may issue permits "unconditionally or subject to such conditions as he thinks fit," and on the 12th July, 1922, the Crown Law Department reminded the Navigation Department that the Minister was the judge of "public interest" and was free to base his opinions upon whatever grounds he thought fit. There can be no wider grant of discretionary power.

The Comptroller of Customs and his subordinate, the Director of Navigation, have divided a congenial task. The Comptroller assails the Act from the freight side, the Director assails it from the passenger side.

The Comptroller represents the Act as responsible for facts existing prior to the Act, as responsible for facts existing on ships outside the Act, and represents ten-year old facts as having their origin since and from the Act.

The Director of Navigation asserts, and properly asserts, that his duty is to tell the truth, but his assertions are in direct conflict with the discovered facts. Asked to support his opinions with evidence, he admitted he had "neither facts nor figures." He regarded his opinions as ample substitute for evidence, and told the Commission that "no proof is necessary."

It must be clearly understood that the cases cited are not mentioned in order to question the validity of administrative actions. Where discretionary power is exercised, diversity of opinion will exist. The cases are cited to show the wide discretionary powers exercised when desired. Finally and above all, they are cited, in conjunction with the general evidence, to exhibit the viewpoint towards one of the fundamental laws of the Commonwealth of those entrusted with its administration. In view of the evidence your Commissioners are driven to the conclusion that it would be folly for Parliament to expect the satisfactory administration of the Navigation law from officials who regard it as a national disaster.

A draft copy of this report was forwarded to each of the above-mentioned officials, with an intimation that it was not desired to do any officer of the Public Service an injustice, and that arrangements would be made to give them an opportunity of rebutting any statement contained in the proposed report. No rebuttal was offered.

SUMMARY OF CONCLUSIONS.

The investigation has so far revealed nothing against the Navigation Act, but it has provided information of much value in connexion with the structure of the Mercantile Marine, and the various controls over the primary industries of Australia. These are touched upon where necessary in this Report, and will be dealt with fully in a later report.

From the facts placed before Your Commission as the following conclusions are drawn :—

GENERAL COMPLAINTS AGAINST THE ACT.

1. The Navigation Act has not retarded the trade, industry, or development of any of the States of the Commonwealth.
2. The statements made by the Tariff Board in its Annual Report of June, 1923, in relation to the effect of the Navigation Act on industry and production, are erroneous, and were made without inquiry into the facts.

WESTERN AUSTRALIA.

3. The decline of the ports of Albany and Geraldton is not due to the Navigation Act, as alleged; such ports began to decline many years before the operation of the Act.
4. Although the Navigation Act does not apply to certain "black"-manned vessels trading on the North-West Coast of Western Australia, there is no increased development, nor increase in production and population in that portion of Australia.
5. The decline of exports from Western Australia is in the overseas trade, to which the Navigation Act does not apply. The increase is in the interstate trade, to which the Act does apply.

TASMANIA.

6. Complaints from Tasmania against the Navigation Act are confined to Hobart.
7. The interstate exports from Tasmania have increased since the operation of the Navigation Act, and are double the pre-war exports of 1913.
8. The Act has not adversely affected the fruit export trade of Tasmania. There is ample cargo tonnage to lift the fruit crop, and while the interstate freights on fruit and fruit products have increased over pre-war rates by about 30 per cent., the oversea freights (which the Act cannot affect) on the same products, are from 60 to 250 per cent. above pre-war rates.
9. The Navigation Act has not affected the tourist traffic to Tasmania. Before the war, less than 2 per cent. of the people visiting Tasmania travelled by oversea steamers. The number of tourists from other States to Tasmania has increased since the Navigation Act became operative.
10. The present unsatisfactory financial position of Tasmania has not been brought about by Commonwealth legislation, nor has the financial position been affected by the Navigation Act. The causes were operating many years before the Navigation Act.

TIMBER INDUSTRY.

11. The timber industry has not been adversely affected by the Navigation Act, as alleged. The interstate timber trade is increasing.
12. Timber freights on the Australian coast are now lower than before the Navigation Act came into operation.
13. Interstate timber freights are responsible for a very small proportion of the increased price of Australian timber.

FREIGHTS.

14. Between August, 1914, and the commencement of the Navigation Act on 1st July, 1921, there was a 30 per cent. increase in Australian coastal freights. Since the Navigation Act there have been no increases.
15. The increase over pre-war freight rates charged by the Oversea Shipping Companies on Australian produce exported to all ports in the world, is far in excess of the Australian coastal increase of 30 per cent.
16. The Navigation Act has not, as alleged, deprived our manufactures of the full share of the market, and nullified the benefits afforded by the Tariff. This has been done, in isolated cases such as that of cement, by means of "dump" rates on inward cargoes. The abolition of the Navigation Act would not provide a remedy.
17. Australian coastal rates are not in excess of rates between ports of countries whose geographical circumstances are in any way like our own. Australian coastal rates are below those on the coast of the United States, South America, and South Africa, although ships on such coasts have the advantage of lower running costs so far as wages are concerned.
18. Coastal rates are everywhere on a higher scale than on the deep-sea routes. In coastal traffic there are more ports to be entered, therefore more port and handling charges. Nowhere in the world are freight rates determined by the mere measuring of distances.

CARGO ACCOMMODATION.

19. There are few complaints in Australia in regard to cargo accommodation. There is ample tonnage on the Australian coast. Interstate vessels on a majority of trips are running with a large proportion of empty cargo space.

PASSENGER ACCOMMODATION.

20. There are few complaints in Australia concerning insufficient passenger accommodation, and those few complaints are confined to "rush" and holiday periods when all forms of transport are crowded. For the greater part of the year passenger vessels on the Australian coast carry a large percentage of empty berths.

ADMINISTRATION.

21. The Navigation Act protects the Mercantile Marine complying with Australian conditions. It arms the Minister with ample power to protect Australian industry and the people of Australia against any abuse by the shipowners of the protection to shipping. The administration is made the sole judge of the public interest; it can interpret "adequate service," and the Minister can base his opinion upon any grounds he thinks fit. There can be no wider grant of discretionary power than this under any Act, and complaints, so far as they have any justification, have their foundation not in the Act, but in the administration of it by high officials who apparently have little sympathy with it.
22. The officials referred to are the present Comptroller-General of Customs and the present Director of Navigation.

RECOMMENDATION.

The only recommendation your Commissioners have to make at present is that the Act be maintained as it stands, that the official administration be changed, and that the officer responsible for the administration be placed directly under a Minister.

FRANK ANSTEY,
G. E. YATES,
C. S. MCHUGH.

Melbourne,
7th August, 1924.

APPENDIX 1.

PARTICULARS OF CARGOES, 1913, 1914-15, 1919-20 TO 1922-23.

(PREPARED BY THE COMMONWEALTH STATISTICIAN.)

State.	Discharged—Interstate, Tonnage						Cargo Shipped—Interstate, Tonnage.					
	1913	1914-15 *	1919-20	1920-21.	1921-22.	1922-23.	1913.	1914-15 *	1919-20.	1920-21.	1921-22.	1922-23.
	tons	tons	tons	tons	tons	tons	tons	tons	tons	tons	tons	tons
N.S.W.	965,351	933,064	1,172,445	1,326,294	1,246,304	999,886	3,167,058	2,949,917	2,388,021	2,811,376	3,260,737	2,966,491
Vic ..	1,535,327	1,653,029	1,356,210	1,756,929	2,077,233	2,034,667	608,067	563,951	624,571	609,623	537,372	592,442
Q'land.	652,255	512,864	490,801	439,159	420,315	433,604	447,115	463,181	307,394	361,818	438,840	415,279
S.A.	1,112,308	964,791	728,009	891,794	1,067,601	1,017,343	405,056	443,006	612,797	706,711	720,267	647,889
W.A.	425,830	415,975	252,857	326,032	312,381	445,755	167,615	124,038	101,131	83,880	95,632	113,614
Tas.	314,339	270,530	282,746	281,521	316,026	396,859	250,807	319,970	378,637	418,288	480,418	501,178
N.T...	9,808	12,347	10,400	5,301	3,744	3,713	1,007	2,380	3,388	1,982	450	608
Aust.	5,015,516	4,763,200	4,274,168	4,993,030	5,443,604	5,381,827	5,047,325	4,866,443	4,415,909	4,993,678	5,533,716	5,137,501
	Cargo Discharged—Overseas, Tonnage.						Cargo Shipped—Overseas, Tonnage.					
	tons	tons	tons	tons	tons	tons	tons	tons	tons	tons	tons	tons
N.S.W.	1,885,153	1,627,683	1,049,184	1,441,645	1,043,582	1,478,815	3,571,710	2,255,382	1,960,137	3,377,843	2,662,784	1,843,605
Vic ..	1,258,607	1,148,338	673,994	1,075,380	848,260	1,323,258	785,441	351,450	1,192,047	899,230	1,299,029	635,753
Q'land.	309,872	270,763	117,502	154,286	127,485	260,482	247,115	240,743	144,970	260,019	237,864	150,750
S.A.	673,636	370,027	251,546	339,857	246,820	417,908	984,624	251,942	1,194,158	871,222	1,031,772	959,301
W.A.	340,840	258,051	135,463	166,519	138,062	207,916	418,073	218,177	463,448	473,748	498,608	397,820
Tas.	46,318	23,198	9,918	23,243	16,631	24,151	47,006	40,256	24,826	42,839	85,564	86,114
N.T..	1,231	11,854	691	285	1,137	265	1,015	353	5,362	231	63	853
Aust.	4,415,560	3,709,914	2,238,298	3,201,215	2,419,977	3,718,795	6,054,984	3,356,313	4,984,946	5,925,133	5,816,174	4,064,196

* Particulars for 1914 not available

Year.	Value of Cargo Discharged—Overseas Tonnage.	Value of Cargo Shipped—Overseas Tonnage.
1913	79,750,000	78,572,000
1914-15	64,432,000	60,593,000
1919-20	98,974,000	149,834,000
1920-21	163,802,000	132,159,000
1921-22	103,066,000	127,847,000
1922-23	131,758,000	117,870,000

APPENDIX 2.

RETAIL PRICES OF WESTERN AUSTRALIAN TIMBER (KARRI AND JARRAH) AT YEARLY INTERVALS FROM JUNE, 1914, TO JULY, 1923.

USUAL TRADE SIZES AT PER 100 SUPERFICIAL FEET.

18 to 25 feet.	1914.	1915	1916	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
3 x 2	20 0	20 0	23 0	23 0	26 0	27 6	46 0	50 0	50 0	41 0
4 x 2	20 0	20 0	23 0	23 0	26 0	27 6	46 0	50 0	50 0	41 0
4 x 3	22 6	22 6	26 0	26 0	28 0	29 0	47 0	51 0	51 0	46 0
4 x 4	22 6	22 6	26 0	26 0	29 0	30 0	47 0	51 0	51 0	50 0
5 x 3	22 6	22 6	26 0	26 0	29 0	30 0	47 0	51 0	51 0	48 6
6 x 1½	24 0	24 0	27 6	27 6	31 6	33 0	50 0	55 0	55 0	50 0
6 x 2	24 0	24 0	27 6	27 6	31 6	33 0	50 0	55 0	55 0	48 6
6 x 3	24 0	24 0	27 6	27 6	31 0	33 0	50 0	55 0	55 0	48 6
5 x 5	26 0	26 0	29 0	29 0	33 6	35 0	52 0	57 0	57 0	60 0
9 x 1½	26 0	26 0	30 0	30 0	33 6	35 0	53 0	58 0	58 0	59 0
9 x 2	26 0	26 0	30 0	30 0	33 6	35 0	53 0	58 0	58 0	59 0
9 x 3	27 0	27 0	30 0	30 0	33 6	35 0	53 0	58 0	58 0	61 6
6 x 6	27 6	27 6	30 0	30 0	34 0	36 0	53 0	58 0	58 0	60 0
9 x 6	27 6	27 6	31 0	31 0	36 0	37 6	56 0	60 0	60 0	65 6
9 x 9	30 0	30 0	35 0	35 0	40 0	42 6	61 0	67 0	67 0	69 6

Paving Blocks—

3 x 5 x 7

3 x 5 x 8

3 x 5 x 9

Formerly £11 per 1,000 blocks, now about £12.

Average value about 30s. per 100 superficial feet. Tenders are generally called for blocks, hence no fixed rates.

APPENDIX 3.

REPORT BY THE ASSISTANT DIRECTOR OF NAVIGATION ON THE EFFECT OF THE APPLICATION OF THE NAVIGATION ACT TO THE TERRITORIES OF PAPUA AND NEW GUINEA.

Commonwealth Navigation Service,
Melbourne, 18th September, 1922

NAVIGATION ACT—EFFECT ON TRADE OF PAPUA AND NEW GUINEA.

The Comptroller-General, Department of Trade and Customs.
I have to submit herewith, for favour of submission to the Minister, a report on the effect of the application of the coasting trade provisions of the Navigation Act to the trade of the Territories of Papua and New Guinea, with recommendations.

2. The report is based on information obtained as the result of investigations made by me in Sydney, Brisbane, Port Moresby, Samarai and Rabaul. As will be seen from the report, conflicting interests are involved in this question, and the solution suggested, namely, the continuance of the application of the coasting trade provisions of the Navigation Act to the carriage of passengers and cargo between the Territories and Australian ports, with an extension of the present service by Burns Philp boats between Sydney and the Territories, to Melbourne on the one hand and Singapore on the other, under additional subsidy from the Commonwealth Government, whilst probably not entirely satisfactory from the view-point of either interest, is designed to serve as far as possible the well-being of both, and is, it is suggested, the best available when considered from a national stand-point.

LEWIS F. EAST,
Assistant Director.

18th September, 1922.

Commonwealth Navigation Service,
Melbourne, 18th September, 1922.

Sir,
I have to report that, in accordance with your instructions, I have visited the ports of Sydney and Brisbane and the Territories of Papua and New Guinea, and have made personal investigation as to the effect of the Navigation Act on the trade and prosperity of those Territories, and as to the desirability or otherwise of exempting that trade from the operation of the Act.

I beg to submit herewith a report as to the results of my inquiries, together with a recommendation in the matter.

I am, Sir,
Your obedient servant,

LEWIS F. EAST,
Assistant Director of Navigation.

The Hon. A. S. Rodgers, Minister for Trade and Customs,
Melbourne.

NAVIGATION ACT—COASTING TRADE PROVISIONS.
APPLICATION TO TRADE OF PAPUA AND NEW GUINEA.

1. *Coasting Trade Provisions of Navigation Act.*—It is necessary to a proper realization of the position of the Territories of Papua and New Guinea, as regards shipping communication with Australia and the rest of the world, that a short reference should be made to the provisions of the Navigation Act as they affect the sea-borne trade of the Territories.

2. Under the provisions of section 288 of the Navigation Act, no ship (whether British or foreign) may "engage in the coasting trade" unless licensed to do so.

3. Section 7 defines engagement in the coasting trade. As regards either of the Territories, a ship would be engaging in the coasting trade if she carried cargo or passengers—

- (a) to or from Australia;
- (b) between one Territory and another; or
- (c) between places in either Territory.

4. *No Restriction on Trade with Countries other than Australia.*—It is important to observe, however, that the Navigation Act imposes no restriction whatever on direct overseas trade with countries other than Australia. Any ship, British or foreign, can freely carry goods and passengers between any port of entry in either Territory and any other port outside Australia and the Territories. Trade with the world at large is open to the shipping of all nations, but traffic within the Territories and to and from Australia is subject to the restriction that it must be conducted in ships licensed under the Navigation Act.

5. *Conditions of Licences to Engage in Coasting Trade.*—Ships licensed to engage in the coasting trade are required by the Navigation Act—

- (a) to carry a certificated master and officers according to the scale set out in Schedule I. (section 14);
- (b) to carry a crew according to the scale set out in Schedule II, or as prescribed by regulation after reference to a Manning Committee (section 43);
- (c) to provide accommodation for officers and crew as laid down in sections 135 and 136. The prescribed requirements include special lavatory, sanitary, messing and hospital accommodation for the use of the crew; and
- (d) to pay wages at the rates ruling in Australia.

6. The obligations of the ship-owner under each of these headings, it may be mentioned, are considerably heavier than under the merchant shipping laws of Great Britain, Holland, or Japan, which three countries own practically the whole of the shipping operating in the South-west Pacific and maintaining communication between Australia and the East. Requirements (c) and (d), as to accommodation and wages, are particularly onerous.

7. *Coloured Crews.*—With the single exception of the subsidized vessels of the Burns Philp Line, all ships engaged in the trade between Australia and the East carry coloured crews. As the amount of trade offering between the Territories and Australia is relatively small, it would not pay the owners to make the extensive structural alterations in these ships necessary to provide the prescribed bathrooms, mess-rooms, &c., for the crews, and to pay Australian rates of wages merely to qualify for a licence to participate in that trade.

8. Up to a short time before the enforcement of the coasting trade provisions of the Navigation Act (1st July, 1921), Burns Philp & Co. also employed coloured labour on their Pacific Island vessels. Shortly before the date mentioned, the company discharged the coloured crews, and filled their places with Australian seamen, receiving, I understand, a substantial increase in their mail subsidy on account of the extra expense involved in running the vessels. The Company's s.s. *Montoro* and *Marella*, running in the Melbourne-Java-Singapore trade, and for which it receives no subsidy, still employ coloured seamen. These vessels are not licensed, and consequently cannot carry cargo or passengers between Australian ports.

9. *Burns Philp & Co. hold Monopoly of Territory Trade.*—By reason of their owning the only licensed steamers trading to the Territories, Burns Philp & Co. enjoy a sole monopoly of the trade between those parts and Australia, and between the two Territories.

10. *Present Service and Subsidies.*—The Company's present service is as follows:—

- (1) *Sydney-Papua-New Guinea Service.*—Two vessels, the s.s. *Marana* (about 1,750 tons gross) and s.s. *Morinda* (about 1,500 tons gross), leaving Sydney at intervals of about three weeks, and calling at Brisbane (and every second boat at Cairns), thence to Port Moresby, Samarai, and Rabaul. Calls are also made, as required, at Yule Island, Bootless Inlet, Milne Bay, and Misima—small out-ports in Papua. Mail subsidy, £18,000 per annum.
- (2) *Sydney-Solomons-Rabaul Service.*—One steamer, the s.s. *Melusia* (about 2,000 tons gross), leaving Sydney at intervals of about six weeks and proceeding, via ports in the Solomon Islands, to Rabaul, returning by the same route. Mail subsidy, £8,000 per annum.
- (3) *Sydney-Rabaul Service.*—One vessel, the s.s. *Mataram* (about 3,900 tons gross), leaving Sydney about every five weeks, proceeding direct to Rabaul, thence to Ksewieng and Madang (all in New Guinea), with right to call at other approved ports in that Territory. Subsidy, £8,000 per annum.

For these three services to the Territories, Burns Philp & Co. are to receive, under the current mail contract, a subsidy of £32,000 per annum. The agreement has a currency of three years, from 1st August, 1922, to 31st July, 1925. The amount paid for the same services during the previous twelve months (1st August, 1921, to 30th July, 1922) was £30,500, showing an increase under the new contract of £1,500 per annum.

11. *Pre-war Services*.—Before the war, Papua and the then German Protectorate of New Guinea enjoyed regular steamship communication with the East, and also to Australia, by vessels of the Norddeutscher Lloyd and Royal Packet Lines, in addition (in the case of Papua) to the subsidized service of Burns Philp & Co.

12 From German New Guinea there were sailings, at regular intervals, for the following places:—

- (a) Australia (Brisbane and Sydney)—four-weekly.
 (b) Manila, Hong Kong, and Japan—four-weekly.
 (c) Ambona, Macassar, Batavia, and Singapore, calling at Etape, Potadamhafen, Madang, Finckhafen, Witu, Knewing, and Rabaul (all in New Guinea), both inwards and outwards—six-monthly.

13. *Freights and Fares*.—The following table, compiled from various sources, shows the freights and fares between the principal port in each Territory and Australia at three periods, viz., immediately before the war, September, 1921, and at present:—

Between Sydney and—

FREIGHTS, PER TON.

	Port Moresby.						Rabaul.												
	1914.		1921.		1922.		1914.		1921.		1922.								
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.							
Copra	1	15	0	3	0	0	2	5	0	1	0	0	3	0	0	(a) 2	10	0	
Other Goods	1	15	0	3	0	0	3	0	0	1	5	0	3	0	0	(b)	3	0	0

(a) Per s.s. *Matarom*, direct Rabaul to Sydney.

(b) For other vessels, via Papua or Solomon.

FARES (SALOON).

	Port Moresby			Rabaul.												
	1914.	1921.	1922.	1914.	1921.	1922.										
	£	s. d.	£	s. d.	£	s. d.										
	12	0	0	15	12	0	15	0	0	..	16	16	0	18	0	0

14. Before the war, planters in German New Guinea could ship copra to Europe at a through freight rate of 53s. 6d. (55 marks) per ton, including transshipment charges at Sydney, Singapore, or Hong Kong, as the case might be. At the time of my visit (July, 1922), I was given figures which showed that, on recent shipments, the through freight Port Moresby to London, via Sydney, was in the neighbourhood of £11. The cost between Rabaul and London would have been the same.

15. *Can the Territories Carry Present Freight?*—It is necessary to examine the effect of the heavy increase in freight charges on the commercial well-being of the Territories. In this connexion consideration need be given to one industry only—that of copra production. During the financial year 1920-21, the latest for which I have complete returns, the total exports of the two Territories represented a value of £846,700. Of this, copra accounted for no less than £709,800, or 84 per cent. Copra is the staple product of both Territories and of all adjacent islands, and is the basis of calculation for all questions of transport and shipping. The commercial well-being of both Territories is bound up with the success or failure of the planting industry. This provides, directly and indirectly, practically the whole of the revenue. If the industry is successfully developed, both Territories will soon become self-supporting, and the Commonwealth will be relieved of all financial obligations in regard to their administration. If, on the other hand, plantations are abandoned and the industry collapses, of which there is at present a real danger, then the whole cost of administration will fall upon the shoulders of the taxpayers of the Commonwealth.

16. *Position of Copra Industry—Papua*.—The copra industry of the Territories is at the present time in an extremely precarious position. In Papua, considerably over £1,000,000 has been invested in coconut plantations. Not a single company has ever paid a dividend. Half of them are in liquidation. This state of affairs is reflected in the trade returns of the Territory. For the eleven financial years 1910-11 to 1920-22 inclusive, the figures were—

Imports	£3,014,887
Exports	1,684,872
Excess of imports over exports	£1,005,015

17. In no single year have the exports balanced the imports. Seeing that it is now 38 years since Papua became a British

Protectorate, and sixteen years since it was taken over as a Territory of the Commonwealth, a consideration of these facts gives rise to doubts as to whether the Territory will ever develop into a commercial success and become self-supporting. It is evident that, if such an objective is to be attained, it will be only by the fostering and encouragement in every possible way of the planting industry, with a view to securing a substantial increase in the production of copra—the Territory's principal exportable product.

18. *Copra Production—New Guinea*.—The production of copra for export is to an even greater extent the mainstay of the recently acquired Territory of New Guinea. For the year 1920-21, that article represented no less than 95 per cent. of the exports (£841,045 out of a total value, for all goods, of £873,992). The production of copra in New Guinea is from three to four times that of Papua.

19. *Causes of Stagnation*.—While at Port Moresby I met in conference the president, vice-president, and leading members of the Papuan Planters' Association, the Director of Agriculture and the Government Secretary being also present. At Samarai, a special meeting of the Chamber of Commerce was convened to discuss matters with me. I am satisfied from the facts placed before me, and from information subsequently obtained, that the present stagnation and precarious position of the planting industry is due to two principal causes—(a) *Low prices for copra*, and (b) *high freights*.

20. *Unprofitable Plantations*.—I was afforded an opportunity, while in Papua, of examining the cost-sheets for 1921 of seven fairly large coconut plantations. The average yield of copra (6½ cwt. to the acre) indicated that these plantations had reached the stage of about three-quarter maximum bearing, the average yield of areas of fully matured trees being about 8 to 10 cwt. per acre. It is probably well within the mark to say that the average of plantations, in both Territories, is not further advanced than this. In pre-war times, plantations with a yield of nearly 7 cwt. per acre would have been, not only self-supporting, but returning a fair margin of profit. Instead of this, every ton of copra produced and exported was sold at a loss.

21. Of the total quantity shipped, roughly four-sevenths were sold in Sydney, and three-sevenths in European markets. The following is a summary of the results—

SUMMARY—SYDNEY SALES.

(Per ton of Copra sold.)

	£	s. d.	Per cent. of cost.
(a) Cultivation and upkeep of harvested areas (approximately 3 acres to ton), harvesting and preparation of copra, depreciation of plant, &c.	14	0	1 .. 60
(b) Costs from plantation to port of shipment in Papua	3	12	6 .. 15
(c) Costs from port of shipment to buyers in Sydney	5	16	9 .. 25
Total costs	£23	9	4 .. 100
Selling price, Sydney	20	13	1 ..
Net loss per ton	£2	16	3

SUMMARY—OVERSEA SALES

(Per ton of Copra sold.)

	£	s. d.	Per cent. of cost.
(a) Cultivation and upkeep, harvesting and preparation of copra, depreciation of plant, &c.	14	0	1 .. 45
(b) Costs from plantation to port of shipment in Papua	3	19	4 .. 13
(c) Costs from port of shipment to over-sea steamers in Sydney (including storage and handling)	4	19	0 ..
(d) Costs from Sydney to buyers in Europe	8	7	0 .. 42
Total costs	£31	5	0 .. 100
Selling price, Europe	28	12	11 ..
Net loss per ton	£2	12	6

22. The above figures relate to copra from plantations situated in Papua. Similar figures in regard to shipments from New Guinea were not available, but as conditions are very much the same in both Territories (excepting as to cost of native labour, wages being lower in New Guinea), and the freight to Sydney was at the time the same from Rabaul as from Papuan ports, it may be taken that the net results of sales in the Sydney and European markets of copra from New Guinea would be, within a few shillings per ton, the same as

in the cases quoted. I was informed, though whether correctly or not I cannot say, that the plantations transactions of the Expropriation Board for the previous year had resulted in a loss running into six figures.

23. It is clear that this state of affairs cannot long continue. Planters are counting on in the hope that conditions will improve. Unless they do, it is safe to predict that within a very few years the industry will be abandoned, all new planting discontinued, and existing plantations allowed to revert to jungle.

24. *Copra—Prices.*—As mentioned in paragraph 19, the present unsatisfactory position of commercial enterprise in the Territories is due chiefly to two causes—(a) the low price of copra, and (b) high freights. The first of these causes—low prices—no Government or Parliament can remove or in any way affect. Europe is the natural market for, and the consumer of, the bulk of the world's production of copra. In 1912, for example, the world's supply of exported copra totalled, roughly, 800,000 tons (of this, the whole of the Pacific Island, contributed but 65,000 tons). Of the total mentioned, Europe (Germany, France, and the Netherlands) absorbed no less than 500,000 tons, or 83 per cent. of the whole. The Australian consumption is relatively negligible. In 1916-17, according to the report of the Inter-State Commission on South Pacific Trade, such did not exceed 10,000 tons a year. From the figures as to imports and exports given in the Commonwealth trade returns, it appears that for the year 1920-21 the Australian consumption of copra (3,200 tons) was even less than four years ago. There is no escape from the fact that, as in the case of our own great staple products—wheat, wool, and butter—the price of copra is determined in the markets of Europe, and nothing that can be done here can in any way affect the situation.

24A. The great bulk of the copra produced in the Territories is sold either locally (Burns Philp & Co. are the principal buyers) or in Sydney. The following tables give the average prices of copra in Rabaul, Port Moresby, and Sydney over a period of years—

Price f.o.b. Rabaul (average for year).			Price f.o.b. Port Moresby (average for year).			Price, Sydney (January)		
	£	s. d.		£	s. d.		£	s. d.
1907	..	16 1 0	1915-16	..	16 9 8	1907	..	22 7 6
1908	..	12 4 0	1916-17	..	19 10 1	1908	..	15 5 0
1909	..	13 0 0	1917-18	..	21 7 8	1909	..	17 2 6
1910	..	16 13 0	1918-19	..	20 10 0	1910	..	21 10 0
1911	..	17 14 0	1919-20	..	30 8 0	1911	..	21 0 0
1912	..	18 0 0	1920-21	..	22 10 8	1912	..	21 15 0
1913	..	21 12 0				1913	..	24 10 0
1914	..	..				1914	..	26 5 0
1915	..	10 2 0				1915	..	20 7 6
1916	..	25 0 0				1916	..	23 0 0
1917	..	21 1 0				1917	..	25 0 0
1918	..	18 3 0				1918	..	26 0 0
1919	..	15 1 0				1919	..	27 0 0
1920	..	32 4 0				1920	..	36 5 0
1921	..	37 0 0				1921	..	28 0 0
1922	..	18 6 0				1922	..	19 0 0

25. *Relative Purchasing Powers of Money.*—In comparing the prices realized for copra in 1914 and previous years with those obtained for years subsequent to that date, consideration must be given to the greatly decreased purchasing power of the sovereign during the later years. Costs of all the planter's requirements—stores, plant, implements, food and tobacco for the native labourers—in fact, everything he uses, as also freights on both his importations and his exports, have increased greatly. According to the figures of the Commonwealth Statistician, 20s. in 1914 was equal in purchasing power to 31s. 3d. in 1920. This was in the Commonwealth, but, no doubt, the position in the Territories was practically the same. The apparently high price of £36 5s. per ton realized in Sydney in January, 1920, was therefore really equivalent, on a pre-war standard, to £23 4s. only; the £20 of 1921 to £16 12s. 9d., and the £19 of 1922 to £12 3s. As further illustrating this fall in the value of money, it may be mentioned that a witness before the Inter-State Commission, in the course of its inquiry regarding the trade of the South Pacific, and who represented large plantation interests in the British Solomons, stated in evidence that with copra at £20 a ton in Sydney the grower would clear a profit of £10 a ton. When this is compared with the results tabulated in paragraph 21 above, showing how sales of copra at £20 13s. 1d. per ton in Sydney resulted in a net loss to the planter of £2 10s. 3d. per ton, it will be realized how money values have depreciated and conditions altered.

26. *Early Improvement in Price of Copra Unlikely.*—As shown in the tables contained in paragraph 24A, the price of copra has, in the past, been subject to considerable fluctuation,

and some people in the Territories find ground for hope of improvement in the fact that not infrequently periods of low prices are followed by increased demand and substantial rises.

27. But after discussing the matter with a number of people with a knowledge of the subject, I am inclined to the opinion that the present depression is likely to continue for some time, possibly for years. As mentioned in paragraph 24, Continental Europe provided, in pre-war days, the market for over 80 per cent. of the world's production of copra. The principal use to which it was put was in the manufacture of margarine, the chief by-product—oil-cake—being utilized in the feeding of stock. Germany was the largest importer, but a fair proportion of her importations ultimately found its way to Russia for consumption there. The economic collapse of these two countries, the diminished purchasing power of other adjacent areas, with the very remote possibility of any early improvement in their financial positions, render the prospect of any substantial increase in the price of copra within the next year or so very unlikely indeed.

28. *Can Freight Costs be Reduced?*—Seeing, then, that nothing can be done to relieve the planter as regards either the low prices he receives for his copra or the equally important matter of the diminished purchasing power of the money he does receive, it remains to consider whether any assistance can be given in connexion with the remaining principal cause of his financial distress, viz., high freight costs.

29. *Inflation of Freight Costs by Restriction of Trade to Sydney.*—At the present time, freight costs for the exports from the Territories, as well as for the importation of all goods other than those of Australian origin, are artificially inflated by reason of the fact that, as shipping communication with the outside world is, for all practical purposes, restricted to the Burns Philp Line, which connects with Australian ports only, all exports must be sent to Sydney for transshipment, and all imports from overseas countries must be brought first to Sydney for transfer to the Burns Philp steamers.

30. This imposes, both as respects imports and exports, a heavy extra charge upon the people of the Territories. Steamers from Japan, Hong Kong and Singapore pass their ports, but as such vessels are not licensed to engage in the coasting trade, and so cannot carry passengers or cargo between the Territories and Australia, it would not at present pay them to call, involving delay and the expense of harbor dues and other charges, for the comparatively small quantities of cargo offering from or to overseas ports direct.

31. *Distances—Direct and via Sydney.*—The following two comparisons indicate the extent to which trade is diverted from natural channels in order to bring it through Sydney:—

Exports (Copra, rubber, &c.)—		
Rabaul to London, via Sydney	..	13,325 miles
Rabaul to London, via Singapore	..	12,000 miles.
Extra distance, via Sydney	..	1,325 miles.
Imports (Rice, sacks, &c.)—		
Singapore to Rabaul, via Sydney	..	6,740 miles.
Singapore to Rabaul, via New Guinea ports	..	3,720 miles
Extra distance, via Sydney	..	3,020 miles.

32. *Freights between Territories and Australia Relatively High.*—But this disparity in distances, striking though it is, does not indicate the full extent of the disadvantage under which the people of the Territories labour, as the extra freight for the carriage between the Territories and Sydney is on a considerably higher scale than for the other portion of the voyage, being often, on a mileage basis, three or four times as much.

33. *Comparison of Local and Oversea Freights.*—Thus we have, under the scale of rates now in operation, a freight of 50s. per ton on copra, Rabaul to Sydney direct, a distance of 1,830 miles, equal to 0.32 of a penny per ton per mile, while for the balance of the voyage, Sydney to London, via Suez, a distance of 11,490 miles, the rate is, I am informed, 80s. a ton, equal to 0.08 of a penny per ton mile, or one-fourth of the local rate. In addition to this, the port and handling charges in Sydney amount to, roughly, another 20s. per ton, so that the charges from port of shipment to port of destination come to about £7 10s. per ton. It was represented to me that if the trade of the Territories were exempted from the coasting trade provisions of the Navigation Act, and overseas vessels now trading between Australia and the East were permitted to call en route and participate in the Territory-Australian trade, copra could be shipped on through bill of lading from the Territories to London, via Singapore, at under £5 per ton. This represents a saving of £2 10s. a ton as

against the cheapest service at present obtainable *via* Sydney. The Papuan Planters' Association claims that a direct saving of at least £3 10s. per ton could be effected. Thus, I think, is somewhat over the mark. But, allowing that even £2 per ton could be saved, which would certainly be the case if open competition were allowed, this would, on the basis of the quantity of copra exported during the year 1920-21, amount to a saving to the planters of the Territory of £56,000 per annum—a considerable sum to a struggling industry.

34. *Rice—Extra Cost of Indirect Importation.*—One of the principal imports adversely affected by the restriction on direct importation from the country of production is rice, which is very largely used as one of the foods prescribed by law to be supplied to indentured native labourers. All rice imported is, at present, brought from Singapore to Sydney by the regular traders between those ports, and subsequently taken to the Territories in Burns Philp's vessels.

35. There is evidence that, in addition to the extra charge on the consumer of the handling charges in Sydney and the freight from that port to the Territory, the middleman in Sydney levies a heavy toll as the rice passes through his hands. From the official trade returns it is gathered that the dressed rice imported into New South Wales in the year 1920-21 was valued at 22s. 6d. per cwt. The same rice, when exported to Papua and New Guinea, was declared as being of a value of 6s. Sydney of 42s. 11d. The freight from Sydney to Port Moresby, Samarai, or Rabaul equals another 2s. 8d. per cwt. The rice, therefore, cost the importers in the Territories, without landing charges there, 23s. 2d. a cwt. extra—more than double its original value in Sydney. It is claimed that with direct communication with the East rice could be landed in the Territories for the same freight as to Sydney. Assuming that this is correct (which is probable, as the distance Singapore to the Territories is less than the distance Singapore to Sydney), then the additional cost represented, for the year mentioned (1920-21), a direct loss to the importers in the Territories of £29,250.

36. *The Feeling in the Territories.*—The restrictions imposed on their shipping communications by the application of the coasting trade provisions of the Navigation Act is a very sore grievance in both Territories. With the sole exception of persons directly or indirectly dependent on Burns Philp & Co. for their means of livelihood, it may, I think, be said that every man in the Territories is wholeheartedly in favour of the total exemption of their trade from the restrictions of the Act. I was surprised at the feeling, and oftentimes bitterness, displayed on the subject. Strong resentment is everywhere expressed at the action of the Commonwealth in crippling the Territories for the purpose, so it is expressed, of putting money in the pockets of Sydney ship-owners and merchants.

37. *Burns Philp & Co. Unpopular.*—I found also that Burns Philp & Co. are very unpopular indeed, not only with the commercial folk, but with all sections of the white people of the Territories. It is alleged, and I am inclined to believe with some truth, that the company, having an assured monopoly of the trade, are calmly indifferent to the convenience and comfort of their clients and of the general public, and have displayed, on occasions, a petty meanness which results in much irritation.

38. *Demand for Exemption from Act.*—The demand of the public for exemption from the Navigation Act is supported by the Lieutenant-Governor and Executive Council of Papua, and by the Administrator of New Guinea. General Johnston, a former Administrator, also strongly advocated this.

39. *Arguments in Rebuttal of Attack.*—I found it impossible to offer any convincing defence of the present policy of bringing the trade with the Territories under the coasting trade provisions of the Act. I took every opportunity, however, of pointing out that the great increase in freights and fares since pre-war times was not due solely to the operation of the Navigation Act, but that shipping costs and operating charges had increased greatly, and that, as a consequence, freights and fares had everywhere gone up. The charges from Australia to Europe, I mentioned as an example, had nearly doubled.

40. I also pointed out that the present trade between the Territories and Australia was barely sufficient to keep the Burns Philp steamers running, and that the immediate result of throwing it open to the competition of overseas lines would be either that Burns Philp & Co. would have to drop out, so imperilling regular passenger communication with the Commonwealth, or that the Commonwealth subsidy would have to be very greatly increased.

41. I also put it that as a matter of patriotism the people of the Territories should be prepared to put up with a certain amount of inconvenience to retain trade as far as possible in the hands of Britishers, rather than have it, very possibly, monopolized by Japanese and Dutchmen. Leading planters

and traders assured me that they were prepared to go a long way to secure the trade to British ships, but that the present state of affairs was ruining them, and put altogether too great a strain upon their loyalty to the principle of Australian preference. The general feeling among commercial men was that Australia was treating them most ungenerously. A speaker at one meeting I attended, a man Australian born and bred, put it strongly, and the meeting evidently concurred, that the Territories would be better off in many ways under the direct control of Great Britain than as Dependencies of the Commonwealth.

42. *Early Relief Imperative.*—It is to my mind imperative that some early relief be granted to the settlers in both Territories. The welfare of the planting industry, which is synonymous with the welfare of the Territories themselves, requires it. Another weighty reason is that the dissatisfaction of the people of the Mandated Territory, themselves British and mostly Australians, with the action of the Commonwealth in enforcing the application of the Navigation Act to the Territory, and so diverting its import and export trade from natural economic channels and forcing it to flow, by roundabout and costly routes *via* Sydney, cannot long remain a question of purely local concern, but will, unless something is done, inevitably find an echo at Geneva. The only matter for consideration, it is submitted, is how this relief can be given with least injury to Australian shipping and mercantile interests.

43. *Question of Total Exemption.*—One means of affording relief (the method used to secure sea communication with the other Dependencies of the Commonwealth, *viz.*, Norfolk Island and Northern Territory, and the particular method for which the Territories are clamouring) would be by Order in Council, under the second proviso to section 7 of the Navigation Act, to declare that the carrying of passengers or cargo between the Territories and Australia, or between places in the Territories, shall not be deemed engaging in the coasting trade. This would at a stroke secure the double objective aimed at—(a) a substantial reduction in freights and fares to Australian and other ports, and (b) direct connexion with the East, and a more direct and much cheaper route, *via* Singapore, for the export of copra to European markets.

44. *New Services under Exemption.*—New trade connexions, there is reason to believe, would immediately be given, along two routes, by the Royal Dutch Packet Line. This company would, in the first place, restore the callings at Port Moresby and Samarai of their Melbourne-Singapore steamers, and also extend its present Singapore-Dutch New Guinea service to make regular calls at Rabaul and other ports in the Mandated Territory. Several Japanese lines would also, no doubt, revert to their practice of some few years ago, of making calls en route between Japan and Australia. This would introduce the element of competition and bring about an immediate and substantial reduction in freights and fares, not only to overseas parts, but also between the Territories and Australia.

45. *Objections to Exemption.*—But there are several strong objections to this otherwise very desirable course. The present trade between Australia and the Territories is, as mentioned in paragraph 40, barely sufficient to keep the Burns Philp steamers running. In the present state of public feeling in the Territories, I feel sure that, even if the freights and fares for all lines were the same, a substantial portion of the trade would be given to the new lines calling, rendering the continuation of the Burns Philp service impossible, except under considerably increased subsidy from the Commonwealth Government. A second and equally weighty objection is that the incursion of foreign steamship lines, with the necessary establishment of agencies at each port, would undoubtedly tend to encourage the development of trade relations between the local importers and suppliers in foreign parts, not only in regard to such lines as rice, sacks, and kerosene, which Australia cannot supply, but also, through the large Dutch and Japanese houses, as regards those manufactured articles, such as apparel, boots, implements, groceries, &c., which Australia can and does supply to her own people, and which represent at present roughly one-half of the total imports of the Territories. There are, of course, certain lines of foodstuffs in which Australia could continue to hold her own against all competitors, and which she at present exports in considerable quantity, and largely in foreign ships, to Java and the East, *viz.*, flour, tinned butter and meats, condensed milk, jams, bacon and hams, &c. The establishment of direct communication with Singapore and Japan would, under any circumstances, endanger Australia's trade with the Territories in imported and manufactured articles, and the danger in this direction would be largely increased if that direct communication were by means of foreign-owned shipping. It is an axiom, and a sound one, that trade follows the flag, whether carried by a victorious invader or by peaceful merchantmen. The country whose ships can collect the copra of the Territories and carry it to its natural market by the cheapest

routes can largely control the trade of providing their requirements, provided, of course, that the principal terminal port in the itinerary of those ships is within her own borders.

46. *Question of "Permits."*—It was suggested to me while in the Territories that the main considerations of direct communication with Singapore and the East, and cheaper freights and fares could both be secured, while at the same time excluding the foreigner, by granting, under section 286, permits to British ships to engage in the trade between Australia and the Territories, as has been done in the case of the north-west ports of Western Australia, and also Thursday Island.

47. *"Permits" cannot be granted.*—This cannot be done for two reasons. In the first place, permits can be granted only where one or other of two conditions obtain. It must be shown, in respect of the particular part of the coasting trade for which permits are desired (in this case the trade between the Territories and Australia), either that—(a) no licensed ship is available for the service, or (b) that the service as carried out by a licensed ship or ships is inadequate to the needs of the port or ports. Licensed ships are available, and are engaged in the service, and as they are sufficient in tonnage capacity to take all the cargo offering, it must be concluded that, in the meaning of the Act, the service they provide is "adequate."

48. *Question of Preferential Treatment of British Ships in New Guinea.*—A second reason—if further reason were necessary—why permits cannot be granted in respect of the trade with New Guinea is that the granting of preferential treatment to British ships in regard to trade with the Territory would inevitably call forth protests to the League of Nations in regard to what would be considered a breach of the spirit, if not the letter, of the Mandate. Ships of any country, it may be pointed out, may obtain licences to engage in the coasting trade in compliance with the prescribed conditions, which are the same for all ships, British or foreign. There is no preference in regard to such. But permits to engage in that trade without compliance with those provisions can be granted to British ships only.

49. *Solution Suggested.*—The only satisfactory solution of the difficulty that I can suggest is that—(a) the present service of Burns Philp steamers from Australia to Papua and New Guinea be extended to terminate, on the outward voyage, at Singapore; and (b) that, conditional on such extension, the application of the coasting trade provisions of the Navigation Act to the trade between Australia and the Territories be continued.

50. This, it is true, would not give the Territories all they ask for. But it would remedy their main grievance by—(a) providing direct communication with Singapore, so effecting considerable savings on rice, sacks, kerosene, and other essential imports; and (b) securing substantial reduction in the freight and other charges in connexion with the transport of their copra to European markets. The scheme would give no relief in respect of freights and fares to and from Australia, but this is, as it affects the welfare of the Territories, a matter of minor importance.

51. *Scheme Reserves Australian-Territorial Trade for Licensed Ships.*—The scheme suggested reserves the carrying trade between Australia and the Territories to the only licensed steamers—the Burns Philp Line. This reservation would serve a double purpose. It would secure to the line the carriage of all Australian exports to the Territories, which would still be considerable, and will, no doubt, be an increasing quantity, and of the fairly substantial export trade of the Territories to Australia still remaining, together with the whole of the passenger traffic each way. The secondary, but equally important, result would be that, as they could not participate in the Australian-Territorial trade, it would still be unprofitable for the passing Japanese steamers to call for the purely overseas trade to be done, so obviating any danger of a war of rates between them and Burns, Philp for that overseas cargo imperilling the success of the Australian service.

52. *Direct Connection with Singapore Essential.*—Unless Burns Philp & Co. or some other Australian line provide this direct connexion with Singapore or some other port on the direct route between the East and Europe, the transportation of the Trade of the Territories will most surely slip away from them and from Australia, and pass into the hands of foreigners.

53. *Danger of Delay—Direct Overseas Connections.*—As already pointed out (paragraph 4), there is nothing in the Navigation Act to prevent foreign ships engaging in the carrying of passengers and cargo to and from the Territories, provided only such carriage is not from or to an Australian port. A Japanese or Dutch steamer could, for instance, visit in turn each port in both Territories, dropping foreign cargo and taking in copra for an overseas port, the only restriction being

that she could not carry passengers or cargo between ports in the Territories. The advantages of shipment by a direct route as compared with the circuitous route via Sydney are substantial and obvious. Burns Philp & Co., it may be mentioned, are quite alive to this, and have themselves shipped quite a number of cargoes by foreign ships direct from the Solomons to San Francisco. Other shipments have been made from time to time since then (at the time of my arrival at Rabaul, in July last, a large foreign-owned sailing vessel was in port loading copra for overseas), and the Dutch Royal Packet Company has now intimated that it is contemplating the extension of the itinerary of its line of steamers now regularly running between Singapore and Dutch New Guinea to include also regular monthly calls at Rabaul and other ports in the Mandated Territory. In a letter on the subject, the company explains that it had been approached by traders in the Territory with a request for the extension of one of the company's Java services to their ports "in order that they may obtain rice shipments from Java-Singapore at a much cheaper rate than via Australia, and ship cargo like copra, &c., much more cheaply and quickly to Europe via Macassar or Java."

54. *Temporary Hindrances to Direct Shipments Overseas.*—There are several reasons why the method of direct shipment of copra to Europe by overseas ships has not been more largely availed of. These are—(a) The expropriated plantations in New Guinea produce the greater part of the whole copra crop of the Territories. The handling of this is controlled by the Expropriation Board, a Government body, which, presumably for good and sufficient reasons, consigns the copra to Sydney by Burns Philp's steamers for realization on that market. (b) Many small growers are not sufficiently strong financially to consign their copra to overseas markets and wait several months for returns, so sell their produce for cash to Burns Philp's agents at the nearest port to their plantations; and (c) the copra produced by the remaining planters, who could afford to await returns from realizations in overseas markets, is not, as a general rule, sufficient in amount to provide a full cargo for a visiting ship. There has also been the difficulty, even when a cargo could be got together, of arranging for its temporary storage under cover at the port of shipment (copra cannot be shipped wet), and for a cargo for the ship on its incoming voyage.

55. The whole of these impediments to direct shipment are, however, of a more or less temporary character, and may be expected to shortly disappear. The expropriated plantations are in process of sale to the public, and under private ownership the copra produced will, no doubt, be shipped by the cheapest routes to the markets offering the best returns, quite irrespective of any question of preference to Australian shipping. As regards (b) and (c), as plantations develop and the trees mature and come into full bearing, the quantity of copra produced from plantations outside the control of the Expropriation Board will be considerably increased and co-operation between growers will enable full cargoes to be more readily accumulated. If the Dutch boats make regular monthly calls, as contemplated, even the necessity for getting a full cargo will be obviated, as they will take any parcels offering, no matter how small.

56. There are, therefore, good grounds for anticipating that, unless something is done in the meantime to provide a service by Australian ships direct from the Territories to Singapore, the time is rapidly approaching when a substantial proportion, if not the bulk, of the copra produced in Papua and New Guinea will be transported direct to overseas markets in foreign-owned lines, with the resultant inflow of goods from overseas ports direct, and, very possibly, theousting of Australian shipping from the trade.

57. *National Grounds for Retention of Trade.*—It is highly desirable, not only on commercial grounds, but also for national reasons, that the trade of the Territories shall be carried in Australian ships. This aspect of the matter was emphasized by the Royal Commission on late German New Guinea, which in its report stressed the necessity for maintaining "those intimate trade relations which are desirable in order that the Territory may not become an isolated community, looking to the outside world as the market for both its goods and its supplies, and so drift out of touch with the Australian people."

58. *Present Melbourne-Singapore Service might be Diverted.*—Burns Philp & Co., it may be pointed out, already run a monthly service with the steamers *Marella* (7,500 tons) and *Monfaro* (5,000 tons) between Melbourne and Singapore, via Torres Strait, calling at Sydney, Queensland ports, Thursday Island, Darwin, and, it is understood, Ambuana, Macassar, and Batavia, each way. They receive no subsidy for this service. The two vessels mentioned, if diverted to call at the Territories, could, with the *Matsaram*, give a regular monthly service from Australia to Singapore via the Territories, starting from Melbourne, the Australian terminal port of the present Burns Philp service to Singapore, instead of, as is the

case of all the present Territory services, from Sydney. The following is the suggested itinerary:—

Melbourne.	Wit. ¹ .
Sydney.	Madang.
Brisbane.	Eitape. ²
Port Moresby.	Ambaina.
Samarai.	Macassar.
Rabaul.	Batavia.
Kaewiang.	Singapore.

¹ Depth of water permitting

59. The *Maella* and *Montoro* carry coloured crews, and are not at present licensed to engage in the coasting trade. It would be necessary for them to be brought into compliance with Navigation Act requirements before they could participate in the Australian-Territories portion of the trade or in any subsidy. The *Marsina* and *Morinda*, it may be mentioned in passing, were not built for passenger work in tropical latitudes, and would be quite unsuitable for use in the suggested extension from Madang to Singapore, the route lying for the whole of the distance within a few degrees of the Equator.

60. *Increased Subsidy Probably Necessary*—As mentioned in paragraph 10 above, Burns Philp & Co. are now receiving from the Commonwealth Government a subsidy of £32,000 in respect of the present services to Papua and New Guinea direct. It is very probable (though this is a matter I have not so far discussed with any one) that for the extension of the service, as suggested, to Melbourne, on the one hand, and to Singapore, on the other, they would ask for some additional allowance from the Commonwealth. In addition to the annual increase of 17,300 miles in total distance run, the substitution for the *Marsina* and *Morinda* of larger vessels would involve increased expenditure in harbor dues, wages, and general running expenses.

61. As a set-off to this, it must be remembered that, provided they can be provided with reasonably full cargoes each way, large vessels are much more economical than small ones. The chief difficulty in the present connexion would probably be to find such quantity of cargo for the Territories as would, on its discharge there, leave space for the copra, &c., to be conveyed to Singapore. It would not do to have the vessels filled with through cargo from Australia to Singapore.

62. *Coloured Seamen on all Eastern Lines*—The vessels of all the half-dozen or so lines at present operating between Australia and Singapore are (with the single exception of those of the Commonwealth Government Line) manned by coloured seamen. No steamers complying with Navigation Act requirements as to accommodation, &c., and manned and worked by white seamen under Australian conditions, could possibly compete with these vessels excepting either at a loss or with the assistance of a fairly substantial subsidy.

63. *Proposed United States of America Shipping Subsidy*.—The American mercantile marine occupies, at the present time, a position closely analogous to that of our Australian-owned foreign-going shipping. In both cases the manning, accommodation, wages, and provisions are in advance of those of the shipping of other nations, including that of Great Britain. By reason of the consequent higher cost of operating American vessels, the latter are being run off the seas, and the ports of the United States of America are full of idle ships, rusting at their anchors for lack of profitable employment. To remedy this state of affairs, a Bill is at present before Congress which provides for the granting of direct subsidies amounting to "at least" \$30,000,000 per annum to American-owned and operated merchant ships of not less than 1,500 tons gross register engaged in the foreign-going trade. In addition, Congress is being asked to authorize special exemptions to ship-owners from income and other taxes running into millions of dollars.

64. The basic rate is one-half cent. per gross ton per 100 miles travelled. In the case of steam-ships over 1,500 tons, but less than 5,000 tons gross, subsidy is paid as on a tonnage of 5,000 tons. Increased rates are paid for ships having speeds over 15 knots. Apparently, the only direct obligation on the ship-owner is that subsidized ships are required to carry mails of the first, second, and third class free.

65. *American and Commonwealth Subsidies Compared*.—Compared with the proposed American subsidy, those now paid to Burns Philp & Co. for their services to the Territories are very generous. For the monthly service (s.s. *Mataram*, 3,300 tons gross) Sydney to Rabaul direct, thence to Kaewiang and Madang, the Commonwealth pays an annual subsidy of £8,000; on the American scale it would be, roughly, £2,000. For the Papuan-Rabaul service (s.s. *Marsina*, 1,750 tons, and s.s. *Morinda*, 1,500 tons), the amount is £16,000 per annum; the American rate would give about £4,800. I have not computed what the subsidy for the Solomons-Rabaul service (s.s. *Melusia*, 2,000 tons) would be under the American scale, but the proportion of such to the amount actually paid (£8,000 per annum) would probably be about the same as in the two instances given. This particular service is, however, primarily in the interests of the Solomons, and not of the Territories, and need not be considered here.

66. Comparison of the Commonwealth subsidies with that proposed under the American Bill is, however, hardly fair, as the bulk of the American shipping trades in the Atlantic and in European waters, and competes with vessels manned with European, and not with Asiatic, crews, as is the case in the trade between Australia and Singapore.

67. *Extra Cost at Pro Rata Increase*.—The subsidy now paid to Burns Philp & Co. works out at about 3s. 3d. per mile of the total distance travelled by the three ships employed. At this rate, the increased amount payable in respect of the suggested extended service would (having regard to distance only) be £2,811. As mentioned, however, other factors—wages, &c.—would have to be considered. If the new service could be secured for an addition of £5,000 or even £10,000 to the present subsidy, the expenditure would be well warranted.

68. *Alternative—Total Exemption of Trade with Territories*.—Failing an arrangement with Burns Philp or some other Australian Line to provide, in return for a reasonable subsidy, a direct service between Australia and Singapore and the Territories, there will remain no alternative but to consider, in the interests of the Territories, the total exemption of their trade from the application of the Navigation Act. Even the total loss of that trade to the Commonwealth, not only in the transport, but also in the supply, of goods, would be, from a monetary point of view alone, vastly preferable to the commercial ruin of the Territories, with the consequent burdening of the Australian taxpayer with the continued and heavy cost of their administration.

69. *Recommendation*.—The whole position in regard to the trade of the Territories has been dealt with at some length, as it presents itself to me. It is perhaps unnecessary, until the suggestions made have received a general approval, to deal in any further detail with the question of the increased subsidy necessary. It is therefore recommended that at this stage, if the Minister agrees with the views expressed, the approval of the Prime Minister be obtained to the general principles of the suggestions made, leaving the details for further consideration and for negotiation with Burns Philp & Co.

(Signed) LEWIS F. EAST,
Assistant Director of Navigation

18th September, 1922.

**REPORT BY TWO OF THE COMMISSIONERS (SENATOR
W. L. DUNCAN AND SENATOR H. E. ELLIOTT).**

*To His Excellency the Right Honorable HENRY WILLIAM, BARON FORSTER, a Member
of His Majesty's Most Honorable Privy Council, Knight Grand Cross of the Most
Distinguished Order of Saint Michael and Saint George, Governor-General and
Commander-in-Chief of the Commonwealth of Australia.*

MAY IT PLEASE YOUR EXCELLENCY :

We, Commissioners appointed by Royal Letters Patent to inquire into and report upon the effect of the operation of the Navigation Act on trade, industry, and development in Australia and the Territories (including Mandated Territories) of Australia, have the honour to make our report covering the States of New South Wales, Queensland, Victoria, South Australia, Western Australia, and Tasmania.

This Report is the result of investigations made in each of the States of the Commonwealth. Circumstances have prevented the Commission from visiting the Territory of Papua, the Mandated Territory of New Guinea and the Northern Territory, but it is intended to visit these Territories in the near future, and it is anticipated that the second Report will deal chiefly with the effect of the application of the Navigation Act to New Guinea and Papua.

In presenting this Report Your Commissioners have followed the order indicated by the following headings :—

Part I.—The History of the Navigation Act, and its chief object.

Part II.—General Observations.

Part III.—General Complaints—

(1) Lack of sufficient passenger facilities in—

- (a) New South Wales.
- (b) Queensland.
- (c) Western Australia
- (d) Tasmania.

(2) High freights between interstate ports.

(3) The "Permit" system and its inadequacy to meet the requirements of the travelling public.

(4) The inadequacy and infrequency of cargo shipping services.

Part IV.—Complaints affecting particular States.

(1) Queensland—

- (a) The cement industry ;
- (b) Fruit and vegetable export trade ;
- (c) The meat industry.

(2) South Australia.

(3) Tasmania.—

- (a) Shipping services to Hobart and the effect upon—
 - (i) The tourist traffic ;
 - (ii) The timber industry ; and
 - (iii) The fruit industry.
- (b) Tasmania generally.

(4) West Australia.—The effect of the Act upon—

- (a) Primary Production.
- (b) The timber industry.
- (c) Albany and its decline.
- (d) Geraldton and its decline.
- (e) The North-West Ports.
- (f) Effect of the Act upon the whaling industry.

Part V.—The Shipping Companies of Australia—Their relationship to one another.

Part VI.—General conclusions and recommendations.

PART I.—THE HISTORY OF THE NAVIGATION ACT, AND ITS CHIEF OBJECT.

The Navigation Bill was originally drafted in 1902, under the direction of the late Honorable C. C. Kingston, and, on his retirement from the first Commonwealth Government, in 1903, the drafting of this measure was handed over to the late Sir Harry Wollaston. The Bill was first introduced into the Senate in 1904, but was withdrawn, and in June of that year a Royal Commission was appointed to examine the proposed legislation, and to report. The report of the Commission, with the draft Bill, was presented in June, 1906.

In 1907 an Imperial Conference of representatives from the United Kingdom, Australia, and New Zealand was held in London, on the subject of "Merchant Shipping Legislation," and the main principles of the Royal Commission's draft Bill were considered. Australia was represented on this Conference by the late Sir William Lyue (Minister for Trade and Customs), Mr. W. M. Hughes (Chairman of the Royal Commission), and the late Mr. Dugald Thomson (a member of the Royal Commission).

The Conference recommended, *inter alia* :—

"That the coastal trade of the Commonwealth be reserved for ships on the Australian register, i.e., ships conforming to Australian conditions, and licensed to trade on the Australian coast."

This resolution was embodied in the draft Bill, which was again introduced into the Senate in September, 1907, but lapsed. It was again introduced in 1908, again in 1910, and in 1911, and was ultimately agreed to by both Houses in 1912.

By the time the Act had received the Royal Assent war had broken out, and, at the request of the British Government, the operation of the Act was postponed. The first group of sections—the Coasting Trade provisions—came into effect, by Proclamation, on the 1st July, 1921. Shortly after this portion of the Act became operative the owners of a number of interstate ships tested the validity of the application of the manning and accommodation provisions of the Act to their ships, and the High Court decided that these provisions did not apply to vessels solely engaged in the domestic trade of a State. In consequence of this judgment, the Government decided not to enforce the provisions of the Act then in force on any intrastate ships.

Other portions of the Act came into operation as shown hereunder :—

1st November, 1921	..	Wireless, and medical inspection of seamen.
1st March, 1922	..	Mercantile Marine Officers.
1st February, 1923	..	Provisions, medicines, effects of deceased seamen, wrecks, and salvage.
1st March, 1923	..	Collision, boat and fire drills.
1st October, 1923	..	Examination of masters, mates, and engineers; survey and inspection of ships; load-lines; life-saving and fire appliances; adjustment of compasses; and courts of marine inquiry.

At the present time only forty-six sections of the Act, out of a total of four hundred and twenty-five sections, remain inoperative; the majority of these inoperative sections deal with pilots and pilotage.

Seeing that the Navigation Bill had so many years of consideration, moulded by expert draftsmen, considered by a Royal Commission, by an Imperial Shipping Conference, and by Parliament for several years, it is necessary to look closely into the reasons why the Parliament, after such exhaustive consideration, finally placed the Navigation Act upon the statute-book.

Your Commissioners have studied these reasons, have perused the reports of the Royal Commission and of the Imperial Shipping Conference, with the result that Your Commissioners find that the main reason which actuated the Parliament in placing the Act upon the statute-book, and which lifted the subject to a plane of great national importance above the ordinary considerations of party politics, was the desire to build up an Australian Mercantile Marine.

To build up an Australian Mercantile Marine it was necessary to extend the protective policy of Australia to its merchant shipping. To protect the Australian ship-owner from unfair competition from subsidized foreign ships or poorly-paid crews from other countries, it was necessary to prevent other vessels competing against him unless such vessels complied with Australian rates of wages, provided the same accommodation for their seamen, and had the same manning scale.

Parliament recognized that, as an island continent, we are largely dependent upon the strength of our merchant service for our existence. The Australian coastal trade was to be reserved for Australian-owned ships, which were to be the source of a supply of skilled and trained Australian seamen in time of war, even as the British Mercantile Marine, during the recent war, helped to man the auxiliary cruisers, mine-sweepers, transports, and other adjuncts of the British Navy.

PART II.—GENERAL OBSERVATIONS.

Your Commissioners found, while visiting various portions of the Commonwealth, that in certain quarters there was unexpected reluctance on the part of interested parties, alleged to be affected by the operation of the Navigation Act, to give evidence before the Commission. This was particularly noticeable at Perth and Bunbury, Western Australia. It can only be assumed that this reluctance arose from a feeling that the business interests of these witnesses would be prejudiced in their relationship and dependence on the interstate shipping companies if their grievances, openly expressed through the press and in other ways, were placed in evidence before your Commissioners.

The period in which your Commissioners made their investigation is one that involved more than ordinary difficulty, because conditions were not normal, and the shipping of the Empire had been under government control for some time during and after the war; moreover after the war services were necessarily curtailed, freights increased, and in 1921, shortly after the cessation of "control," the Navigation Act became operative. Your Commissioners would further point out that the conditions of shipping in Australia, and throughout the rest of the world, have not yet returned to normal. The shipping industry has been confronted with many difficulties, due to the sudden change from war to peace, with all the attendant alteration of conditions, and this fact has made the task of determining the actual effect of the operation of the Act on Australian trade, industry, and development a very difficult one. The difficulty lay in separating the effects of the war from the effects of the Navigation Act on shipping services and freights, and upon industry and development.

PART III.—GENERAL COMPLAINTS.

A number of the complaints made were common to all States; these complaints are dealt with separately under this heading, and are as follow:—

- (1) Lack of sufficient passenger facilities.
- (2) High freights between interstate ports.
- (3) The lack of adaptability of the permit system to meet the requirements of the travelling public.
- (4) Infrequency and inadequacy of cargo shipping services.

In some respect these complaints were more general the further removed the complainants were from the big centres of population.

(1) LACK OF SUFFICIENT PASSENGER FACILITIES.

Complaints under the above heading were received in all States, with the exception of South Australia and Victoria. The complaints are shortly as follow:—

(a) New South Wales.

It was claimed by witnesses that the interstate service was insufficient, and cases had occurred where passengers were unable to obtain berths by interstate vessels (Question 8403); that if sufficient facilities were offered by the interstate companies, a greater number of people would avail themselves of those facilities (Questions 8437, 8438); that many people desirous of leaving New South Wales during the summer months to take advantage of the cooler climate of Tasmania had to travel by crowded and comparatively small interstate vessels in place of the P. and O. line and Orient line mail steamers, by which they sometimes travelled before the Navigation Act came into operation.

Against these assertions the interstate shipping companies produced passenger statistics showing a large proportion of empty passenger accommodation on their vessels from the port of Sydney, in fact 50 per cent. of the passenger accommodation between Sydney and Tasmania in the year's sailings had been empty. It was claimed that these figures showed that the present service was adequate. It was further claimed that if oversea vessels were allowed to carry passengers it would mean an enormous reduction in the revenue of the interstate shipping companies—that in consequence services would have to be curtailed, and freight and passenger fares increased. In regard to the allegations of overcrowding on interstate steamers, it was stated by the shipping companies' representatives that such overcrowding took place only on exceptional occasions, such as the Christmas rush of tourists to Tasmania, when all travelling facilities, railways and steamers, are crowded.

(b) *Queensland.*

In Queensland it was stated that a great number of people travelled along the Queensland coast by oversea vessels before the Navigation Act operated, and that people who used to travel south by the Orient line vessels were no longer able to do so (Questions 6463A, 6499, 6500). It was further claimed that the passenger vessels on the Queensland coast were not built for comfortable travelling (Questions 6502, 6503). It is admitted by the Deputy Director of Navigation for Queensland that the Act has inconvenienced the travelling public (Question 6978), and that the present system of granting permits is inadequate to meet the position.

The representatives of the shipping companies submitted a statement showing that for a period of six months before the Act came into operation, the overseas vessels carried 14,716 passengers on the Queensland coast, and that the passage money therefrom amounted to £89,000. It was claimed by the interstate companies that if they were deprived of the protection afforded by the Act, they would lose this traffic, which would again revert to the overseas companies, and would not be able to maintain their present services. Voluminous statistics were furnished by the interstate companies showing a large percentage of empty berths on their vessels. These figures, it was claimed, showed that the companies provided more service than was necessary, and more space than the traffic required (Question 7018). It was clear to your Commissioners that as a result of the Northern extension of the railway services the companies have serious competition on the Queensland coast from the Railway Department, and that this competition has resulted in lessened cargoes and fewer passengers.

(c) *Western Australia.*

In Western Australia practically the only complaint concerning passenger accommodation was at Albany. At this port the service has been so reduced that at the present time there is practically only a monthly passenger service to eastern States. As Albany is 300 miles from the Trans-Australian railway, it is undoubtedly a hardship for the people of the Albany district, when desirous of visiting the eastern States, to be debarred by the Navigation Act from travelling on oversea vessels calling at Albany. It is claimed that the extra journey from Albany to Perth adds considerably to the cost and discomfort of the trip, and that, owing to the peculiar geographical position of Albany in relation to the transcontinental railway, the residents should be allowed to take advantage of the facilities offered by oversea vessels.

On the other hand it was asserted by the representatives of the interstate shipping companies that the people of Albany are not seriously affected by the lack of passenger vessels, and that the majority of people prefer to travel by the Trans-Australian railway. It was pointed out that in June of 1922, at the insistent request of the Albany people, a fortnightly passenger service was inaugurated, which was so poorly supported that the service had to be withdrawn. On the last trip of this passenger service six passengers were landed at Albany, and one embarked at Albany for Fremantle. On the return voyage eight passengers embarked at Albany for Eastern ports (Question 4281).

(d) *Tasmania.*

The complaint of Tasmania in regard to passenger services is not similar to that of the other States as set forth above. The complaint is that the tourist traffic to Tasmania is seriously affected by poor travelling facilities. This complaint, as it is peculiar to Tasmania, is dealt with in Part IV. (3) of this Report.

Speaking generally on passenger facilities, the Director of Navigation stated that 60,000 tons of interstate passenger tonnage has been taken from the Australian coast since 1914. The Director further stated that he considered there was a shortage of passenger tonnage on the coast, and that complaints would continue until some of this tonnage was replaced by the interstate companies. (Questions 13314, 13359-61.)

In reply to these assertions the representative of the interstate companies admitted that eleven vessels of their fleet had left the Australian coast since 1914, but it was pointed out that only two vessels were disposed of after the Navigation Act became operative; five were sold in 1915, two in 1916, and two in 1919. As against these eleven vessels leaving Australia, five others were brought into the Australian coastal trade.

It was also asserted that the price of passenger tonnage since the war had been prohibitive. This, however, does not apply to-day. It was also claimed by the companies that there is no shortage of passenger accommodation, that a surplus exists, and that it is only during exceptional holiday rushes that there is any suggestion of overcrowding and insufficient passenger facilities.

CONCLUSION.

Your Commissioners are of the opinion that whilst the passenger accommodation provided by the interstate companies is adequate to meet all requirements in normal times, periods occur in the year when great difficulty is experienced by many people in obtaining berths. That this is a hardship upon such people cannot be denied, and this hardship is felt not only by tourists but by business people and others. It cannot be expected, of course, that the interstate companies will maintain a surplus of shipping in normal times to meet these periodic rushes, but your Commissioners are of the opinion that some more expeditious means than the present "permit" system must be devised to meet the position. The lack of adaptability of this system is dealt with under Part III. (3) of this Report.

(2) HIGH FREIGHTS BETWEEN INTERSTATE PORTS.

Your Commissioners met with complaints of high freights on the Australian coast in all the States. One of the most serious charges against the effect of the Navigation Act was made by the Tariff Board in its annual report of June, 1923, in which the Board stated that the Act "places heavy freights on our own products while oversea goods are carried for much lower freights." The Board further stated that the effect of such heavy freights was to nullify the effect of the national policy of protection, and that primary producers and manufacturers were placed at a serious disadvantage thereby.

The Chairman of the Tariff Board placed a memorandum before the Navigation Select Committee, whose work this Commission is continuing, showing examples of how freights on the Australian coast are, in many instances, higher than oversea freights from the United Kingdom and other oversea countries.

The following are the further charges made by the Chairman of the Tariff Board against the Navigation Act, in its relation to the raising of coastal freights :-

1. Australian coastal freights are out of all proportion to deep-sea freights on goods from oversea countries.
2. Crushing freight charges hamper the trade of the Mandated Territories of Australia.

These charges against the Navigation Act, coming from such a body as the Tariff Board, whose duties are such as should make the members of the Board thoroughly conversant with every side of the question, and who, being a non-interested party, are necessarily dispassionate in their attitude, were regarded by your Commissioners as most serious.

Your Commissioners therefore closely investigated various examples of cases where branches of primary and secondary production were stated to be adversely affected by the high freights. These particular cases are dealt with under separate headings in this report.

In regard to the general complaint of high freights resulting from the Navigation Act, the shipping companies have stated in evidence that since the Navigation Act became operative freights have not been increased, and in some cases, particularly in regard to timber, coal, and agricultural implements, and since the inception of this inquiry, have actually decreased. Although this statement has not been contradicted, it is claimed by some witnesses that these freights were abnormally high when the Act came into force, and by reason of the Navigation Act have remained practically unchanged.

The representatives of the shipping companies also assert that coastal freight is necessarily higher than deep-sea freights in all parts of the world, on account of the coastal services entailing more port dues, longer delays in ports, smaller coastal vessels being less profitable, heavier handling charges, &c. It was also claimed that oversea freights have increased more since the war than Australian coastal freights. The shipping companies produced evidence to show that coastal rates on the coast of South America are in some cases higher than those on the Australian coast. The Trade and Customs Department also furnished examples of South African coastal freights, which were not lower than the Australian rates for similar distances.

CONCLUSION.

Your Commissioners are of the opinion that whilst it is undoubtedly true that freights are considerably higher than in pre-war days, no evidence has been tendered to show that these freights are in any way extortionate by comparison with freights under similar conditions in other countries, or when considered in relation to the high working costs or net profits of the interstate shipping companies. Your Commissioners have no doubt that certain Australian industries are suffering in their development because of these freights, but cannot find that such freights are due so much to the operations of the Navigation Act as to other economic factors quite outside and independent of the Navigation Act. Certainly the Act does give full scope for and encouragement to the establishment of an Australian shipping combine or agreement between the companies, but an examination of the world's shipping position reveals that such combines operate in other countries, and indeed are world-wide in their ramifications. In view of the

large holdings by oversea shipping interests in the Australian companies, your Commissioners cannot see that our position would be materially affected in any way by even the repeal of the Navigation Act itself. Doubtless such an action would bring about a certain measure of foreign and non-British competition, which would react very quickly against the wages and working conditions of our Australian seamen and against the best interests of Australian as a whole, unless some other form of protection were given. The late war revealed the national importance of the shipping industry, and we cannot afford from the stand-point of national development to take any action that would tend to increase to any considerable extent our dependence upon foreign shipping for the marketing overseas of our primary products.

(3) THE "PERMIT" SYSTEM AND ITS INADEQUACY TO MEET THE REQUIREMENTS OF THE TRAVELLING PUBLIC.

The above is another complaint which is also fairly general. Section 286 of the Navigation Act, on which the permit system rests, is as follows :—

286—(1) Where it can be shown to the satisfaction of the Minister, in regard to the coasting trade with any port or between any ports in the Commonwealth or in the Territories under the authority of the Commonwealth—

- (a) that no licensed ship is available for the service, or
- (b) that the service as carried out by a licensed ship or ships is inadequate to the needs of such port or ports,

and the Minister is satisfied that it is desirable in the public interest that unlicensed ships be allowed to engage in that trade, he may grant permits to unlicensed British ships to do so, either unconditionally or subject to such conditions as he thinks fit to impose

(2.) The carriage, by the ship named in any such permit, of passengers or cargo to or from any port, or between any ports, specified in the permit shall not be deemed engaging in the coasting trade.

(3) A permit issued under this section may be for a single voyage only, or may be a continuing permit

(4) A continuing permit may be cancelled by the Minister upon not less than six months' notice to the master, owner, or agent of the ship of his intention to cancel it.

(5) The Minister shall, within fourteen days of the granting of any permit under this section, or the notice of intention to cancel any such permit, notify in the *Gazette* the issue of the permit, or the giving of the notice, as the case may be, with particulars thereof

The Director of Navigation stated in evidence—

- (a) Except in two isolated cases he had always been advised by the Crown Law Department that the Minister's powers are limited by the fact that the existing services cannot be proved inadequate.
- (b) The Minister has first to be satisfied that no licensed ship is available for the service. The Director has never been able to satisfy the Minister that there is no licensed ship.
- (c) An application for a permit cannot be made by a deputation, but by the owner or agent of the ship requiring to carry the passengers or cargo.
- (d) The oversea shipping companies have decided that, in future, they will have nothing to do with permits, which they consider are not worth the trouble they have to take to obtain one.

It seems fairly obvious that the permit system has not been applied very much to cargo nor is it likely to be availed of for cargo to any extent, with the exception of the case of the Queensland meat industry which, during the past two years, has sent large quantities of frozen meat to southern markets by the refrigerated space on oversea steamers. It is admitted by the shipping companies that during 1923 their refrigerated space was insufficient, and they raised no objection to the oversea vessels lifting Queensland meat for New South Wales and Victoria.

Mr. J. M. Paxton, representing the Sydney Chamber of Commerce, and at the same time speaking as a representative of oversea shipping companies, stated :—" So far as I can recollect over a period of 30 years, the British oversea companies have never sought to carry cargoes on our coast, and it was with the utmost difficulty that we induced them to carry cargoes during the war period, when it was imperatively necessary to get stuff moved from port to port. In regard to passengers, however, it is a different matter."

It was also stated at Albany that oversea vessels never carried interstate cargo in or out of that port.

It may be safely asserted, therefore, that except for the Queensland meat industry, which is dealt with separately, the main complaint against the permit system is in regard to passenger traffic.

Putting aside the question whether there is sufficient passenger accommodation on the Australian coast or not, it is apparent from the evidence that the permit system is of little assistance to the travelling public. In the first place, the oversea shipping companies will not, as the Director of Navigation stated, bother about applying for a permit. By so doing they can only obtain the passengers that the interstate steamers are unable to carry, and in the second place, by carrying interstate passengers, they run the risk of bringing industrial trouble on

themselves (Question 13264). That is the oversea shipping companies' attitude to the permit system. The complaint of the travelling public, which is fairly general throughout Australia, was voiced by one witness at Brisbane, as follows:—

We were advised by the Deputy Director of Navigation that when the interstate passenger steamers were overbooked, if application were made for a permit to travel on an overseas vessel, it would be granted. This course has been adopted on one or two occasions, but it is difficult to arrange the matter, since the companies will not tell you until Friday afternoon or Saturday evening whether they can take the passengers (Question 6496).

Exactly similar complaints were placed before the Commission at Sydney and Hobart. One Hobart witness stated—

9223. I am informed that no application for a permit was made. You know that provision is made in the Act to meet such cases as this?—Yes, but by the time the permit is granted the boat has gone

9226. In the case of the *Moeraki* we did not get that permit until the last minute, and then only twelve passengers travelled by that vessel.

In Brisbane the complaint is stated by the Deputy Director of Navigation to have been made—

6966. Where applications are made for permits, do you make inquiry?—There has to be an application in writing that the service by the coastal boats is inadequate. I always confirm that by getting into touch with the Secretary of the Australian Steamships Federation.

6967 *By Senator Elliott*—We were told that the interstate shipping companies informed passengers only at the last moment whether accommodation is available, when it is impossible for them to make arrangements to travel by the next boat?—Yes, I have heard people say that.

CONCLUSION.

It appears to your Commissioners that this is a genuine complaint, due to the rigid nature of the Act. The machinery is there to enable advantage to be taken of oversea vessels, but it is so hard to set in motion that the oversea companies will not bother about it, and when the individual attempts to set it in motion, it moves so slowly that the opportunity to take advantage of it is in danger of being lost. The Act at present requires that it be shown to the satisfaction of the Minister that the service is inadequate. It would require great courage in administration to declare in advance that a service is inadequate, and it is not to be wondered at that decision is delayed, except in such cases where the interstate companies admit the fact. Great dissatisfaction was shown in many places because the Director of Navigation refers in the first instance to the interstate companies, and the inference has been that there is something improper in this, but it is obvious that such reference is often the shortest way of settling the question of inadequacy. If the interstate shipping companies admit the inadequacy nothing more is required, for the Minister will be satisfied on such admission. On the other hand, if they dispute the fact it is necessary to get independent evidence of the inadequacy, and the delay in establishing this inadequacy defeats the purpose of the provision.

RECOMMENDATION.

Your Commissioners are of the opinion that, if the "Permit" system is to be retained some amendment is required to make it more speedy in its application. Possibly this can be done by amending Section 286 of the Navigation Act, as follows:—Insert the words "or is likely to prove" immediately before the word "inadequate" in sub-section (1.). This would allow the Director of Navigation to exercise an intelligent anticipation of the likelihood of a holiday rush or other sudden demand for space, and make preparations accordingly.

To meet exceptional cases, where a British ship is not available, the words "or if no British ship is available then to a non-British ship" might be inserted after the words "British ships" in sub-section (1.). Moreover by regulation it could be made possible that the initiative in seeking a permit should rest with the individual passenger or shipper.

(4) THE INADEQUACY AND INFREQUENCY OF CARGO SHIPPING SERVICES.

Many complaints were made to your Commissioners in regard to alleged inadequate and infrequent cargo shipping services for various ports and industries. These complaints are dealt with separately, but there is a general complaint from the outlying parts of the Commonwealth that the cargo services on the coast of Australia are inadequate.

It is claimed that the Navigation Act has given a virtual monopoly of the coastal trade to the interstate shipping companies, and that these companies have allocated different sectors of the coast or branches of the trade to each company, with the result that, in the absence of competition, each company, with the object of avoiding loss, has reduced its services to a minimum.

The complainants allege that they, the producers and manufacturers, are the best judges of what shipping services are required, while the shipping companies maintain that they must be the sole arbiters. The complainants further allege that with a better service they could build

up a greater trade, while the companies assert that the mere increase of shipping services has, up to the present, failed to bring about an appreciable increase in cargo or passenger traffic. Several instances are quoted where they have, under pressure, increased their services and have had to withdraw them again to avoid continuous loss.

The Director of Navigation, while deploring the withdrawal of passenger tonnage, commented on the increased cargo tonnage made available by the interstate companies. The cargo tonnage figures show a large increase during the past three years. Business men in the larger centres of population state that the cargo services on the coast are ample.

It seems apparent, therefore, that the cargo facilities of the larger ports, such as Port Adelaide, Melbourne, Sydney, and Brisbane, are adequate.

It is equally apparent that the people in some outlying portions of Australia, such as the remoter parts of North Queensland, Tasmania, and Western Australia, have reason for complaint against the somewhat infrequent and inadequate cargo services.

Mr. Walter Leitch, a member of the Tariff Board, stated :—

13665.—As a member of the Board, have you found that complaints come from outlying portions of the Commonwealth?—Yes.

13666. Have there been complaints about the irregularity and infrequency of shipping?—Yes.

13667. What induced your Board to refer to this Act in its annual report?—The number of complaints which we received from shippers, particularly in Western Australia and Queensland.

Sir Mark Sheldon, giving evidence as President of the Associated Chambers of Commerce, said :—

“It does not seem fair that a State like Tasmania, that is so dependent on water carriage, should lose the facilities it has enjoyed in the past through overseas vessels ceasing to call at Hobart. It is also hard on Western Australia.” (Question 8908.)

The Tariff Board in its annual report of June, 1923, stated that the Navigation Act “more than any other legislation discourages the settler on our coasts far removed from industrial centres.”

The reason why the coastal cargo services are claimed to be insufficient in the remoter portions of the Commonwealth is not hard to arrive at. Australia's long coastline makes the carriage of small cargoes to and from the distant ports on that coastline unprofitable. It is a matter of business, and the shipowners cannot be expected to run cargo services which regularly lose money.

At the same time, the producers in the outlying portions of the Commonwealth have a right to ask for proper shipping facilities. They have just as much right to expect adequate shipping service as they have a right to a telephone service and educational facilities for their children.

How to meet this position is a conundrum. Subsidized services to these outlying ports have been suggested and such a system is already in operation in the Northern Territory. But there are obvious objections to any very considerable extension of such policy. Under “General Recommendation,” however, your Commissioners recommend the adoption of a policy which they believe will not only remove the disabilities under which most of these distant ports of the Commonwealth labour, but will also meet the requirements of the “seasonal” rushes in the more populated areas.

PART IV.—COMPLAINTS AFFECTING PARTICULAR STATES.

(1) QUEENSLAND.

(a) *The Cement Industry.*

The Chairman of the Tariff Board quoted the cement industry as an example which showed that high coastal freights nullify the effect of the protective tariff. He pointed out that the freight rate from London to Australia is 27s. per ton, and shipments have reached Melbourne from Europe as low as 22s. 9d. per ton, while Australian cement pays a freight rate of 45s. per ton from Melbourne to Rockhampton, 35s. from Melbourne to Fremantle, and 20s. from Melbourne to Adelaide.

In Brisbane, the Queensland Cement and Lime Company claimed that the high freight on cement on the Queensland coast is seriously handicapping the operations of the company.

This company has £275,000 capital invested. The capacity of its works is 54,000 tons of cement per annum. It pays £60,000 per annum in wages. It uses 20,000 tons of coal, and half a million bags per annum which are manufactured in Queensland. The company has been operating for seven years. It aims at supplying the whole of Queensland with cement, but it does not do business beyond that state. With regard to freights, the position at present is that cement can be imported from Great Britain to Cairns, Townsville, Rockhampton, and Brisbane, at 24s. per ton, while the freight from Brisbane (where the cement works are situated) to Cairns is 41s., and to Townsville 35s. The company has received a concession of 6s. per ton off these rates. In 1914, the freight on cement from Brisbane to Townsville was 22s. and to Cairns 30s. per ton.

Last year 11,000 tons of cement were imported into Queensland from overseas; 75 per cent. of this came from Great Britain, and the remainder from Denmark. While the company finds that it can successfully compete with British and foreign cement in Brisbane, and within a certain radius of its cement works, yet in North Queensland, in spite of the duty on British cement of 20s. per ton, and on foreign cement of 30s. per ton, the Queensland article has to be sold at a loss in order to compete, and in order to sell its cement at Rockhampton, Townsville, and Cairns, where the demand is great, the company states that it requires a considerable reduction in freight or an increase in duty on imported cement. The latter remedy would add a duty which is not required in the other states where the Australian-made article is sufficiently protected. It would add an enormous amount to the profits of cement companies in other states, and add to the costs of users of cement throughout the Commonwealth.

It is extremely doubtful whether the cement question is a fair example of alleged excessive freights on the Australian coast in comparison with the freight from England on cement.

Evidence was placed before your Commissioners that the low freight rate on cement from England is due to the fact that it comes out as ballast, and can, therefore, be carried cheaply. This fact has already been recognized by the Tariff Board, and a "dumping" duty has been placed on imported cement under the provisions of the Customs Tariff (Industries Preservation) Act.

CONCLUSION.

Your Commissioners are of the opinion that the high freights on cement on the Australian coast, by comparison with the "ballast" freight upon imported cement, cannot in any way be said to be due to the operations of the Navigation Act, and no assistance in this connexion can be rendered to the Australian cement producers by means of any amendment of the Navigation Act. In view of this fact, and also in view of the action taken by the Tariff Board, your Commissioners cannot make any recommendation.

(b) *Fruit and Vegetable Export Trade.*

The Queensland fruit and vegetable export trade is of considerable and increasing proportions. About 90 per cent. of this export is carried by special fruit trains, which run to Sydney and Albury, and recently this service was carried to Melbourne.

Representatives of the fruit industry claimed that the lack of suitable shipping accommodation is responsible for the inauguration of the fruit-train traffic. It is also claimed that the lack of cargo space for the interstate export of bananas was one reason perhaps for the banana-growing industry declining in North Queensland, and increasing in the south, where railway facilities for getting the fruit to market are available. In short, the railways, by offering better facilities, took the fruit trade from the coastal vessels.

As against this argument, there is abundant evidence that the inauguration of the fruit trains from Queensland to New South Wales and Victoria has been most successful, and, no matter what cargo accommodation was offered to the fruit industry, the railways would still be favored by the growers, on account of the latter entailing less handling, and providing a quicker journey for the produce to reach the markets, and a better distribution of the supply. This has been admitted in evidence by the growers themselves.

There is one branch of this industry, however, which is almost wholly dependent on shipping for the marketing of its products, and that is the tomato and cucumber export from Bowen. The growers in the Bowen district state that not only do they receive insufficient shipping service, but their produce is handled in such a manner as to deteriorate a considerable quantity of it.

In 1922 there were exported from Bowen about 136,500 packages of fruit and vegetables, the bulk of which went to Sydney. There is one boat from Bowen per week. This vessel also carries other cargo, and it is stated that the fruit is often placed with hides, tallow, and similar cargo, which seriously affects the condition of the fruit.

It is also claimed that the service is not frequent enough during the fruit season. Most of the fruit has to be picked in a green state, so that it will stand a week's journey. With one week between shipments a great deal of fruit becomes over-ripe, and is wasted.

CONCLUSION.

Your Commissioners, while admitting that there is a certain wastage of fruit by careless handling, are also sensible of the fact that in every branch of fruit export somewhat similar conditions occur. At the present time, experimental work is being carried out in England and Australia to devise means by which all kinds of fruit may be carried by ship without deterioration. The tomato and cucumber industry of Bowen undoubtedly suffers loss in the carriage of produce to Sydney, but your Commissioners are not prepared to assert that the Navigation Act is to

blame. The percentage of loss has not been greater since the coming into operation of the Navigation Act, and it was not suggested that the service was in any way less adequate than prior to its proclamation.

(c) *The Meat Industry.*

The chief grounds of complaint made by the meat industry against the Navigation Act are (a) that there is insufficient space on the interstate boats for requirements, and (b) the permit system is not expeditious enough to enable consignors to secure the business offering.

During the past two years the demand in southern states for Queensland chilled meat has been very great. This demand varies considerably, and at times the interstate vessels can deal with requirements; but, on the other hand, on several occasions, owing to serious meat shortage in New South Wales and Victoria, the demand for Queensland meat has been so great that the insulated space on the interstate vessels has been totally inadequate.

To meet these abnormal demands "permits" have been issued by the Deputy Director of Navigation, Queensland, to enable oversea vessels, which are not "licensed" under the Navigation Act, to carry meat to Sydney and Melbourne.

Although to some extent the issue of these "permits" has met the requirements of the industry, it is contended that the Navigation Act constitutes a restraint of trade. The evidence of the representative of the Australian Meat Council puts the objection clearly, as follows:—

L. W. Davies, representative of the Australian Meat Council

8305. In what way does your Council consider that the Navigation Act affects the meat industry?—At present it is a hindrance to the interstate trade in frozen meat in so far as we are not allowed to ship refrigerated cargo by oversea vessels unless a permit is obtained, and you cannot get a permit unless there is no space available in the interstate boats. The space by the interstate boats is not sufficient for the trade, and you do not know whether you can get the permit until the last minute. Therefore, you cannot do any forward business. So far as Queensland is concerned, all the permits are given to Brisbane, and in June you cannot make a sale for delivery in August except subject to freight. Last winter we could have done a lot more business only we could not guarantee delivery. Several times we were short of beef, whereas, if we could have made forward arrangements, we could have had it coming all the time.

On this question the representatives of the interstate shipping companies produced figures showing that in normal times only a small percentage of their refrigerated space is required, and that it was only during 1923, when there was an abnormal demand for chilled meat in Victoria and New South Wales, that they were unable to cope with the requirements of the industry.

The representative of the meat industry admitted that this abnormal demand for refrigerated space only took place for one or two months in the year, that the meat market is constantly changing, and it is impossible to say, even approximately, what amount of space will be required. In view of this uncertainty, it is claimed by the interstate shipping companies that it is unreasonable to expect them to provide, at very great cost, refrigerated space for an unknown quantity of meat which may or may not eventuate, particularly in view of the fact that for the greater part of the year only a small percentage of their refrigerated space is taken up.

It is admitted that in no case has the application for a permit to carry meat from Queensland been refused, and a statement was tabled by the Navigation Department that between 8th May, 1923, and 25th October, 1923, no less than 35 permits were granted, by which about 2,500 tons of meat were conveyed to southern ports. But while this fact is admitted, the meat industry claims that the permit system fails by reason of the fact that sufficient notice cannot be obtained as to whether space will be available. The evidence of the representative of the meat industry is as follows:—

8306. Could you not have informed the Controller of Shipping that the quantity of meat you had ordered forward could not have been shipped by the interstate boats, and could you not then have made arrangements forward with other vessels?—You could not get a permit forward. It is not practicable that way. You do not know whether you can get the space for forward delivery, and we do not know until the last minute whether we can get a permit forward.

8307. You contend that the insulated space on the interstate boats was inadequate for the trade available last season from Queensland to southern ports?—Most inadequate.

8308. And it was not possible to get forward permits?—It depends how far forward. Certainly not a month or six weeks ahead.

8309. Thereby you were not able to do the trade you would otherwise have done?—We lost a lot of trade.

8310. How much do you estimate?—Personally, I could have sold anything from 1,000 to 2,000 bodies of beef if I had been able to work on the necessary space. We did make sales of Queensland beef to Melbourne. There is a big movement of sundries all the time, and that is just as difficult as frozen beef.

CONCLUSION.

Your Commissioners are of the opinion that it is a clearly established fact that the meat producers of Queensland have suffered by reason of the operations of the Navigation Act. Large orders were lost because of the uncertainty of shipment, and the "permit" system was largely inadequate to meet the position. Not only did the producers suffer, but also the southern consumers, who not only had to pay greatly increased prices, but on many occasions, owing to

short markets, found it impossible to obtain their requirements. This position gave a quickly availed of opportunity to New Zealand competitors, and large quantities of beef from that Dominion found a ready and profitable market in Sydney and Melbourne. That this is detrimental to the interests of the Australian producers cannot be denied. The rigidity of the "coastal" provisions of the Navigation Act was almost entirely responsible for this position of affairs. But to expect the interstate shipping companies to make provision for a grossly excessive refrigerated space in normal times in order to meet a periodically recurring abnormal demand, would be just as unfair as to expect the primary producers to suffer in abnormal times because their space requirements were so much greater than normally. Your Commissioners are of the opinion that the solution which they propose in their "General Recommendations" is the only practical way out of the difficulty.

(2)—SOUTH AUSTRALIA.

The main complaint in South Australia was in connexion with the Spencer's Gulf and Eyre's Peninsula shipping services, but as these ports are served by intra-state vessels over which the Navigation Act has no jurisdiction. Your Commissioners consider that this matter does not come within the scope of their inquiry. It is, however, an interesting example of how the interstate shipping combine allots sectors of the Australian coast to the companies comprising the combine. It is not seriously suggested that the Navigation Act was responsible for the formation of the interstate shipping combine, which existed many years before the Act, and would no doubt remain if the Act were repealed. Neither is it asserted that a shipping combine has a sinister meaning. The time to abuse combines has gone by. They are the result of a natural evolution in all industry.

Your Commissioners are aware that a Royal Commission has been appointed by the Government of South Australia to inquire into the Spencer Gulf and Eyre's Peninsula shipping service, and it is considered that in these circumstances, and seeing that it is really a State matter, a report on the subject by your Commissioners is at this stage inadvisable.

The only complaint from South Australia against the operation of the Navigation Act was in connexion with the timber industry. As South Australia is not a timber producing state to any great extent, it has to import a great proportion of its requirements. It was stated that the principal hardwood timbers are obtained from Western Australia and Tasmania, and that in recent years considerable difficulty has been experienced by timber merchants in fulfilling orders.

It was stated by a representative of the industry that he had great difficulty in connexion with shipments from Western Australia and Tasmania. As regards Tasmania the position was also alleged to be particularly unsatisfactory because of insufficient cargo tonnage engaged in the Tasmania-South Australia timber trade.

It was further stated that, during the year 1923, there had been an acute shortage of timber space for timber between Western Australia and South Australia, and the merchants of Adelaide stated they had great difficulty in supplying orders in consequence.

Evidence was also given in Hobart of unsatisfactory timber cargo space with Port Adelaide.

It was not suggested by the representative of the Adelaide Timber Merchants that the question of the ruling freights on timber was the cause of hampering their operations (Questions 5432-3).

As against the statement that there was a shortage of timber space from Western Australia, it was admitted that this shortage was only temporary, and as a rule all supplies required from that source could be obtained (Question 5374). It was further admitted by an Adelaide timber merchant that "the timber industry has not been affected by the Navigation Act" (Question 5376).

In regard to Tasmania this witness stated that the Navigation Act had in no way interfered with the sales of Tasmanian timber in South Australia (Question 5416). He said—"I think we are selling more" (Question 5415).

CONCLUSION.

Your Commissioners are of the opinion that the trade industry and development of South Australia has not been seriously affected by the operations of the Navigation Act. Certainly, in the timber industry, some temporary inconvenience has been caused by difficulties of shipment, but there was no evidence to show that this inconvenience would not have arisen had the Navigation Act not been in operation.

(3) TASMANIA.

(a) Shipping Services to Hobart.

In regard to complaints from Tasmania, these were limited to Hobart and the west coast port of Strahan. There were none from Launceston, which enjoys a regular passenger and cargo service with Melbourne, and it was admitted that so far as the north-west coast ports of Burnie, Devonport, Ulverstone, and Stanley are concerned, the interstate service is ample. It is asserted by the manager of the State Steamship Service of Tasmania, that this good service to the north-west coast is due to the competition of the shipping companies with the state-owned steamers, but the fact remains that there are no shipping complaints from that part of Tasmania.

Tasmania is in an entirely different position from any of the other states, in that it is solely dependent on sea-carriage for cargo and passenger communication with the mainland, and it is out of the route of ordinary coastal shipping.

As before stated, the "storm-centre" of complaint is Hobart. The complaint is a bitter one from all sections of the community, and has brought about a feeling in Hobart that Commonwealth legislation threatens the economic welfare of Tasmania, causes the state to suffer in various ways, and hampers it in its natural competition with the other states.

The chief ground for this feeling is the cessation of shipping services that existed prior to the war.

Before the war Hobart had an excellent direct weekly service with Melbourne, provided by large vessels of about 6,000 tons, which did the round trip New Zealand-Melbourne-Hobart, and then Hobart-Melbourne-New Zealand. This was a very regular passenger and cargo service. There was also a regular passenger and cargo service from Hobart to Melbourne, via Strahan, which provided direct communication to enable Hobart to do business with the mining districts of the west coast. There was also a weekly passenger and cargo service between Hobart and Sydney, the run being New Zealand-Sydney-Hobart, and Hobart-Sydney-New Zealand.

There was also a direct fortnightly service from England to Hobart provided by vessels of the New Zealand Shipping Company and the Shaw Savill and Albion Steamship Company. These vessels ran fortnightly, bringing cargo and passengers from London to Hobart in 43 days, which made Hobart the transshipping port for a great number of passengers for the other states. These vessels brought hundreds of passengers, including numbers of immigrants for New Zealand, all of whom spent one or two days at Hobart.

In addition to these services the mail steamers, which visited Hobart between February and May to lift fruit for the English market, carried passengers between interstate ports and Hobart, and built up thereby a profitable section of the Tasmanian tourist business.

It is also asserted by the fruit importers that vessels of the P. and O. line, which used to call at Hobart to lift small quantities of fruit for London, no longer call because previously the passengers carried between Sydney and Hobart paid the running costs of the vessels and enabled them to visit Hobart. It therefore no longer pays the P. and O. vessels to pick up fruit at Hobart unless they go there to lift a substantial cargo.

There is no doubt that these services have ceased, and the reason for the cessation must first be considered.

It was asserted by nearly all the Hobart witnesses that the Navigation Act prevented the continuance of the services between Hobart and New Zealand via Sydney and Melbourne. There was considerable evidence placed before your Commissioners that the Navigation Act was responsible. The Melbourne-New Zealand and Sydney-New Zealand services still continue—why is Hobart omitted? It is claimed that Hobart is omitted because the fact of calling at Hobart would constitute "coastal trading," and the vessels calling, in order to carry cargo or passengers, would have to "license" under the Navigation Act and incur all the conditions and expenses attendant thereto.

The same argument is applied to the discontinuance of the Hobart-Strahan-Melbourne service. To continue that service would mean that the vessel would have to be "licensed," and so the service has ceased.

It is alleged by most of the Hobart witnesses that the result of the cessation of these pre-war services has had a serious effect on—

- (i) The tourist traffic.
- (ii) The timber industry.
- (iii) The fruit industry.

(i) THE TOURIST TRAFFIC.

Tasmania is a favorite summer tourist resort for Australia. It caters for tourists to a greater extent than most of the other States. The value of the tourist traffic is considerable. By means of propaganda and advertising, the number of tourists who visit Tasmania is still maintained, but it is claimed that the fact that the mail steamers visiting Hobart to pick up fruit are no longer permitted to carry passengers by interstate boats, prevents a great number of a wealthy class of tourists from the other States going to Tasmania.

Before the Navigation Act operated there tourists came by what was known as the "apple trip." They could travel during the apple season by mail steamer between say Sydney or Brisbane-Melbourne-Hobart, and return by another mail steamer. It is contended that these vessels began to build up a separate branch of the tourist traffic. It is claimed that most of those people do not now visit Tasmania, because they desired comfortable travelling which, it is stated, is denied to them by the present facilities, consisting of comparatively small coasta vessels with frequently crowded accommodation, and the Launceston-Hobart railway.

According to statistics placed before your Commissioners, 500 people visited Tasmania by means of the "apple trip" in 1913, and in 1914 this number increased to 1,000. It is claimed that the number of wealthy tourists was increasing, and that this branch of the traffic was being built up when the war stopped it, and the Navigation Act prevented its revival.

As against this argument, evidence was furnished by the representatives of the interstate shipping companies that the service provided by them is ample, and for more than half of the year their vessels from Sydney to Hobart, and Melbourne to Launceston, have a great percentage of empty passenger accommodation. This is proved amply, but evidence was also brought forward that during the tourist season these vessels are always full, and are crowded to a great extent—that intending tourists are offered second-class accommodation and "shake downs" or payment of first-class fares, with the result that many people who will travel in comfort or not at all no longer visit Tasmania.

In regard to this complaint that the tourist traffic of Tasmania has been vitally affected by the prevention of mail boats from carrying interstate passengers, it is admitted by witnesses and shown by statistics that prior to the Navigation Act the number of tourists arriving at Hobart by mail steamers was insignificant compared with the numbers arriving by interstate vessels. The witnesses claimed that the practice or habit of wealthy people from other states visiting Hobart by mail steamers was in its infancy, and if it had not been for the Navigation Act, the numbers would have been largely increased. This is purely supposition.

Statistics were also produced by the State Government Statistician, showing that the number of tourists visiting Tasmania was back to the pre-war level, and further evidence was given that the tourist season at Hobart for 1924 had every promise of being a record.

Figures were placed before your Commissioners showing a large percentage of empty berth accommodation in interstate passenger vessels to Tasmania, and it was shown that only during holiday rushes were the vessels taxed to full capacity. The Companies admitted this overcrowding in the Christmas rush to Tasmania, but pointed out the obvious fact that all means of transport are crowded at holiday periods, and a ship cannot put on extra berths as a train puts on additional carriages.

CONCLUSION.

In regard to the effect of the Act on the tourist traffic to Tasmania, your Commissioners are of the opinion that whilst Southern Tasmania has undoubtedly been affected by the operations of the Navigation Act, so far as its tourist traffic is concerned, it has not suffered to nearly the extent imagined by the people of Hobart. Nevertheless, Tasmania is dependent to some degree upon the tourist traffic for its prosperity, and anything that militates in any way against the growth or acceleration of this traffic is detrimental to the state's welfare. The Commonwealth cannot afford to have any considerable portion of the people of any state smarting under what they believe to be an injustice, and something should be done to remove this impression. If the people of Southern Tasmania are so firmly convinced that the few hundred tourists who would come to Hobart each year per medium of the mail boats (if such ships were permitted to carry them) constitute the bridge of prosperity, then provided too great a sacrifice of principle is not involved, such a traffic should not be prohibited. Your Commissioners in their "General Recommendations" indicate a means by which this may be done, without any material injury to the Australian Mercantile Marine.

(ii) THE TIMBER INDUSTRY.

The representatives of the timber industry of South Tasmania laid their case against the Navigation Act before your Commissioners, and this case was divided into two sections; first, the demand for cheaper freight; and second, the demand for better shipping facilities to place timber on the markets of the mainland and in New Zealand.

With regard to the demand for cheaper freight to the mainland, the complainants' argument really amounted to a demand for higher protective duty. It was admitted that if freights were brought down to pre-war level, the Tasmanian industry could not successfully compete in other states with cheap foreign timbers.

The case for greater protection for the Tasmanian timber industry was put forward well, but, as it does not come within the scope of this inquiry to deal with tariff matters no further comment is necessary.

With regard to the complaint concerning the lack of shipping facilities for the timber of South Tasmania, evidence was placed before Your Commissioners that since the Navigation Act came into force the timber trade of Tasmania with New Zealand has practically been lost. A good timber market for Tasmanian timber existed there. The lack of shipping facilities killed the market, and the only export to New Zealand is by an occasional vessel. The same evidence was brought forward in regard to Adelaide. There is a big market at Adelaide for Tasmanian timber, as South Australia has practically no timber production, and relies on Western Australia and Tasmania for its supply. Evidence was placed before Your Commissioners that contracts could not be obtained in South Australia because shipping facilities were not reliable.

The evidence on this matter was very strong, and statements were made that the timber trade with New Zealand had ceased to exist, while with South Australia the trade is severely hampered by irregular and insufficient cargo space.

In regard to New Zealand, the representatives of the shipping companies asserted that vessels were provided to take timber to New Zealand when sufficient cargo was offering. He further stated that in 1923, 1,114,000 super feet were shipped from Hobart to New Zealand. Similar statements were made in regard to cargo tonnage to South Australia—in short, when a shipment of timber is ready a boat will call.

Your Commissioners are of the opinion that this irregular service is not at all satisfactory, and makes it almost impossible for timber-millers to accept "rush" orders, or contracts which specify delivery within a certain specified and reasonable time. There seems little doubt that for the greater part of the year the amount of cargo space for timber from Southern Tasmania is sufficient. The shipping companies produced evidence that vessels calling at Hobart for timber were often unable to obtain a full cargo. But at least two timber merchants of Hobart stated that they could not fulfil contracts in other States because space was not available when required.

It might fairly be contended that it would not be reasonable to expect a vessel to be always ready to pick up timber for one consignor, when there might be no other timber offering, and even if a full load were offering the voyage might be unprofitable to the ship-owners if no return cargo were available at the port of destination of the timber.

In any case, to abolish the Navigation Act, as is suggested in Tasmania, would not abolish the grievance. It could not of itself provide a remedy; for these things happen in all countries with or without a Navigation Act.

(iii) THE FRUIT INDUSTRY.

Representatives of the fruit industry stated that while there is sufficient tonnage to lift Tasmanian fruit for the English markets, the class of ship which comes to Hobart is not so suitable for the carriage of fruit as the mail steamers which, by reason of the Navigation Act, do not call at Hobart for cargo except under contract to lift a full shipment.

It is asserted that the reason why these vessels do not come to Hobart for as little as 7,000 cases is that prior to the Navigation Act, when they were able to carry passengers to Hobart, the fares of the passengers paid the running costs of the vessel between Sydney and Hobart. It now no longer pays to visit Hobart for anything but a substantial load of fruit.

It was claimed that the reason why the mail steamers gave a more satisfactory service is that they run to a time-table, and this regular service enables definite contracts for sales to be made. In addition, the small and regular shipments by the mail steamers kept stable the London market, and enabled good prices to be realized, making up for lower prices obtained for the big shipments.

As against these allegations the export figures show that during the year 1923 the amount of fruit exported to England from Tasmania constituted a record. The growers and exporters of fruit admitted that there was ample tonnage. The Commonwealth "Bay" Liners give a quicker service to London than ever the mail steamers gave.

CONCLUSION.

Your Commissioners are of the opinion that while it is undoubtedly true that it was a great convenience and some advantage to Tasmanian growers to ship small consignments of apples to England by mail steamers, this quantity was only a small proportion of the total exports, and could not materially affect the position. The real motive underlying the demand for the exemption of the mail boats from the Navigation Act, springs not from a desire to assist the fruit growers but to encourage the visits of the wealthy tourist who prefers to travel in all the luxury and ceremony of an ocean liner, rather than in an ordinary interstate boat.

(b) Tasmania Generally.

There were no complaints against the Act from the North-west ports, which enjoy good shipping services. Generally speaking, the case put forward by Hobart against the operation of the Navigation Act was not convincing. Certainly the port of Hobart, for reasons arising

out of the War, the Navigation Act, and the cutting of the Panama Canal, lost certain oversea and interstate shipping services, which it previously enjoyed. In those cases where the interstate services have been curtailed it was shown clearly by the shipping companies that the trade did not warrant the continuance of the service. This referred to the Hobart-Melbourne, Hobart-New Zealand, and Hobart-Strahan-Melbourne services.

A dispassionate witness in Tasmania was the State Government Statistician, whose evidence was interesting. He stated that Tasmania was not seriously suffering by reason of the Navigation Act, and that the outcry against the Act bordered on exaggeration, and was a symptom of a bad disease. He stated that Tasmania was in such a desperate financial plight that the people had to blame something, and in Hobart one of the chief objects of abuse was the Navigation Act.

The Statistician described the reasons for Tasmania's financial condition as follows :—

It is a very old story. Tasmania is a rough, mountainous country, and rough, mountainous countries are never naturally rich countries. Take, for example, Scotland and Norway. The rich countries have plains. Tasmania's natural lot was hard work and plain living, and she realized it to some extent fairly early, and kept expenses down, but the other States of Australia which had more potentialities of easy wealth, with more of the plain country, had not that necessity. It is no use talking about fertile soil when the expenses of production and transport are so high as to counter-balance that advantage. Tasmania has had to keep its belt buckled tight, though it has felt that it ought to be able to expand, and do what the other States do. When the possibilities of raising loans came along in the 80's the mineral wealth of Tasmania began to be exploited at the same time. The two things together enabled Tasmania to expand, and if the State could not keep up to the level of the other States it could do much in the way of building railways, roadways, hospitals, and so on. She was enabled to do that on the loan policy, and on her mineral wealth, but loan policies come home to roost and mineral wealth becomes exhausted. Our mineral wealth has been steadily going down all this century, and about 1910 it began to be clear that Tasmania was going to get into a bad position, because the interest on loans was piling up, and her mineral wealth was becoming less productive. There was a good deal of feeling about it, and, in 1914, we were almost ripe for taking action in the way of putting our finances in a good position. Then came the war, and this problem of drastic retrenchment was postponed because of the war. The war was made an excuse for postponing an unpleasant job. The position all the time was getting really worse. But we had a boom in metal prices which helped things, and the soldiers' pay and separation allowances also helped, so people thought that things were going well. Then we had the after-the-war boom when everything went swimmingly, and it was only during the last two or three years that we began to realize how bad the position was. We had the expense of soldier settlement, which fell to a great extent on the States. The interest on loans got very heavy, and the mineral production fell to about one-third of what it was at its best. It is not only a Government financial question. It is not a question of the Government putting on taxes and getting money from the people; the people are relatively poor. They have these obligations of the past to carry, and it is almost impossible for them to carry on. That is why we feel inclined to blame anything we can.

This opinion was supported by statistics. It is quoted because it clears up a great deal of misconception in regard to the question of what is wrong with Tasmania.

The causes of Tasmania's troubles are quite obvious to even the casual observer, but they do not come within the scope of this inquiry.

(4) WESTERN AUSTRALIA.

(a) Primary Production.

The chief complaint in Western Australia was in connexion with primary production, it being claimed that the Navigation Act was acting detrimentally to the interests of the primary producer.

It was alleged that the Navigation Act, while maintaining high freights on the primary products exported, also penalized the imports required for production, such as agricultural implements, fertilizers, &c. Thus, the Western Australian farmer is handicapped in the eastern markets with the primary producer of the eastern states. For example, it was stated that owing to high freights, fertilizer was 7s. per ton more in Western Australia than in South Australia, and wire-netting and fencing wire were 42s. 6d. per ton more in Western Australia than in New South Wales, where wire-netting is manufactured. (Questions 859, 886.)

Not only is this fact stressed in Western Australia, but the handicap to which the states far removed from the large industrial centres are subjected to is admitted by the manufacturers. The manager of H. V. McKay Ltd., manufacturers of agricultural machinery, pointed out that the freights may not be exorbitant, from the point of view of shipping companies' profits, but they are too high for the man who has to pay them.

Nobody will deny that the primary producers of Western Australia are handicapped by having to pay higher freights on the means of production, but it may be argued that the reason for this is the geographical position of the state in relation to the chief manufacturing centres of Australia.

Another factor which must have an influence on freights to and from Western Australia is that the imports to that state from the eastern states are more than three times the exports. The result is that there is a shortage in back-loading from Western Australia, which considerably adds to the cost of sea carriage.

With regard to the complaint concerning the lack of shipping facilities for the timber of South Tasmania evidence was placed before Your Commissioners that since the Navigation Act came into force the timber trade of Tasmania with New Zealand has practically been lost. A good timber market for Tasmanian timber existed there. The lack of shipping facilities killed the market, and the only export to New Zealand is by an occasional vessel. The same evidence was brought forward in regard to Adelaide. There is a big market at Adelaide for Tasmanian timber, as South Australia has practically no timber production, and relies on Western Australia and Tasmania for its supply. Evidence was placed before Your Commissioners that contracts could not be obtained in South Australia because shipping facilities were not reliable.

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It was alleged that the Navigation Act, while maintaining high freights on the primary products exported, also penalized the imports required for production, such as agricultural implements, fertilizers, &c. Thus, the Western Australian farmer is handicapped in the eastern markets with the primary producer of the eastern states. For example, it was stated that owing to high freights, fertilizer was 7s per ton more in Western Australia than in South Australia, and wire-netting and fencing wire were 42s fid per ton more in Western Australia than in New South Wales, where wire-netting is manufactured. (Questions 859, 886.)

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Nobody will deny that the primary producers of Western Australia are handicapped by having to pay higher freights on the means of production, but it may be argued that the reason for this is the geographical position of the state in relation to the chief manufacturing centres of Australia.

Another factor which must have an influence on freights to and from Western Australia is that the imports to that state from the eastern states are more than three times the exports. The result is that there is a shortage in back-loading from Western Australia, which considerably adds to the cost of sea carriage.

CONCLUSION.

Your Commissioners are of the opinion that Western Australia is undoubtedly at a greater disadvantage than any other state by reason of the operation of the Navigation Act. Prior to the opening of the East-West Railway, in 1917, it was dependent entirely upon sea carriage for its communication with the rest of Australia. So far as primary production is concerned this still obtains. All the farmer or grazier requires comes by sea, and all he exports goes by sea. Anything, therefore, that tends to give him in any way a restricted shipping service is against his interests. The effect of the Customs Tariff is to make him dependent upon the eastern States for almost all his requirements. The Navigation Act limits the carriage of these requirements to ships registered under the act, i.e., the ships of the interstate shipping companies. The carriage of his supplies are subject to their pleasure, their convenience, and their demands. He may consider himself unjustly treated by these companies, but the Navigation Act says that he cannot use any other means of sea carriage. He cannot, as the fruit-grower of Southern Queensland did in a similar emergency, use the railway as an outlet. His geographical position precludes this. It is not to be wondered, therefore, that the primary producer of Western Australia complains bitterly of the provisions of the Navigation Act which prevents him from using the many oversea vessels which call at Western Australia *en route* to the eastern States. That he cannot do so does to an extent impose a brake upon his progress and development. The Commonwealth certainly has the constitutional, but has it the moral right to impose this limitation upon him? The development of Western Australia, and the settlement of its vast areas, are matters of vital moment to Australia. Are we justified in hindering this process by means of the prohibition clauses of the Navigation Act? Cannot some means be found whereby, while adequately protecting the shipping industry, the convenience of using when required the oversea shipping calling at Western Australian ports can be conserved to the Western Australian producer? Your Commissioners believe this can be done, as outlined under "General Recommendations."

(b) *The Timber Industry.*

With regard to the timber industry of Western Australia, complaints were placed before the Commission in regard to—

- (i) High timber freights; and
- (ii) Irregular cargo service and insufficient space.

(i) *High Timber Freights.*—Evidence was produced that the increase in timber freight from Fremantle to Adelaide was from 21s. per load in 1914 to 35s. 5d. per load in April, 1923.

It was claimed by representatives of the timber industry that these freights are adding so much to the cost of timber sent to Eastern States that the Western Australian product is hampered in competition with other timbers, Australian and foreign, with the result that the demand is reduced. This is undoubtedly true.

The chief complainants were the manager of the State Saw-mills and the Westralian manager of Millars' Timber and Trading Company. These two witnesses stated that they were dissatisfied with the freight rate charged by the Australasian Steamship Owners Federation, and negotiated with a company outside the Federation to carry timber to Eastern States at a 20 per cent. reduction in freight. As soon as the Federation heard of this, they reduced timber freights by 20 per cent. But the company with whom the timber millers were negotiating did not come into the trade, and the Federation some months later again made an increase in freight rates. Negotiations were re-opened with the company outside the Federation, and the saw-milling companies were threatened by the Federation with a "boycott" if they entered into an arrangement with this company's steamers.

These statements were borne out by other witnesses, and the allegations are not denied. It appears that the Shipping Federation took steps to keep the trade from falling into other hands. It might be fairly contended that their action was one of ordinary business, and it does not appear to have affected the position very much; but it does show the means adopted by the combine when competition arises.

The manager of the company mentioned, which is outside the Federation, stated that he is at the present time sending vessels to Western Australia for timber. He was asked whether he reduced freights below those of the Federation. He replied "I think that I charged a little less."

The Westralian managing director of the Karri Timber Company stated that he had no grievance against the Navigation Act or the Shipping Federation. The shipping services were adequate and their freights reasonable.

It is admitted by all parties that since the Navigation Act became operative, timber freights from Western Australia have not increased; they have been reduced. While this fact is admitted

it was claimed by the manager of the State Saw-mills that if it were not for the Navigation Act he could charter tramp steamers at a cheap freight rate. He admitted that he had never done so prior to the Navigation Act, and no evidence was produced that such a course would be practical.

CONCLUSION.

Your Commissioners are of the opinion that while it is a clearly established fact that a substantially increased timber export business could be developed with the Eastern States, given a substantial decrease in freights, together with an augmented service, there is no evidence to show that the freights at present charged by the interstate companies are in any way excessive from the standpoint of resultant profits and from the working costs of maintaining the service. It has not been established that the rate charged by the Patrick Steamship Company is a payable one, and the indications are that it amounts to a temporary "cut" for the purpose of establishing a connexion. It may be true that tramp steamers could be chartered at substantially lower rates than those prevailing on the interstate boats, but these could only be from overseas as the necessity for bringing such ships into conformity with the provisions of the Navigation Act practically makes any such action prohibitive. Your Commissioners cannot make any recommendation for the relief of this industry in particular, but are of the opinion that the proposal contained in their "General Recommendations" will at least ensure that freights will, in those circumstances, not be more than a fair rate, and that adequate shipping will at all times be made available as required.

(ii) *Irregular Cargo Service and Insufficient Space.*—Evidence was placed before the Commission that during 1923 the amount of space for timber from Western Australia to eastern States was insufficient, and there was a large accumulation of timber awaiting shipment. The manager of the State Saw-mills showed that, although he had large stocks of timber waiting to be lifted, he sent none to eastern States between May and August, 1923.

When this Commission was appointed, this complaint was being investigated by the Select Committee, and at first sight it seemed to involve a serious charge against the interstate shipping companies.

The Commission fully investigated the matter and found that the main complaint had its origin in the freight dispute mentioned under the preceding heading of "High Timber Freights." The majority of the timber millers of Western Australia negotiated with a shipping company outside the Federation to lift their produce at a 20 per cent. reduction in freight. The Federation reduced rates by 20 per cent. Twelve months later the Federation raised timber freights by about 12½ per cent. The timber millers at once re-opened negotiations with the outside shipping company. While negotiations were proceeding, the millers declined to use the Federation ships—hence the accumulation. The matter was put quite frankly by the manager of Millars' Timber and Trading Company, as follows:—

Over a period of years the coastal companies have lifted all the requirements of the trade. The present position, I think, is partly due to the coal strike, which resulted in a fewer number of steamers coming from the east to the west. It is also partly due to our own fault, because in April the coastal companies increased the rates of freight on timber to the eastern states by about 12½ per cent. We objected to that very strongly, and endeavoured to obtain alternative steamers to take our timber. We were in negotiation with other people and thought that we had made arrangements to ship at a lower rate of freight than that at which the coastal companies were willing to accept our timber. During that period when we were negotiating we refused to ship with the coastal companies. A certain amount of the accumulation is due to that fact. There is also accumulation because of the fact that we have a great many orders for the eastern states which have been booked during the last few months. That has resulted from a reduction in the price of timber, which led to a greater demand being forthcoming.

The Karri Timber Company had no dispute with the Shipping Federation. The local managing director of that company stated that he had no complaints of alleged inadequate space. He had all the space for interstate ports that he required.

CONCLUSION.

Your Commissioners are of the opinion that the conditions in the timber industry in regard to shipping space is a further exemplification of the position as set out under the heading of "Primary Production". The timber industry of Western Australia is not developing as it should, because of the "prohibition" clauses of the Navigation Act. Some way must be found of adequately protecting the shipping industry in conformity with the declared national policy, without at the same time unduly injuring other industries. Your Commissioners are confident that this can be done if the proposal outlined in "General Recommendations" is adopted.

(c) *The Decline of Albany.*

Complaints were brought forward at Albany that the shipping services from that port to eastern States is inadequate. Before the war there was a weekly interstate service between Albany and eastern ports. The regular White Star liners and casual oversea steamers also called at Albany, and carried passengers to eastern States.

During the war, and the "control" period, the shipping services of Albany with eastern states were curtailed, and have never been restored to pre-war standard. At present the interstate service consists of one boat per month, which carries passengers and cargo, and one cargo vessel per month. The prevention of oversea steamers carrying passengers to eastern States is certainly due to the Navigation Act. It is claimed that the reduction in interstate services is also due to the act, which has given a virtual monopoly to the interstate companies, with the result that they supply a service totally inadequate to the needs of the district served by the port of Albany. It is asserted that as a result of this decrease in shipping facilities the port has declined.

There is no doubt that the construction of the Trans-Australian Railway took away a great deal of passenger carriage from the vessels of the interstate companies, and resulted in some decrease in services. An average of about 30,000 persons per annum travel over the Trans-Australian Railway, and before the construction of the line these 30,000 people would have been forced to travel by steamer to and from Western Australia.

Evidence was placed before the Commission that the following factors have also played a part in the decline of Albany :—

1. The improvement of the ports of Fremantle and Bunbury, and the construction of railway lines to Bunbury from areas previously feeding Albany.
2. The diversion of most of the overseas liners from Albany to Fremantle, the result being that the colliers from Newcastle go to Fremantle instead of Albany.

With regard to the statement by the business community of Albany that the shipping services are inadequate for the requirements of the port, the representative of the interstate companies showed that for some months a fortnightly service was inaugurated on the representations and requests of the people of Albany, but that the results did not warrant its continuance. On the last trip of the fortnightly service six passengers only were carried from the eastern States. With regard to cargo, an average of about 270 tons is brought to Albany each trip, and the average outward cargo is about 170 tons. Increased cargo facilities have never tended to increase the amount of cargo offering, and the interstate shipping companies contend that a more frequent service would mean a serious loss to them.

CONCLUSION.

Your Commissioners are unable to find that Albany's troubles are due to any great extent to the operations of the Navigation Act. This port has not yet re-adjusted itself to the changed conditions brought about by the opening of the Trans-Continental Railway in 1917. That line took away from Albany its interstate importance from a shipping point of view, and it must now remain dependent for its prosperity upon its own surrounding territory. Its imports must be for and its exports from this territory only. In this way, it has been thrust back into the position held by many similar ports in the other States. It at least has the advantage over them of one interstate boat per month. The assertion that the Navigation Act is the responsible factor for the position in which Albany finds itself to-day is not established by the facts. The tendency is for Albany to be relegated to the position of Portland (Victoria) and other similar ports on the Australian coast, and it is useless to endeavour to restore it to the fortunate position, which it once enjoyed, of being the first and last port of call in Australia for oversea vessels. The growing population and importance of Fremantle, together with its close proximity to the capital of the State, has made it inevitable that it must be the chief port of the State.

(d) *The Decline of Geraldton.*

The Chairman of the Tariff Board (Mr. Oakley) stated that the Navigation Act had deprived Geraldton of its "former splendour." The Commission visited Geraldton, and found little evidence to support this statement. It was admitted by the witnesses of Geraldton that the port declined years before the Navigation Act. The reasons for the decline appear to be :—

1. The closing of the Murchison Goldfields, for which Geraldton was the port.
2. The extension of the Wongan Hills Railway line resulting in the diversion of all goods to and from the Murchison to that railway line.
3. The low freight rates of the Midland Railway Company, in competition with the State railways, resulting in most of the goods between Geraldton and Perth being carried by rail.

(c) *The North-West Ports of Western Australia.*

The service between Fremantle, the north-west ports of Western Australia, and Singapore, was established in 1883. The service built up an important trade, and four vessels are at present engaged on this route. They belong to the Ocean Steamship Company and the West Australian Steam Navigation Company. These are overseas companies, for which Dalgety & Co. are the agents. Their vessels carry coloured crews and white officers. They trade on the Australian coast by reason of permits granted under section 286 of the Navigation Act. They maintain a regular service from Fremantle to Singapore, calling at Geraldton, Carnarvon, Onslow, Port Sampson, Port Hedland, Broome, and Derby.

These steamers have good passenger accommodation, and carry monthly an average of 980 tons of cargo for discharge at various north-west ports. On the Southern voyage they carry during the year about 9,000 bullocks and 20,000 sheep for butchering for the metropolitan market. In addition, from Derby to Singapore each voyage, they lift from 150 to 200 bullocks and about 1,500 sheep for the Singapore market. They also carry to Singapore regular consignments of sandalwood, flour, fruit, chaff, oats, hay, potatoes, and beer, &c., to Java and Singapore, and pearl-shell, wool, and ore for transhipment to European ports.

In 1911, the State Government of Western Australia established a service on the north-west coast, to carry cargo and passengers, as well as live stock. This service consists of two boats, the oil driven vessel *Kangaroo* and the s.s. *Bambra*. The *Kangaroo* has 300 tons of insulated space, and trades, in addition to the north-west ports, with Java and Singapore. The *Bambra* trades from Fremantle to Darwin.

The State service is run at a considerable direct loss, but it is admitted by the manager of Dalgety & Co., agents for the permit ships, that the *Kangaroo* is necessary for the Java and Singapore trade.

During the 40 years since the establishment of the service by the private companies, these vessels, carrying coloured crews, have given a regular and for the most part efficient service on the north-west coast, and have, at the same time, developed a very valuable reciprocal trade with Java and Singapore.

The evidence of those persons most vitally interested in the development of the north-west of Australia was unanimous in the opinion that it would be disastrous to take away the "permits" from these boats. If these "permits" were terminated, it is very doubtful whether the boats would continue to trade with the north-west ports and from the evidence it seems fairly certain that this line would trade, if at all, direct from Fremantle to Java and Singapore.

The Deputy-Chairman of the Steamship Owners' Federation was asked to state whether, if the permits were withdrawn, the interstate companies would cater for the trade, and supply a fortnightly service, at the same passenger and freight rates as at present. The reply was as follows:—

Some members of the Interstate Ship-owners Federation previously had steamers running in this trade, but it was found that when the State Government Line entered the trade there was not enough trade offering for the competing lines, and the interstate steamers had, therefore, to be withdrawn. Mr. Glyde, in his evidence, stated that there is a considerable excess of shipping in Western Australia to-day, and that in the year before last there was a decrease of 42 per cent. in trade offering as compared with the previous three years. He gave further evidence to the effect that the Singapore and State steamers leave Fremantle with only 300 tons of cargo distributed between eight ports, and expressed his opinion that the north-west coast could be successfully worked with two suitable boats. As regards freights and fares, it was reported in March last that, in consideration of the Federal Government having increased the subsidy by £1,800 a year, the Western Australian Government had agreed to reduce by 25 per cent. the freights and fares on the steamer *Bambra*, which plies between Fremantle and Darwin. The whole question must be looked at from the following points of view:—(a) What trade is offering; (b) how far does the State Government intend to cater for it, provided that the permits are withdrawn; and (c) how far would the earnings be likely to cover the outgoings. If it were known definitely what are the intentions of the State Government, and whether, and to what extent, the Federal Government would be prepared to subsidize interstate steamers in a similar manner to the subsidy granted to the State steamers, members of the interstate Federation would be prepared to give most careful consideration to the question of putting a vessel, or vessels, on this trade.

From this reply it is fairly certain that, unless heavily subsidized, the Interstate Shipping Federation would not take over this service. It is obviously useless to take away permits from these vessels unless some other company is ready to supply an equally adequate service.

The development of this portion of Australia has always been a difficult problem, and any derangement of its coastal service, in view of the fact that it has no railway service, would undoubtedly have the effect of retarding its development. The present service is so arranged that it develops not only the north-west coast, but creates a very helpful reciprocal trade with Java, Singapore, and the Dutch East Indies, which trade is highly essential to the development of Western Australia.

The manager of the State Shipping Service, who views the matter dispassionately in spite of the fact that these "permit" vessels are his competitors, stated :—

S. S. Glyde, Manager of the State Shipping Service of Western Australia.

856. Would you suggest cutting out the permits from those ships?—Only assuming that others will come in and put ships on the coast. Looked at from the point of view of the State, you cannot cut out the permits until somebody else is ready to take up the job.

The president of the Pastoralists' Association of Western Australia, in his evidence, states :—

The opinion of the pastoralists concerning the operations of the Navigation Act is that it is 20 years before its time. We hold that a young country, small in population and small in trade, should be allowed all the freedom possible to develop.

We claim that the people should be given every facility to move from one State to another, every facility to move their goods or produce in the quickest and cheapest manner, to help us to develop our resources.

To inflict the Navigation Act on our north-west coast would be such a hardship that settlers would seriously wonder what they had done to deserve it.

The early days of the settlers in the north were hard enough and difficult enough, and now that facilities are being provided we do not want to see them abolished by the infliction of the Navigation Act.

Even to-day, shipping companies hardly know where they are, as I understand that the exemption granted can be rescinded by six months' notice. If the Government would say definitely that our coast would be exempt for ten years and then the matter be reconsidered, it is quite likely we would have faster and better boats on our coast.

Western Australia has such a long coast-line, and the Navigation Act would be a greater handicap upon us than upon any other State. If the Navigation Act is enforced on our coast, the ships which are now exempt would immediately leave us.

The State-owned boats are reported to have lost £78,000 on last year's operations. A private company could not afford this, and would necessarily have to cease running or vastly increase their charges, to the great detriment of the people they are now serving and those who contemplate assisting in the development of our northern areas.

Mr. R. H. Underwood, a member of the State Parliament of Western Australia, representing North-western Division, appearing before the Commissioners to express the views of all the Members of the State Parliament representing North-west constituencies, stated the following during his evidence :—

2714. You are of the opinion that if the exemption now granted were removed it would affect detrimentally the development of the north-west?—Yes. The statement of Mr. Glyde, Manager, State Shipping Service, that he could do that work with two ships is, in my opinion, incorrect. There is too much work for two ships.

2718. If the other boats were cut out, there would be no development of the trade with Java?—The Singapore boats would then trade with Fremantle direct to Singapore, and all the products from the north-west coast would have to be brought south to Fremantle, necessitating additional handling charges.

The Whim Creek Progress League made the following statement :—

If the Navigation Act be applied to this coast, it seems certain that unless other steps are also taken the ships now serving this coast and trading with Singapore will cease running.

That this would be a disastrous thing for the north-west is certain, and, presumably, not denied. The progress of settlement in the north has been extremely slow at all times. It has been entirely stagnant or retrogressive for years if the main means of communication and trading with the outside world are to be removed the result is obvious.

To apply the Act here, therefore, would not create work for white seamen. It would destroy employment for white men on land, and would injure everyone having interests here and ruin some. It would not only prevent expansion of enterprise, but would destroy part of the established industries. Mining in particular, already burdened by costly transport, would be set back still further.

When the application for permits for these "black" vessels was made, such application received the support of the Government of Western Australia, and the Interstate Shipping Companies stated that they raised no objection to the permits being granted.

The only objections now raised to the permits being continued are from the industrial organizations. The secretary of the Fremantle District Council of the Australian Labour Party stated the following in his evidence as one of the chief grounds of objection :—

2168. We view the position in this way—that while the boats manned by white labour were trading on that coast, the provisioning, the victualling, the supplying of coal, and all that kind of thing was done in this State, and provided quite a large amount of employment, with the result that a great deal of money circulated in the State. The exempted boats, generally speaking, obtain all their supplies outside the State, thus minimizing opportunities for employment and trading generally, which would be created by boats manned by white labour.

The same witness also stated :—

2340. You would like to see men working in those mines?—Certainly. The exempted boats get their supplies of coal from Singapore.

Your Commissioners are satisfied that neither of these statements are true, and that the coaling and victualling of the "permit" ships is done for the greater part and as far as possible in Western Australia.

CONCLUSION.

Your Commissioners are of the opinion that failing the adoption of the recommendation as set out at the end of this Report, the "permit" system as applied to this portion of Australia should be continued but that in order to remove the present feeling of insecurity which exists and so enable the companies maintaining the services to provide for replacements, &c., the Act should

be amended to allow of permits being granted for longer periods, say, up to five years. The problem of and the necessity for the development of the vast territory of the north-west is so great that no Government would be justified in removing or even failing to preserve any existing means of transport and communication.

(f) *The Effect of the Navigation Act on the Whaling Industry.*

Your Commissioners investigated the case of the North-West Australian Whaling Company, and found therein ground for complaint against high freights, and the effect of the application of the Navigation Act to this industry.

The North-West Australian Whaling Company is a new Company, purely Australian, which operates between Carnarvon and Onslow. The supply of whales is ample at seasons of the year, and the Company is said to be capable of supplying at least the whole of the Australian demand for whale oil.

In 1916, three Norwegian companies began operations on the Western Australian coast. They withdrew owing to war conditions and this Australian company was formed, which, in view of the withdrawal of the previous companies, needed every possible assistance.

Owing to high freights on interstate vessels, the company decided to send their 1922 output to England, and chartered a foreign sailing ship to bring out empty drums for the oil, and take them back full to England. The residue of the whales after extracting the oil was converted into fertilizer, amounting to about 280 tons. When the sailing ship arrived at the whaling station, it was found that she required about 400 tons as ballast in addition to the cargo and oil. The company asked permission to ship this fertilizer as far as Fremantle or Bunbury, discharge it there, and take timber from there to England with the balance of the available space. This request was refused, as it meant that taking fertilizer as ballast would amount to "trading on the coast." The vessel, therefore, loaded with 400 tons of sand as ballast.

Your Commissioners have no hesitation in pointing out that the stringent provisions of the Navigation Act had a serious effect upon the development of this particular industry. To meet such exceptional cases, an amendment of the Act is required, as a permit cannot at present be given to a non-British ship.

With regard to the effect of high freights on this industry, the following evidence was given by the manager for the Company :—

4616. Did you find that an excessive charge was made to carry that fertilizer down?—It all depends on what you call an excessive charge. I had to pay £1 a ton, which is reasonable from an Australian point of view having regard to the fact that the ship-owners have to pay abnormal rates of wages and overtime; and if they use their seamen as stevedores, as they do on this coast north of certain ports, not only do they pay them the seamen's wages, but they have to pay them lumpers' wages, even if they work within the eight hours. That happens at ports like Point Cloates, where there are no lumpers. All that reacts on the freight. I will give you an illustration of that. I have just sent the *Kurnalpa* up to the whaling station with a number of empty oil casks. She has to bring back a consignment of 150 tons, plus as many oil casks as she can get filled within a certain period. She cannot stay there very long owing to the wages they have to pay their men. I am paying her 3s. for each cask she carries up. I pay the Harbour Trust 1s. on each cask. I pay 4s. per cask when I purchase them. Six casks go to the ton. That means that it is costing me £2 8s. a ton. When I send them up on the ship they charge me measurement rates. I can send the oil direct from there to England at a less rate than that from Point Cloates to Fremantle. Then I have to compete in the open market. You will understand therefore that we are working under a very considerable handicap. May I use one more illustration. When I chartered the sailing ship she had quite a number of empty oil drums in which to take the oil to England. She had a couple of hundred excess drums which she landed. There was no upward freight to pay on those. I brought them down to Fremantle. Then I inquired where I could best dispose of this oil. I found that the freight to London or Liverpool was £4 per ton dead weight, and from Fremantle to Melbourne it was 45s. per ton measurement. I want to impress upon you that this was a most favorable opportunity for me to ship, because the drums were up there and I had nothing to pay to convey them. Nevertheless, it paid my company better to send that oil to Great Britain than to Melbourne.

PART V.—THE SHIPPING COMPANIES OF AUSTRALIA.

THEIR RELATIONSHIP TO ONE ANOTHER.

Your Commissioners have found considerable difficulty in finding out what is the extent of the operations of the shipping companies of Australia. Soon after Your Commissioners began their inquiry it became evident that the shipping companies had other interests, apart from shipping. In some cases they are interlinked with each other, and also have bonds of relationship in other industries. The extent of these relationships and co-partnerships has been very difficult to determine. Your Commissioners, therefore, have had to resort to official records of lists of

shareholders, which in a number of cases are incomplete and also are misleading. For example, a trustee agency or a bank may be found to hold a large parcel of shares in a company. There is nothing to show for whom these shares are held. Other "dummies" are used, consisting of officials of companies and relatives of directors.

Some facts, however, did come to light, of which the following are examples :—

- (1) The Adelaide Steamship Company holds about half the shares of the Leaham Collieries Ltd., and about 35 per cent. of the North Bulli Ltd.
- (2) Howard Smith Limited, which originally had coal and shipping interests, separated its interests, and gave its shipping branch the title of the Australian Steamships Pty. Ltd. This Company, in addition, holds controlling interests in Caledonian Collieries Ltd., Invincible Collieries Ltd., Australian Sugar Company Ltd., Commonwealth Steel Products Ltd., and Brisbane Wharves Ltd. In their latest balance-sheet this company shows that the amount invested in other companies is £2,430,000.
- (3) Several large shareholders in the North Coast Steam Navigation Company are also large holders in Burns Philp, and Company.
- (4) Burns Philp, and Company have controlling interests in the Solomon Islands Development Company Ltd. Burns, Philp (South Sea) Company Ltd., Choiseul Plantations Ltd., Shortland Islands Plantations Limited.
- (5) Huddart Parker Limited are large shareholders in the Abermain-Leaham Collieries Ltd., and also in Hebburn Ltd. (Colliery), and also hold 88 per cent. of the stock of the Metropolitan Coal Coy. Ltd.
- (6) McIlwraith, McEacharn Ltd. holds 45 per cent. of Bellambi Coal Company Limited.

There are numerous other examples of the interweaving of shipping interests with other interests, and all these examples point to the fact that the shipping companies of Australia have a grip on the key industries of Australia.

As the great Meat Trust of the United States built up its business by its interlinking with railroad interests, so the fortunes of the shipping companies of Australia (a branch of the overseas shipping combine) are bound up in those of the greatest of Australian industries, and thus it becomes patent that a comparatively few persons, mostly resident outside Australia and with large English and foreign financial interests, constitute an enormous trust which controls the economic destinies of Australia.

Unfortunately, the Commonwealth Constitution does not give to the Commonwealth Parliament the power to deal with such a position, even to the extent of enacting an effective "Companies Act" under which, if it would not permit control, thorough supervision might be exercised in the interests of the people.

PART VI.—GENERAL CONCLUSIONS AND RECOMMENDATIONS.

As a result of their investigations your Commissioners have to report that there is ample evidence to establish the fact that the "coastal" provisions of the Navigation Act are to some extent acting detrimentally to the trade, industry, and development of Australia. On the other hand, no corresponding advantage is being gained by the shipping companies themselves, for their balance-sheets reveal that whatever profits they are able to declare each year are derived for the most part from their investments in other concerns quite outside their true functions as ship-owners.

This investigation of the financial affairs and balance-sheets of the shipping companies was carried out for the Commission by a specially selected officer of the Auditor-General's Department, with wide experience in such investigations. As a result of the examination of the affairs of four of the leading companies, and covering two vessels from each of the four companies, this officer reports that the percentage of profit made from activities other than shipping in 1922 amounted to 68 per cent. of the total profit, whilst in the case of one company the proportion amounted to 80 per cent. That the investigation was carried out on principles perfectly fair to all parties is apparent from the methods adopted by the Commission's auditor. For instance, it was decided to accept present *market values*, as representing the capital employed. That this constitutes an equitable basis

is supported by the fact that one company actually reconstructed on market values in 1920. To arrive at what constituted market values a valuator was appointed in the person of Lloyd's Surveyor, N. M. McCowan, Esq., of Collins-street, Melbourne. Allowances for "depreciation" and "insurance" were both based on the capital employed, the rate of depreciation to be that allowed by the Commissioner of Taxes for the Commonwealth, viz., 6 per cent., and that for insurance the actual rate prevailing during the selected years. The management charge was fixed at 7½ per cent., but actually the charge is in excess of this amount, especially in the later years.

In referring the inquiry to the auditor, the Commission asked that it should cover, if possible, one clear year before the war, one year just prior to the coming into force of the coastal provisions of the Navigation Act, and one year under the Act.

The war began in 1914. The companies' ships were requisitioned by the Commonwealth Government in April, 1918, and were released in April, 1920. The coastal provisions came into force on the 1st July, 1921. The years 1913, 1920-21, and 1922 were, therefore, selected for investigation and comparison purposes. It being pointed out by the companies that 1913 was, speaking generally, a bad year financially, but that 1912 was a normal year, the latter year was, therefore, accepted as the pre-war year. Unfortunately, only two of the companies under review were operating in 1912, and this fact must not be overlooked in making a comparison of the financial results in the selected years.

It would be obviously unwise and a breach of confidence to reveal the financial affairs of each of the companies examined, but certain general facts may be quoted for purposes of general information, without in any way prejudicing any individual company.

The percentage increase of the earnings and expenses on those of 1913 for the years 1920-21 and 1922 respectively are as follow :—

1920-21—Earnings	..	95·58	..	Expenses	..	93·82
1922—Earnings	..	83·27	..	Expenses	..	90·88

It will be seen from the foregoing that, whereas earnings decreased 12·31 per cent in 1922, as compared with 1920-21, expenditure only decreased 2·94 per cent, and this notwithstanding that the gross tonnage increased 18·12 per cent. in 1922 as compared with that of 1920-21, and that the fleet ran 15,822 days in 1922, as compared with 12,826 days in 1920-21.

The reduction in the freight on coal in April, 1922, would partly account for the decrease in the earnings per gross ton, but the main inference to be drawn from the above figures is that fares and/or freights were not offering as freely as in 1920-21. This inference appears to be substantiated by statistics furnished in evidence by the Deputy Chairman of the Australasian Steamship Owners' Federation.

Earnings increased since 1913 as hereunder :—

				1920-21.		1922.	
				%		%	
Freights	..	..	..	62·81	..	86·78
Fares	..	..	..	6·78	..	24·11
Other	..	..	..	24·74	..	78·05
Total increase				52·78	..	76·36	

Expenses increased since 1913 as hereunder :—

				1920-21.		1922.	
				%		%	
Running costs, &c.	..	..	..	47·92	..	81·67
Insurance	..	..	..	64·20	..	67·67
Overhead expenses	..	..	..	86·03	..	112·76
Total increase				51·56	..	83·82	

The increase in earnings is mainly due to the increases in the rate of fares and freights since 1913, and to the abolition of return fares in 1916.

The following figures show the increase in fares and freights since 1913 :—

General Cargo.

	1913.	1920-21	1922.
	£ s. d.	£ s. d.	£ s. d.
(a) Melbourne-Sydney, and vice versa	0 12 6	1 0 0	1 0 0
(b) Melbourne-Adelaide, and vice versa	0 12 6	1 0 0	1 0 0
(c) Melbourne-Fremantle, and vice versa	1 5 0	1 5 0	1 15 0
(d) Sydney-Adelaide, and vice versa	0 17 6	0 17 6	1 5 0
(e) Sydney-Fremantle, and vice versa	1 10 0	1 10 0	2 0 0
(f) Adelaide-Fremantle, and vice versa	1 2 6	1 2 6	1 10 0

Passage Rates.

	1913		1920-21		1922.	
	Saloon.	Stowage.	Saloon.	Stowage.	Saloon.	Stowage.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
(a) Single	2 12 6	1 1 0	3 15 0	1 12 6	4 5 0	2 0 0
Return	4 4 0	2 2 0	6 7 10 0	2 2 0	8 10 0	.. .. .
(b) Single	2 12 6	1 1 0	3 15 0	1 12 6	4 5 0	2 0 10
Return	4 4 0	2 2 0	6 7 10 0	2 2 0	8 10 0	.. .. .
(c) Single	8 8 0	4 4 0	12 0 0	5 15 0	13 10 0	6 10 0
Return	12 12 0	6 6 0	18 0 0	8 15 0	19 10 0	.. .. .
(d) Single	4 14 6	2 2 0	6 5 10 0	3 15 0	7 0 0	3 10 0
Return	7 7 0	.. .. .	12 10 0	.. .. .	14 0 0	.. .. .
(e) Single	10 10 0	5 5 0	14 10 0	7 5 0	16 10 0	8 0 0
Return	15 15 0	7 7 0	20 0 0	10 10 0	22 0 0	.. .. .
(f) Single	8 6 0	3 13 6	9 0 0	5 0 0	10 0 0	5 10 0
Return	9 9 0	.. .. .	18 0 0	.. .. .	20 0 0	.. .. .

In 1913 return tickets were issued in the saloon, but these were abolished on 4th November, 1916.

The increase in expenditure since 1913 is chiefly due to increases in wages, coal, labour, victualling, and overhead expenses.

The following figures will give some idea of the increased cost of wages since 1913 :—

Monthly portage bill for selected passenger steamer—	1913	£111	1920-21	£2156	1922	£2424
Monthly portage bill for selected cargo steamer—	1913	£392	1920-21	£728	1922	£785
Number of hands employed on cargo steamer—	1913	36	1920-21	40	1922	43

With respect to the coal costs the average price per ton of bunker coal, inclusive of trimming, for selected "passenger" steamer was :—

	s. d.	s. d.	s. d.
1913	13 1 1 1/2	1920-21	31 2
1922	32 1/4		

The average cost of victualling per head per diem for selected passenger steamer was :—

	s. d.	s. d.	s. d.
1913	2 6 1/2	1920-21	4 1 1/2
1922	3 9		

The percentage increases in 1922 on 1913 costs, as per the selected steamer, are as follow :—

Wages	113
Coal	144
Labour	63
Victualling	47
Overhead expenses	113

The increase in overhead expenses is due mainly to expansion of trade, increased salaries, with increased rents, commissions to agents, and the imposition of Commonwealth taxation.

The following are the actual costs of earning £100 in each of the years reviewed :—

1912	89.93	1913	88.29	1920-21	87.59	1922	92.03
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The earnings and expenditure per running day were as follows :—

Year	Earnings per Running Day	Expenses per Running Day	Percentage Increased on 1913	
			Earnings	Expenditure
1913	112	99	%	%
1920-21	243	213	117	115·15
1922	228	210	103·57	112·12

The following is a comparative statement showing the increased percentage of earnings and costs, as compared with 1913, for the years 1920-21 and 1922 respectively :—

Year	Per Tonn Employed		Running Days	
	Earnings	Expenses	Earnings	Expenses
1920-21	95·58	93·82	117·00	115·15
1922	83·27	90·88	103·57	112·2

The net earnings and the net expenses, on a percentage basis, of four companies, as compared with 1913, for the years 1920-21 and 1922 were as follows :—

1920-21	Earnings, 52·78 per cent. ; expenses, 51·50 per cent.
1922	Earnings, 76·36 per cent. ; expenses, 83·82 per cent.

From the foregoing, no matter which way we analyse the figures, it is clear that for the four companies selected, the margin between the percentage increase of earnings and expenditure in 1920-21 had entirely disappeared in 1922. It may, therefore, be equitably deduced therefrom that so far as these four representative companies are concerned, under conditions operating in 1922, fares and freights have not been unduly increased. In fact, the percentage increase of earnings has not marched *pari passu* with the percentage increase of costs.

In common with every other business concern in the Commonwealth, the shipping companies are entitled to legitimate profits upon their capital. To require them to carry on frequent services, to ports, when such service is showing them not only not a profit, but an actual loss, is to require of them something which is not required of any other business enterprise. But while this is so, the residents in and around these minor or outlying ports are surely entitled to expect from their Governments a regular and adequate service of transport and communications. This principle is recognized in the railway extensions of the various States, and if the Government cannot supply these services itself, as indeed it is manifestly impossible for it to do, at least it is under an obligation not to prohibit the supplying of them by any private concern or company which desires to do so. But the Government is under a further obligation, and that is to see that, if permitted, these services are carried on under such terms as not to constitute a menace to the working conditions and wages of the Australian worker or the Australian shipping industry in general. How is this to be done? The problem is not such a difficult one as it appears. Protection is the accepted policy of Australia, and this is applied to other industries by means of the Tariff. Why not to the shipping industry? There are various ways in which this could be done, but it appears to your Commissioners that the most practical way would be to impose a duty on the tonnage of cargo carried, calculated on the basis of the freights charged.

This duty could be at a rate sufficiently high to prevent unfair overseas competition. It may be, in fixing this duty, a lower preferential concession can be provided for British shipping as against foreign countries.

In the case of passenger fares, the duty can be fixed on a percentage basis on the rates charged.

If the coastal clauses of the Navigation Act are repealed, and duties upon foreign shipping substituted therefor, the benefits to Australian trade, industry, and development should be considerable. It is not expected that the overseas vessels will enter largely into the cargo carrying side of the industry, at least in the more thickly populated centres. They did not do so before the inauguration of the Navigation Act, and they have no desire to do so to-day. But the fact that they can do so, upon payment of a duty, will exercise a restraining influence upon the Australian companies, so far as their freight rates are concerned, and meet times of inadequacy.

The principal advantage of the recommendations of your Commissioners from the standpoint of cargoes is, that when large cargoes are awaiting transport from one part of the Commonwealth to another and the existing Australian services are found to be inadequate, arrangements may be made by the shippers to charter overseas ships suitable for their purpose. And in the case of outlying ports of the Commonwealth, any vessel calling in at any time, whether British or foreign, could be used as and when required, subject to the payment of the duty.

It is to be expected, however, that the opportunity of carrying passengers between certain ports will be more largely availed of. More particularly will this be the case between West Australia and the Eastern States, and between Brisbane, Sydney and Hobart. But this will apply only to a certain class of passenger, and the imposition of a duty will ensure that if they desire to use British or foreign ships, they shall have to pay as much, if not considerably more, than if they travelled by the interstate vessels. Surely this would not be unfair competition. The degree of protection given would be much greater than that enjoyed by most of the protected industries of Australia, and it must not be forgotten in this connexion that the Australian Mercantile Marine was established and built up prior to the enactment of the Navigation Act, and without any protection whatever against foreign competition. Then they ran more ships, gave a better service, and their profits were greater. The adoption of the course proposed by your Commissioners would also remove all Tasmania's grounds for complaint against the Act, and would lead to a better understanding between the people of that State and the rest of the Commonwealth.

RECOMMENDATIONS.

Your Commissioners therefore recommend :—

- (1) That the coastal trading provisions of the Navigation Act be repealed.
- (2) That there be substituted therefor adequate duties, under the Customs Tariff Act, upon foreign shipping, with a lesser preferential rate upon British shipping, calculated in the case of cargoes upon the rates of freight charged per ton and, in the case of passengers, upon the fares charged.
- (3) All other sections of the Navigation Act to stand.

Your Commissioners have the honour to be,

Your Excellency's Obedient Servants,

WALTER DUNCAN,
JOHN JOTT.

Melbourne,
7th August, 1924. p.

29 MAR 1930

1925.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

SECOND REPORT

OF THE

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ROYAL COMMISSION ON THE
NAVIGATION ACT.

(NEW GUINEA AND PAPUA.)

Presented by Command, ordered to be printed, 13th August, 1925.

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COMMONWEALTH OF AUSTRALIA.

GEORGE THE FIFTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, Emperor of India.

TO Our Trusty and well-beloved JOHN HENRY PROWSE, Esquire, M.P.; Senator WALTER LESLIE DUNCAN, Senator CHARLES STEPHEN McHUGH; Senator HERBERT JAMES MOCKFORD PAYNE, FRANK ANSTREY, Esquire, M.P.; ALFRED CHARLES SEABROOK, Esquire, M.P., GEORGE EDWIN YATES, Esquire, M.P.

GREETING :

WHEREAS by Letters Patent issued in Our name by Our Deputy of Our Governor-General of the Commonwealth of Australia, acting with the advice of the Federal Executive Council, and in pursuance of the Constitution of Our said Commonwealth, the Royal Commissions Act 1902-1912, and all other powers him thereunto enabling, We did, on the seventh day of September, in the year of Our Lord One thousand nine hundred and twenty-three, appoint JOHN HENRY PROWSE, Esquire, M.P., Senator WALTER LESLIE DUNCAN, Senator HAROLD EDWARD ELLIOTT, C.B., C.M.G., D.S.O., D.C.M.; Senator CHARLES STEPHEN McHUGH, FRANK ANSTREY, Esquire, M.P., ALFRED CHARLES SEABROOK, Esquire, M.P., and GEORGE EDWIN YATES, Esquire, M.P., to be Commissioners to inquire into and report upon the effect of the operation of the Navigation Act 1912-1920 upon Australian trade and industry and upon the development of the Commonwealth and the Territories (including Mandated Territories) of the Commonwealth.

AND whereas the said Senator HERBERT JAMES MOCKFORD PAYNE has been appointed to be one of the Commissioners for the purposes of the said first-mentioned Letters Patent as fully and effectually to all intents and purposes as if his name had been inserted therein in the place of that of the said Senator HAROLD EDWARD ELLIOTT, C.B., C.M.G., D.S.O., D.C.M., resigned.

AND whereas We directed in the said first-mentioned Letters Patent that for the purpose of taking evidence four Commissioners shall be sufficient to constitute a quorum and may proceed with the inquiry under the said first-mentioned Letters Patent.

AND whereas it is desirable that two Commissioners shall be sufficient to constitute a quorum and proceed with the inquiry under the said first-mentioned Letters Patent :

NOW therefore know ye that We do by these Our Letters Patent, issued in Our name by Our Governor-General of Our Commonwealth of Australia, acting with the advice of the Federal Executive Council, and in pursuance of the Constitution of Our said Commonwealth the Royal Commissions, Act 1902-1912, and all other powers him thereunto enabling, direct that for the purpose of taking evidence two Commissioners shall be sufficient to constitute a quorum and may proceed with the inquiry under the said first-mentioned Letters Patent.

WITNESS Our Right Trusty and Well-beloved HENRY WILLIAM BARON FORSTER, a Member of Our Most Honorable Privy Council, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Governor-General and Commander-in-Chief in and over Our Commonwealth of Australia, at Brisbane, in the State of Queensland, and in the Commonwealth aforesaid, this sixteenth day of August, in the year of Our Lord One thousand nine hundred and twenty-four, and in the fifteenth year of Our reign.

FORSTER,
Governor-General.

By His Excellency's Command,
S. M. BRUCE,
Prime Minister.

Entered on record by me, in Register of Patents, No. 25, page 276, this fourteenth day of August, One thousand nine hundred and twenty-four.

J. L. MEK.

COMMONWEALTH OF AUSTRALIA

GEORGE THE FIFTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, Emperor of India :

TO Our Trusty and Well-beloved Senator HERBERT JAMES MOOKFORD PAYNE

GREETING.

WHEREAS by Letters Patent issued in Our name by Our Deputy of Our Governor-General of Our Commonwealth of Australia, acting with the advice of Our Federal Executive Council, and in pursuance of the Constitution of Our said Commonwealth, the Royal Commissions Act 1902-1912, and all other powers him thereunto enabling, We did, on the seventh day of September, in the year of Our Lord One thousand nine hundred and twenty-three, appoint JOHN HENRY PROWSE, Esquire, M.P., Senator WALTER LESLIE DUNCAN, Senator HAROLD EDWARD ELLIOTT, C.B., O.M.G., D.S.O., D.O.M.; Senator CHARLES STEPHEN McHUGH; FRANK ARSTY, Esquire, M.P., ALFRED CHARLES SEABROOK, Esquire, M.P.; GEORGE EDWIN YATES, Esquire, M.P., to be Commissioners to enquire into and report upon the effect of the operation of the Navigation Act 1912-1920 upon Australian trade and industry and upon the development of the Commonwealth and the Territories (including Mandated Territories) of the Commonwealth.

AND whereas the said Senator HAROLD EDWARD ELLIOTT, C.B., O.M.G., D.S.O., D.O.M., has resigned his appointment as such Commissioner, and such resignation has been accepted.

NOW, therefore, know ye that We do by these Our Letters Patent, issued in Our name by Our Governor-General of Our Commonwealth of Australia, acting with the advice of Our Federal Executive Council, and in pursuance of the Constitution of Our said Commonwealth, the Royal Commissions Act 1902-1912, and all other powers him thereunto enabling, appoint you to be one of the Commissioners for the purpose of the said first-mentioned Letters Patent as fully and effectually to all intents and purposes as if your name had been inserted therein in the place of the said Senator HAROLD EDWARD ELLIOTT, C.B., O.M.G., D.S.O., D.O.M.

WITNESS Our Right Trusty and Well-beloved HENRY WILLIAM, BARON FORSTER, a Member of Our Most Honorable Privy Council, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Governor-General and Commander-in-Chief in and over Our Commonwealth of Australia, at Brisbane, in the State of Queensland, and in the Commonwealth aforesaid, this sixteenth day of August, in the year of Our Lord One thousand nine hundred and twenty-four, and in the fifteenth year of Our reign.

FORSTER,
Governor-General.

By His Excellency's Command,
S. M. BRUCE,
Prime Minister.

Entered on record by me in Register of Patents, No. 25, page 275, this fourteenth day of August One thousand nine hundred and twenty-four.

J. ULMER.

MAJORITY REPORT.

To His Excellency the Right Honorable HENRY WILLIAM, BARON FORSTER, a Member of His Majesty's Most Honorable Privy Council, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Governor-General and Commander-in-Chief of the Commonwealth of Australia.

MAY IT PLEASE YOUR EXCELLENCY :

We, the undersigned Commissioners appointed by Royal Letters Patent to inquire into and report upon the effect of the operation of the Navigation Act on trade, industry and development in Australia, and the Territories (including Mandated Territories) of Australia, have the honour to submit our Second Report, which deals with the Mandated Territory of New Guinea and the Territory of Papua.

Since our First Report was made to your Excellency, Senator H. E. Elliott has resigned as a member of the Commission, and Senator H. J. M. Payne has been appointed in his place.

In view of the urgent and insistent nature of the representations made by the Administrator of New Guinea (Brigadier-General E. A. Wisdom), and also by the Lieutenant-Governor of Papua (Sir J. H. P. Murray), as to the alleged detrimental effect of the Act on the development of these Territories, the Commission deemed it desirable that a personal investigation should be made as early as possible.

Owing to the sittings of Parliament it was not practicable for all the Commissioners to proceed to the Territories of New Guinea and Papua, so therefore three of your Commissioners, Mr. J. H. Prowse, M.P. (Chairman), Senator H. J. M. Payne and Mr. G. E. Yates, M.P., made the journey for the purpose of taking evidence there.

The three Commissioners left Sydney on the 16th August, 1924, and arrived at Rabaul, the Seat of Government and the principal port in the Territory of New Guinea, on the 24th August. During the vessel's stay in Rabaul evidence was given by officials of the Administration, merchants, planters, and others as to the effect of the operation of the Act on various phases of the Territory's development.

In addition to taking evidence at Rabaul, your Commissioners took the fullest opportunity, in the time at their disposal, to visit the surrounding districts.

The visit of the Commission was made as widely known as possible throughout the whole of the Territory in order that an opportunity might be afforded any person who so desired to give evidence relevant to the enquiry.

In order that your Commissioners might become fully acquainted with the character and special features of the Territory, advantage was taken of the round trip of the s.s. *Mataram* to visit the principal out-posts, thus ensuring a comprehensive survey of the whole of the Territory. In a number of the places visited evidence was tendered by local planters and others.

Your Commissioners, after completing their investigations in the Mandated Territory of New Guinea, proceeded to Papua on the return voyage to Australia, carried out a similar inspection of that Territory, and examined a number of witnesses.

For the purposes of this Report it is necessary and expedient to deal separately with each Territory, as although their interests and problems are practically identical, there are certain essential points of difference which it is desirable should be emphasized in order that the position with regard to each Territory may be clearly understood.

PART I.—TERRITORY OF NEW GUINEA.

GENERAL.

The total area of the Territory is 91,000 square miles. It comprises a large number of islands and portion of the mainland of New Guinea, formerly held by Germany. The country is chiefly devoted to agriculture. The principal product is copra, and it is clear that the future development of the Territory depends to a very large extent on the copra industry.

During the period of German occupation practically the whole of the coco-nut plantations were owned by German nationals. When the mandate over the Territory was given to Australia

steps were at once taken to repatriate the Germans, and their properties were vested in the Custodian of Expropriated Properties until such time as the properties are sold or otherwise disposed of. The Expropriation Board is the instrument by which the Custodian of Expropriated Properties looks after the trust. It is the duty of the Board to maintain the properties in as efficient and as economical a manner as possible, in other words, to prevent the asset from depreciating in value, and to sell the copra to the best possible advantage. It is not, however, the function of the Board to engage in additional planting, i.e., to increase the area of the existing plantations, or to plant entirely new areas. It is as well that this fact should be noted, as it has a very direct bearing on the future development of the copra industry in the Territory.

EXPORT OF COPRA.

The total amount of the copra exported from the Territory for the year ended 30th June, 1924, was 32,643 tons. This represents an increase over the average of the previous four years of approximately 10,000 tons. This increase is partly due to the fact that a number of the coco-nut plantations contained young trees, which have now come into full bearing. It is estimated that it takes a coco-nut palm from seven to ten years to mature. Taking the year ended 30th June, 1924, the amount of copra exported by the Expropriation Board was in the vicinity of 26,000 tons. From this it will be seen that at the present time, and until the plantations taken over by the Board are no longer under its control, the principal export of copra from the Territory is on account of the Expropriation Board. The total value of copra exported naturally varies with the price of copra; but taking the last year for which the figures are available—the year ended 30th June, 1924—the total value of copra exported was £640,486. This works out at approximately £20 per ton.

PRINCIPAL IMPORTS.

The total value of the imports for the year ended 30th June, 1924, was £427,982. Reference to the official statistics of exports and imports shows that there has been a decrease in the value of imports for the year under review, as compared with the preceding four years. The principal import of the Territory is rice, which is used as food for the natives. In addition to rice the chief imports from Australia and other countries are groceries, hardware, drapery, trade tobacco, machinery, &c.

APPLICATION OF THE NAVIGATION ACT.

In common with a number of other Commonwealth statutes, the Navigation Act was applied by Ordinance to the Territory in July, 1921, shortly after the inauguration of civil administration. Under the provisions of this Act no vessel, unless licensed to do so, is permitted to engage in the trade between Australia and the Territory. This means in effect that vessels calling at ports in the Territory, for the most part employing coloured crews, cannot pick up cargo there for shipment to Australia or carry passengers to Australia unless they comply with the provisions of the Navigation Act. Vessels calling at Territory ports for direct shipment to places other than Australia are not, however, similarly required to be licensed under the Act, and are free to trade with the Territory without any of the restrictions imposed under the Act. In order to clearly appreciate the effect of these restrictions on the trade and general development of the Territory, it is necessary, first of all, to examine the position as it existed prior to the application of the Act.

SHIPPING SERVICES.

(a) *Prior to Navigation Act.*—Prior to the application of the Navigation Act to the Territory vessels of any nationality were free to enter its ports without restriction, and to trade to and from Australia. In the course of his evidence the Administrator of the Territory produced a document written by former German residents, which contained an account of the pre-war shipping conditions. The following extract from this document shows the extent of shipping services, provided in pre-war days:—“Before the war this colony enjoyed regular and time-tabled connexion with (a) Australia (Brisbane and Sydney) four-weekly, (b) Manila, Hong Kong, and Japan four-weekly, (c) Amboina, Macassar, Batavia, and Singapore six-weekly. The steamers did not only call at Rabaul, but in regard to the service under (a) and (b) also four-weekly at Madang and eight-weekly at Maron, and were also to call from November, 1914, eight-weekly at Manus. As to the service under (c), Eitape, Potsdamhafen, Madang, Finschafen, Morobe, Rabaul, Witu, and Kaewieng were visited both inwards and outwards, thus giving all the places mentioned an opportunity of getting not only their merchandise from Australia direct, but also from all other countries either via Sydney, Hong Kong, or Singapore.”

In considering the shipping services with the Territory in pre-war days, it must also be borne in mind that the volume of trade was not so great as it is to-day. Evidence to this effect was given

by Mr. F. R. Jolley, Deputy Chairman of the Expropriation Board, who has been a resident of the Territory since 1907. He says:—

17749. Was there any lack of shipping in 1914?—From 1907 to 1914 there was a very good inter-island and overseas service run by the *Norddeutscher-Lloyd* Company.

17750. But the trade would not be as great then as it is to-day, would it?—No; it was much less.

17751. The trade has increased?—Yes

(b) *Subsequent to Navigation Act.*—Since the provisions of the Navigation Act were applied to the Territory there has not been any decrease in the amount of shipping, but on the contrary, there has been a slight increase in the number of ships which have entered and cleared Territory ports for the years subsequent to 1921. The Administrator of the Territory has submitted the following evidence in regard to the existing shipping services:—

17495. *By Mr. Yates.*—The export of copra is increasing is it not?—Yes.

17496. The export in 1920 was 26,000 tons, it is now up to 32,000 tons?—Yes, and we anticipate that it will be 36,000 tons next year.

17497. There has never been any block in regard to getting your copra away, has there?—No.

17498. There has always been sufficient freight offering?—Yes, there has always been sufficient space

This clearly indicates that there is no lack of shipping, and so far as this aspect of the matter is concerned, it appears that the only restriction which the Navigation Act imposes is to prevent overseas vessels establishing a service direct to Australia, making the Territory a port of call. The effect of this restriction will be elaborated fully in a subsequent portion of this Report.

MAIL CONTRACT.

It is considered desirable at this stage to refer to the Mail Contract which has been entered into between the Commonwealth Government and Burns, Philp & Co. Ltd., for the carriage of mails to the Territory. Recognizing the necessity for maintaining direct and regular communication between the mainland and the outlying Territories under Commonwealth jurisdiction, a contract was entered into with Burns, Philp & Co., who are engaged in the island trade, to carry mails and to provide certain other services for which a subsidy is paid by the Commonwealth. Under this Contract Burns, Philp & Co. undertake to maintain a three-weekly service between Australia and the Territory of New Guinea, for which they are paid a yearly subsidy of £20,000. The two vessels engaged in this service are the *Mataram*, 3,300 tons gross, and the *Marsina*, 2,000 tons gross. In addition to the subsidy of £20,000 an arrangement was made with Burns, Philp & Co. that the Expropriation Board, which handles approximately 75 per cent. of the copra of the Territory, shall ship a certain amount of its copra to Australia by the subsidized services provided under the Mail Contract. The cargo-carrying capacity of the two vessels engaged in this service are—*Mataram*, 1,800 to 1,900 tons; *Marsina*, 800 to 900 tons.

The vessels provided by Burns, Philp & Co. in the Territorial service are licensed under the Navigation Act, and it has been stated in evidence that the effect of the conditions imposed under the Act and the monopoly which Burns, Philp & Co. enjoy of the island trade, largely by virtue of the Mail Contract, help to maintain high freights which are retarding the agricultural development of the Territory.

DISABILITIES IMPOSED BY THE NAVIGATION ACT.

As has already been pointed out, copra is the chief export of the Territory. There is, however, no market for copra in Australia, and all copra sent to Australia must be re-shipped overseas to the world's markets, principally to European countries, which are the largest consumers of copra. This means that freight is paid in the first instance on the copra from the Territory to Australia; and then additional freight, plus handling charges, &c., from Sydney to the United Kingdom and Europe. This is one of the main objections lodged against the Navigation Act, that it practically compels the shipment of a proportion of the copra to Sydney, as the only vessels which can conform to the requirements of the Act are Australian-owned. Attention is invited to the following evidence given by the Administrator in this connexion:—

One Australian shipping line (Burns, Philp and Co. Ltd.) runs two vessels between the Territory and Sydney, one vessel arriving each three weeks. No foreign vessel can conform to the requirements of the Act, and cannot consequently engage in the coasting trade between the Territory and Australia. The consequence is that Burns, Philp and Co. have a monopoly of the passenger and cargo traffic to Australia, and are therefore able unchallenged to charge excessive freights. The result of this monopoly is that there is little inducement to foreign vessels to call. Were the restrictions removed, these vessels could and, in my opinion, would make Rabaul a port of call, and carry cargo to Australia as well as other countries.

The present freight rate charged by Burns, Philp & Co. on copra shipped to Sydney is 35s. per ton, but the Company allows a special through freight to London of 90s. per ton. The freight direct from Rabaul to European ports is stated to be about £3 per ton, so that an additional freight of £1 10s. per ton is paid on every ton of copra shipped via Sydney to European ports. In other words, it would appear that a saving of £1 10s. per ton on every ton of copra exported from the Territory could therefore be effected if copra were sent direct to European ports instead of via Sydney. If this is so, it simply means that the producers of copra are compelled to meet

this additional cost of £1 10s. per ton. In this connexion attention is invited to the following evidence given by the Administrator :—

17459. The freight from Rabaul to Sydney is 35s. ?—Yes. This applies to copra, cocoa, and trochus only and all other freights are 60s. ; the rate from Sydney to London, including handling charges in Sydney, would be 55s. ; that is, a total of 90s on a through bill of lading.

17460. That is 30s. more than the rate for which you could obtain a direct shipment to European markets ?
Yes ; that is computing the direct freight at £3 per ton.

17461. At which figure you hold that freights can be obtained ?—I think they can be obtained at a cheaper rate.

17462. In that case the difference between the present method of shipping via Sydney and the direct method to London would be 30s. instead of £2 ?—Yes ; presuming that the £3 freight to London is correct. I think it might be less.

The evidence of the Administrator on this point is also corroborated by the Deputy-Chairman of the Expropriation Board, who says :—

17775. Then there is the obligation upon the Government and the Board to give certain cargo to the contractors ; does the giving of that contract cost more, as far as the Board is concerned, than would be the case if it were not given ?
—Yes, because Australia is not a market for our produce. The copra that goes to Australia is in excess of her requirements. I will give you a case in point. The copra that went down by the last trip of the *Mataram* was landed into the vessel, and was brought back here *en route* to London, because Australia is not a market for copra. The Australian Commonwealth Government demand a service from Australia to these islands, and we have to send our copra down to Sydney, or else we have to pay a higher subsidy.

17776. Does that not really mean that the freights you are paying to Sydney is excess freight ?—The freight to Sydney is 35s. per ton. Whether or not that freight is high I am really not in a position to say. That is purely a matter of comparison, information on which can only be obtained from a place like Australia, or other places where a fair amount of trade is being done.

17777. Are you aware of the through freight to London ?—The freight to London via Sydney is 90s.

17778. What is the direct freight from here ?—£3 to £3 10s.

FREIGHT ON IMPORTS.

The Territory is placed in a similar position in regard to import requirements. Such commodities as rice and copra sacks, two of the principal items required in the Territory, are brought from the East to Australia, and then re-shipped to the Territory. According to official records about 8,000 tons of rice are imported annually. Evidence was given that a substantial saving in freight would be effected if rice and copra sacks more particularly were imported direct from the country of origin, and that more advantageous purchases would be made if such commodities were brought direct instead of through an agent in Australia. The Deputy Chairman of the Expropriation Board, in giving evidence on behalf of the Board, which is the largest consumer of rice in the Territory, states :—

17785. What about your imports ?—A mass of our imports come from Australia ; but certain big lines, such as rice, kerosene, jute bags, and a few other items like prints, tobacco, steel products, such as knives, hoes, and axes, all come from places other than Australia. We, however, get the majority of our imports from Australia, but they have to be taken to Australia and then brought up here.

17786. Would you buy them more cheaply if you could get them direct from the country of origin ?—Yes, a case in point which I might mention is the arrangement we have made for the purchase of our benzine, kerosene, and lubricating oils, direct from New York.

ADVANTAGES OF DIRECT SHIPPING BETWEEN TERRITORY AND OVERSEAS PORTS.

The Navigation Act does not, of course, prevent the direct shipment of commodities from the East or to the export of copra direct to European markets from Rabaul or other ports. The burden of the complaint is that the Navigation Act limits competition to Australian shipping trading with the Territory ; but that if the provisions of the Act were lifted, arrangements could be made for direct shipping by vessels trading between Australia and the East or Europe, which would call at Territory ports. In the opinion of your Commissioners there is sufficient trade offering to induce overseas shipping lines establishing a service with Australia, which would make Rabaul a port of call instead of a terminal port, as at present. The view was expressed to the Commission that in the event of the removal of the restrictions imposed by the Navigation Act such steamship lines as the Dutch Packet Company and the Nippon Yusen Kaisha at present engaged in trade with the East and Europe would make the Territory a port of call. In fact, the Administrator stated in his evidence that a certain line of steamships, presumably trading between the East and Australia, has intimated that it would be prepared to call at Rabaul if 300 tons could be obtained regularly on each voyage. As copra is not a seasonal trade, it is clear that more than the amount required would be offering. The advantages to the Territory of a direct service would in all probability be (a) increased shipping facilities, (b) more competition, and (c) reduction in freights.

COMPARISON OF PRICES RECEIVED FOR COPRA IN RABAU AND SYDNEY.

Evidence was given that better prices are secured in the Territory for copra sold f.o.b. Rabaul than can be secured by sending the copra to Australia and selling it in Sydney. This is borne out by the evidence of the Deputy Chairman of the Expropriation Board, viz. :—

17840. When you sell that copra do you not get the London parity?—Yes; and it is better than the Sydney parity, that is to say, it benefits us to the extent of 30s. to 35s. a ton by selling here instead of in Australia. We prefer to sell here and get our cash rather than ship to London, because in the latter case we have to wait eight weeks or more for our money.

17841. It is better to sell here than to send to Sydney?—Yes, it is better to sell here f.o.b. and get our cash. It is better to the extent of 30s. to 35s. a ton.

Similar evidence was given by other planters, and Mr. W. C. P. Harvey, the New Guinea Trade Agent in Sydney, who buys stores for and sells produce on account of the Administration and the Expropriation Board, and who therefore is in a position to speak with some authority on the subject of copra sales, confirms the evidence which has been given that under present conditions the planter obtains better results by selling his copra f.o.b. Rabaul than by sending the copra to Sydney for sale. His evidence is as follows :—

18922. Can you give us particulars of a shipment under similar circumstances sent on a Burns, Philp through bill of lading?—Yes; on 3rd July we sold a parcel of copra in Sydney at £21 12s. 6d. on condition that the purchaser took over the through bill of lading, and that the Commonwealth paid freight at the rate of £1 15s. Between Rabaul and Sydney. The gross return to the Commonwealth there was £23 7s. 6d., ex ship slings, Sydney. I consider that the difference between an f.o.b. sale, Rabaul, and ex ship slings, Sydney, is £2 9s. 9d., made up as follows.—Freight £1 15s.; shrinkage, 12s. 3d.; lighterage, &c., 2s. 6d.; making a difference of £2 9s. 9d. as against Sydney.

FARES AND PASSENGER SERVICES.

The Commission also inquired into the effect of the Act on the passenger services and accommodation provided on the vessels licensed under the Act to carry passengers to and from the Territory to Australia. Your Commissioners received several complaints of insufficient and unsatisfactory accommodation, though it was stated that at certain periods of the year the traffic was heavier than usual, and that on such occasions the service provided was not wholly equal to the demands made upon it. This, however, under any conditions is to some extent unavoidable. The opinion was expressed, however, and your Commissioners incline to the view, that if the Navigation Act were removed the more commodious and faster vessels at present engaged in the service between Australia and the East would probably call at Rabaul, and thus encourage the winter tourist traffic, which would be a great asset to the Territory.

With regard to fares, the evidence shows that the single fare to Rabaul charged by Burns, Philp, and Co. on their steamers is—saloon, £18; steerage, £12. For the round trip on the *Mataram* the fare is £48. Under the mail contract Burns, Philp allow a rebate of 20 per cent. on the fares of officials of the Expropriation Board and the administration. As there is no competition in passenger services between Australia and the Territory, there is no basis of comparison in regard to fares, and you Commissioners are therefore unable to express any opinion as to whether the fares charged by Burns, Philp, and Co. on their steamers are (a) reasonable, (b) excessive, or (c) whether the present fares could be reduced. The position is, however, clearly set out in the following evidence given by the Administrator :—

17544. With regard to the monopoly to which you referred—the monopoly represented by Burns, Philp and Co., you said that it meant heavier freight. Does that statement also apply to passenger fares?—Yes; but I want to be quite clear on that point. I do not claim that Burns, Philp and Co. can run their boats cheaper under present conditions. I merely say that under the altered conditions, if they were free to run their boats without the burden of the Navigation Act, they would be enabled or compelled to reduce their fares in competition with others. I do not for a moment contend that Burns, Philp and Co. can, under present conditions, run their vessels cheaper or reduce their fares and freights.

EFFECT ON AUSTRALIAN TRADE IF TERRITORY EXEMPTED FROM NAVIGATION ACT.

Your Commissioners fully recognize that if the Territory is exempted from the operation of the Navigation Act and the direct method of shipping encouraged, a portion of the present trade of the Territory may be lost to Australia. The lifting of the Act will, however, place Australian steamship lines at present engaged in the service with the East on the same footing as their competitors from overseas, and it is quite probable, in the view of your Commissioners, that Australia will continue to receive a fair share of the trade of the Territory. The economical development of the Territory is to our minds of more importance than any probable temporary loss of trade to Australia accruing from the removal of the conditions imposed under the Navigation Act. The evidence of the Administrator on this point is striking. It is as follows :—

17534. It has been stated that if the Navigation Act did not apply, and you were able to import and export direct, Australia would lose a certain amount of trade that she enjoys at present in the Territory?—Undoubtedly she would, but my own opinion is that most of the trade is trade in goods which are not produced in Australia, but goods which come through Australia. I do not think that the loss of trade in goods produced in Australia is going to amount.

to very much. She would certainly lose her profit in rice and gunny bags. She might also lose in such things as kerosene and oil, although I am doubtful on that point, because I think it will still be as cheap to get our oils from Australia as it will be to get them direct from America.

17535. You contend then that, in regard to rice, Australia is gaining an advantage to your disadvantage?— I say that the bulk of the benefit would come from commissions which are paid from one Australian to another Australian, that is to say, the Australian planter here is paying the Australian merchant a commission for bringing his rice round to Australia to her and making a profit on it. We think we should be able to get our goods like that direct from the market without the intervention of the middleman or agent in Australia.

SERVICE PROVIDED BY BURNS, PHILP & CO. UNDER MAIL CONTRACT.

In fairness to the service at present provided under the Mail Contract it is desired to point out that one of the vessels of the Burns, Philp line—the *Matarom*—in addition to calling at Rabaul, collects copra from a number of the principal out-stations. This is an advantage to the growers of copra in that only one handling in the Territory is involved. That is to say, if the *Matarom* did not call at the out-stations it would be necessary for the copra to be collected and assembled at Rabaul by small intra-island steamers, either in the service of Burns, Philp & Co. or some other shipping firm, or under the control of the Administration. This would probably increase the cost of shipping the copra to market. Burns, Philp & Co. claim that it is cheaper to collect the copra in the way the *Matarom* is doing, from the various out-stations, than to bring it in small intra-island steamers to Rabaul. Mr. Wallin, the Island Manager for Burns, Philp & Co., states:—

Question—You go to a number of outports, don't you think it would be better if a smaller ship brought the copra to the main ports instead of assembling it for the *Matarom*?

Answer—No; we are doing it cheaper by the *Matarom* calling at these outports than the Administrator was able to do with his small steamers running to the outports and assembling the copra at Rabaul.

Your Commissioners received a great deal of conflicting evidence on the question of whether any saving in freight could be effected between (a) shipments via Sydney and (b) direct to European ports. The Administrator emphatically states that a saving of at least £1 10s. per ton could be effected on copra shipped direct, but Mr. Wallin, the Island Manager of Burns, Philp & Co., contends that copra growers are receiving better treatment by sending their copra to Sydney and that no such saving in freight as is claimed could be effected. To use his own words:—

The movement to magnify the importance of direct shipments of copra from the islands is not to be accepted blindly—a comparative freight advantage is not the primary factor it appears. This is discounted by charges incurred for extra storage, insurance, handling, shrinkage, depreciation, and interest, amounting to some 30s. a ton; and comparatively, our through freight rate of 90s. a ton via Sydney, with a saving of these incidental charges, is equal to 60s. a ton direct freight. In addition, regular shippers by our island steamers average better results in sales than is the case by holding for irregular shipment.

As an example of the difference of opinion which exists between residents in the Territory and the present contractors for the mail services, Burns, Philp & Co., as to the saving which would result from the direct shipping method, the Expropriation Board stated that it is losing some £13,000 a year by shipping a third of its total output of copra direct to Sydney, as provided for in the contract with Burns, Philp & Co., for realization as compared with selling locally for direct shipment overseas. Burns, Philp & Co., on the other hand, contend that the Expropriation Board has lost sight of certain material factors in connexion with shipments to Sydney, and that instead of a loss, the Board, on the contrary, obtains an advantage of some £10,000 a year in shipping its quota of 8,000 tons direct to Sydney.

In face of this and other conflicting evidence, your Commissioners found some difficulty in arriving at a conclusion, but it does seem reasonable to assume that if direct shipping could be maintained between Australian and European ports calling at Rabaul, better results would accrue to the growers particularly as the removal of the Act would promote competition between rival shipping companies and almost inevitably bring about a reduction in freights, as the running costs would naturally be lessened, and the additional expenditure necessary for oversea vessels to conform to the requirements of the Act would be obviated.

CONCLUSION.

The position summarized appears to be this. Australia is not a market for copra, which is the staple industry of the Territory. Most of the commodities which are required for consumption in the Territory are not grown or manufactured in Australia. In the circumstances it is reasonable that the Territory should be put in a position to secure direct connexion with those countries where the copra is consumed and from which its principal imports are derived.

If the Navigation Act were not in force, it is certain that shipping lines with an established service between Australia and the East and Europe would find it profitable to deviate their vessels to the Territory. This would mean that rice and other general cargo could be taken to the Territory on the outward voyage to Australia, and copra and other products lifted at Rabaul on the return voyage from Australia to Europe and the East.

Moreover, the lifting of the Act would inevitably lead to a reduction in freights as a result of competition and decreased costs. Your Commissioners, after carefully considering the evidence received from the Administrator, Deputy Chairman of the Expropriation Board, private planters, merchants, and others, are of the opinion that the Navigation Act imposes a disability on the Territory which it is felt was not contemplated at the time it was applied, and, while it is recognized that the throwing open of Territory ports to shipping from overseas may for the moment affect certain Australian interests, it is considered that the ultimate benefit to the Territory from the removal of the present restrictions will more than compensate for any such loss of trade with Australia.

PAPUA.

GENERAL.

Your Commissioners carried out a similar investigation in Papua to that carried out in the Territory of New Guinea, and every opportunity was afforded any persons desirous of giving evidence to state their views.

Papua is, and has been a British possession since 1887, and the administration of that Territory has been controlled by the Commonwealth Government since the year 1906.

The two principal ports are Port Moresby and Samarai—the former is also the Seat of Government, i.e., the head-quarters of the local Administration.

Evidence was received in Papua from the Chambers of Commerce at Port Moresby and Samarai, also from the Lieutenant-Governor (Sir J. H. P. Murray) and a number of merchants, planters, and others.

EXPORTS AND IMPORTS.

Papua is devoted largely to agricultural pursuits, and as in the case of the Mandated Territory, the chief exportable product is copra. Official statistics of exports for two years prior to the war and for five years subsequent thereto disclose that there has been a steady increase in the output of copra during that period. For the financial year 1912-13, 94 tons of a total value of £16,912 were exported, as compared with 7,315 tons of a value of £136,659 for the financial year 1923-24. The total value of all produce exported from the Territory for that year was £239,408. It will therefore be seen that copra is the principal item of export and that it represents more than 50 per cent of the total value of exports. The other principal items of export for the year under review are gold and bêche-de-mer.

Similar information has also been furnished in respect of imports into Papua for the years 1912-13 and 1913-14 and for the years 1919-20 to 1923-24 inclusive. The total imports range from 7,000 to 10,000 tons with a value ranging from £200,000 to £500,000. For the financial year 1923-24 9,789 tons of inward cargo were received at the two ports of entry, Port Moresby and Samarai.

SHIPPING SERVICES.

With a view to instituting a comparison between the shipping services provided for the years prior to and since the application of the Navigation Act to Papua, official statements were prepared by the Papuan Administration and presented to the Commission. The following statement speaks for itself:—

COMPARATIVE STATEMENT OF NAVIGATION SHOWING THE NATIONALITY, NUMBER, AND TONNAGE OF BRITISH AND FOREIGN-GOING MERCHANT VESSELS ENTERED AND CLEARED AT THE PORTS OF THE TERRITORY (SHIPS OF WAR AND GOVERNMENT VESSELS NOT INCLUDED) FOR THE TEN YEARS ENDED 30TH JUNE, 1923.

Nationality.	Number.										Tonnage.									
	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.	1922-23.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.	1922-23.
British ..	803	610	166	121	117	98	86	108	127	143	159,776	262,897	96,753	72,414	57,955	60,108	59,189	67,624	74,206	77,676
Foreign ..	6	33	48	50	20	..	..	..	..	..	198,730	89,729	151,134	158,294	63,772	..	..	..	..	..
Totals ..	299	643	214	171	137	98	86	108	127	143	358,506	362,626	247,887	231,008	121,727	60,108	59,189	67,624	74,206	77,676

These figures suggest that the Navigation Act has limited the opportunities for oversea vessels to call at Papua. The Lieutenant-Governor of Papua (Judge Murray), who has held that position since 1904, and is therefore familiar with the nature of the shipping facilities provided to Papua both prior to and since the war, stated in evidence that the most prosperous years for Papua were from 1910 till the outbreak of war in 1914, during which period Dutch vessels called at Port Moresby and German vessels at Samarai on their voyage from Batavia and Hong Kong to Sydney.

MAIL CONTRACT—SUBSIDIZED SERVICE.

In considering the question of shipping services to Papua attention is invited to the agreement made between the Commonwealth Government and Burns, Philp & Co., for the carriage of mails to Papua. The contract provides, *inter alia*, that the contractors shall deliver mails regularly to Papua, maintaining a monthly service as part of the Pacific Island Mail Service; in consideration for which a subsidy of £12,000 is paid by the Government. The vessel employed in this service is the *Morinda* (1,500 tons gross register). Under the terms of this contract Burns, Philp & Co. charge a freight of £1 15s. per ton on all copra carried to Sydney, and in addition have since quoted a special through rate to the United Kingdom and the Continent, via Sydney, of £4 10s. per ton.

EFFECT OF NAVIGATION ACT ON AGRICULTURAL DEVELOPMENT.

Your Commissioners received a great deal of evidence in regard to the effect which the Navigation Act has had on agricultural development. The Lieutenant-Governor of Papua, who has consistently advocated the exemption of the Territory from the provisions of the Act, was emphatic in his views that the Act imposes a severe handicap on Papua and is contributing in a large measure to the present lack of prosperity. In his Annual Report to Parliament for the financial year 1922-23, the Lieutenant-Governor, in referring to Papuan agriculture and the general outlook of the Territory, states :—

On the whole the outlook is not promising. Certainly the first thing to do is to get rid of the Navigation Act. If this is done things may, and probably will, right themselves; but I fear that I can hold out no hope of agricultural development so long as we have this handicap to carry.

Papua prospered well in the years when communication was unhampered and the seas were "free"—that is in the years 1910-14,—when Australian, German, and Dutch were competing for our trade. These days may come again, and with them may come a return of prosperity. But it is a great pity that the break has occurred. I think myself that the Navigation Act will one day be removed, but I am afraid that its effects will remain for a very long time.

The Chamber of Commerce at Port Moresby, in a comprehensive statement which was read to the Commission, traversed the whole history of agriculture in Papua and the circumstances leading up to the present unsatisfactory state of affairs. The Chamber represented the views of the planters and merchants of the Territory. The following extract from their statement summarizes the position :—

The planters of Papua have had a fearful struggle to carry on—only one as far as we know (and that company has since gone into liquidation and reconstructed) of the plantation companies has paid a dividend during the whole period of eighteen years that this Territory has been under the control of the Commonwealth, and the great majority have either had to reconstruct or go into liquidation. Now, owing to the Navigation Act, they are unable to reap the full advantage of the increased production.

On the one hand, Papua is subsidized by Australia, and on the other hand, it is penalized and handicapped by the application of the Navigation Act, and treated as a foreign country as far as all tariff questions are concerned. The inclusion of Papua within the provisions of the Navigation Act is, we maintain, wrong in principle. It was framed and put into operation for the specific purpose of protecting Australian white labour interests. Papua does not compete with Australian labour interests, and in any isolated cases in which it may, Australia is amply protected, inasmuch as we, in tariff matters, are treated as a foreign country, and there is therefore no apparent object in applying the Act to Papua.

EFFECT OF ACT ON FREIGHT RATES—EXPORTS.

One of the principal objections to the Navigation Act is that it confers a monopoly on Australian shipping, and that owing to the conditions which it imposes on ship-owners the freight on copra and other commodities exported from Papua is excessive. In the first instance it is stated that the subsidy which is paid to Burns, Philp, and Co. under the Mail Contract secures to that company practically a monopoly of the trade of the Territory owing to the fact that it is required to maintain regular communication with Papua and that this contributes to the high rate of freights. In the circumstances very little encouragement is offered to overseas shipping companies to compete for the trade of the Territory, and this is also another factor in the maintenance of high freight rates. The present freight rate of copra from Papua to Sydney is £1 15s. per ton, but subsequently, as a result of representations made by the Papuan authorities, Burns, Philp, and Co. have agreed to carry copra on a through bill of lading from Papua to London via Sydney at the rate of £4 10s. per ton. The contention of residents in Papua is similar to that of residents in the New Guinea Territory, viz., that the dispatch of copra to the United Kingdom and Europe via Sydney, which is not the most direct course, is not only unnecessary in view of the fact that there is no local market in Australia for copra, but that it decreases the weight by shrinkage, and in addition increases the freight, handling charges, &c. One striking example of the statement that cheaper freights can be obtained by the direct shipping method was brought under the notice of the Commission at Port Moresby. The owners of the *Pruth*, one of the vessels of the Hain Line—a British ship—had arranged to carry copra direct from Papua to the United Kingdom at the rate of £3 2s. 6d. per ton. Although the necessary arrangements had been completed the

shipment did not materialize as the *Pruth* was wrecked on the reef outside Port Moresby. The Chamber of Commerce at Port Moresby in their evidence stated that offers had also been received from other shipping companies of £2 10s. per ton on copra from Port Moresby or Samarai to San Francisco.

There seems to be little doubt on the evidence that cheaper rates of freight could be obtained by the direct shipping method than by bringing the copra to Sydney for transshipment to the United Kingdom and Europe.

EFFECT OF ACT ON FREIGHT RATES—IMPORTS.

Similarly to New Guinea, a great deal of the commodities which are consumed in Papua come from the east. For the most part such commodities are obtained from Australia and not direct from the country of origin. This means that they are first of all brought from the East to Australia and then reshipped to Papua. Evidence was given that this procedure greatly increases the cost of commodities to the consumers consequent on the extra freight payable from Sydney to Papua, and that it would be more profitable to obtain supplies direct from the East. The Chamber of Commerce at Port Moresby summarized the position as follows:—

Rice, copra sacks, and other things which we must import from Asia are taken past our very doors to Sydney and transhipped back to Papua, involving extra handling charges and a double freight.

and then on the question of the effect on freights, stated the following:—

Turning to the question of the high freights from Sydney to Papua (£3) per ton—higher than the freight from London to Sydney—it may be mentioned that in 1914 the price of second-grade rice supplied by Burns, Philp, and Co. was £17 17s. 6d. per ton c.i.f. Port Moresby. At that time the Dutch Packet Company's steamers were calling at Port Moresby and the British New Guinea Development Company Limited, importing through them, were able to sell a better quality of rice (No. 1 Siam) at £11 10s. to £12 a ton, showing the immense difference between direct shipments from Asia and via Sydney. Rice is, of course, an essential, and on arrival at Sydney is handled by expensive European labour, transferred by motor lorries to bond stores, then rehandled in the same manner to island steamers, greatly adding to its cost.

All our production costs are materially increased by the unnecessarily high cost of imported articles, and as all our products have to compete in the markets of the world with other countries employing coloured labour, and whose produce is delivered to the markets direct by ships carrying coloured crews, we are placed at a very serious disadvantage.

Reference was also made to a shipment of oil by the *Pruth* which reached Port Moresby direct from the United Kingdom, and the following is a comparison of the landed cost Port Moresby ex *Pruth* and ex *Morinda* from Sydney about the same period:—

	From Sydney.		From United Kingdom.		Saving of—
	£	s. d.	£	s. d.	£ s. d.
Benzine	1	4 0 $\frac{1}{4}$	0	17 9	0 6 3 $\frac{1}{4}$
Kerosene 150 ..	0	17 6	0	14 10	0 2 8
Kerosene 130 ..	0	14 11 $\frac{1}{4}$	0	13 10	0 1 1 $\frac{1}{4}$

Similar evidence was also given by the Hon. E. S. Huntley, General Manager of the New Guinea Copper Mines Ltd., in regard to the effect on the development of the mining industry of the present freights on imports:—

18408. What disadvantage do you consider your copper-mining concern suffers through the inadequacy of the shipping?—Apart from the inconveniences I have already mentioned in connexion with the mail and passenger service, everything in the nature of supplies that come from overseas has to go down through Sydney, be transhipped there, and brought back here.

18409. Do you think that if the restrictions were removed, and machinery and food requirements and such things as are imported into the Territory were placed on a more competitive basis, it would tend to develop the mining industry in the Territory?—Yes. Take items such as rice; the cost of rice, I am quite confident, is £4 10s. a ton dearer owing to its having to go to Sydney and come back here than it would be if it were landed here by trading vessels which pass our doors—vessels such as the Java steamers in the old days.

From the evidence which has been quoted and which is typical of the evidence given throughout the Territory no doubt is entertained that freights would be obtained cheaper if supplies of rice were imported direct instead of via Sydney. The evidence of Mr. F. Wallin, Island Manager of Burns, Philp, and Co., however, affords striking contrast to the evidence given by local residents of Papua. His evidence is as follows:—

The saving by freighting rice direct from Singapore to Papua and New Guinea has also been unduly stressed. As mentioned in my former evidence, the bulk of the rice imported to Australia comes from Rangoon or Saigon in full tonnage cargoes at cheap rates, and Sydney is consequently almost as well placed as Hong Kong and Singapore as a secondary distributing centre for these particular grades of rice, and, being a cooler climate, rice stored here keeps better.

As regards Mr. Staniforth Smith's statement about the price of rice delivered direct to the Expropriation Board at Rabaul, which may be correct in respect of one individual transaction, we can give evidence that about the same time rice was also supplied from Sydney by our Company's steamer at £17 per ton delivered at Rabaul.

Mr. Harvey, the New Guinea Trade Agent of the Expropriation Board, generally confirms the evidence of Burns, Philp, and Co., but considers that the firm was influenced to quote £17 a ton

for rice delivered at Rabaul owing to the effect of the direct shipment from Rangoon. With due regard to the evidence given by Burns, Philp, and Co., and the New Guinea Trade Agent, your Commissioners consider that the Navigation Act does materially increase the freight on supplies to Papua, as it does seem reasonable to assume that overseas vessels could, and would, find it profitable to call at Papua en route to Australia with cargoes of rice and other commodities, and that this service would be more economical as compared with shipments via Sydney. It has to be borne in mind in considering the evidence of Burns, Philp, and Co., that this Company is engaged in the trade with the East not only as carriers but also as buyers of merchandise for the Islands, and that they are not likely to view favorably any proposal which is likely to deprive them of any of their trade with the East and the Islands.

EFFECT OF ACT ON PASSENGER ACCOMMODATION.

Enquiries made in regard to the passenger service provided for Papua show that the people of that Territory are not so well catered for as their neighbours in the New Guinea Territory. The only vessel which calls regularly at Port Moresby and Samarai is the *Morinda*. This vessel as already stated carries mails under a subsidy from the Commonwealth Government, and maintains a three-weekly service between Australia and Papua. In the opinion of residents of Papua this is not sufficient for requirements, as, on a number of occasions, difficulty has been experienced in securing a passage to Australia. A further handicap which is imposed is that residents of Papua desirous of visiting the East, and persons from the East wishing to visit Papua, have first to proceed to Sydney at considerable expense and unnecessary delay. This, it is stated, is due to the lack of direct shipping facilities brought about by the operation of the Navigation Act. The shortage of passenger accommodation in Papua is also to some extent explained by the fact that vessels coming from New Guinea and calling at Papua en route to Australia are generally full.

PROBABLE SHIPPING SERVICES IF ACT REMOVED.

If the Navigation Act did not apply to Papua, overseas vessels at present engaged in the trade between Europe, the East, and Australia could call at Papua en route, leave their requirements, such as rice, copra sacks, &c., and lift their copra on the return voyage from Australia. Your Commissioners endeavoured to obtain some evidence as to what would be the effect of the lifting of the Act in regard to additional shipping facilities, i.e., whether direct shipping would be encouraged, but no definite indication of the kind of shipping services which would be provided could be obtained. Almost without exception, however, the witnesses examined by the Commission considered that adequate shipping would become available under such circumstances, and intimated that they would be prepared to take any risk which might be involved in obtaining regular shipping as a result of the throwing open of the trade of Papua to competition. The Lieutenant-Governor himself was quite clear on that point, as will be seen from the following evidence:—

18517. *By the Chasman.*—In the event of the Commonwealth Government freeing the Territories of New Guinea and Papua from the operation of the Navigation Act, would you, having a great interest in this country, be content to take the risk of the service that you might receive under ordinary open competition?—Yes.

18518. You would sooner take that risk?—Yes

The views of the Port Moresby Chamber of Commerce, which is representative of the planters and merchants in Papua, on this phase of the matter, are as follows:—

18125 Your statement in general sets out firmly the objections of your Chamber; has your Chamber considered whether it would be prepared—and I assume from your report that it would be—to meet the repeal of the Navigation Act at any time; I take it you would be prepared to take the risks of such shipping as would be encouraged to Papua and the ex-German Territories?—Yes, absolutely.

18126. Do you consider that you are voicing the views of the planters and your Chamber generally when you say that you feel that you would get adequate shipping in an open market?—We have had abundant offers from shipping companies

18128. Do you think that casual shipping would give the mail service that is desired?—Yes; for the simple reason that we would have boats travelling along this coast which would go to Cairns, and link up with whatever company was trading to Cairns, and we would get regular mails. We would have our own local boats.

SUBSIDY TO PAPUA.

In addition to the subsidy paid by the Commonwealth Government to Burns, Philp, and Co. Ltd. for the carriage of mails between Australia and Papua, a subsidy of £50,000 is paid by the Commonwealth Government to assist financially in the development of Papua. Evidence was given that in the event of the lifting of the Act it was considered that the mail subsidy could be discontinued, and that the impetus given to trade and development generally in Papua would in course of time render unnecessary the payment of the annual financial grant by the Commonwealth Government. While this phase of the question is purely hypothetical, the Lieutenant-Governor was quite emphatic on the matter.

EFFECT OF ACT ON FUTURE DEVELOPMENT OF PAPUA.

The Lieutenant-Governor states that no progress in the development of Papua can be expected until such time as the Act is removed; in fact, he goes so far as to say that if the Act is not repealed the copra industry will never revive. Evidence was given that, although the export of copra has increased, this is due to the fact that a number of plantations are coming into full bearing, but that there has been no additional planting for some years. A large number of the plantations are held by companies in which British and Australian capital has been invested, but it appears from the evidence that only one company in the whole of the Territory has ever paid a dividend. The further development of Papua, in the opinion of the Lieutenant-Governor and others, depends to a large extent on the introduction of fresh capital, but that, until such time as Papua can compete commercially on a similar footing with other copra producing countries, little or no progress can be expected. The evidence discloses that there is plenty of good land available in Papua for the extension of various kinds of agriculture, and also that there is an adequate supply of native labour available to meet requirements.

EFFECT OF WHITE AUSTRALIA POLICY ON ISLAND TRADE.

A view which has been put before your Commissioners, and one which has impressed them, is that the economic conditions in the Territories are so dissimilar to those which obtain in Australia, that the "White Australia" policy, which demands better conditions for the workers as expressed in the Navigation Act, should not apply to Papua and New Guinea. The effect of the Act is to impose certain limitations on shipping between Australia and its Territories, which makes it more difficult for Papua and New Guinea to enter into successful competition with other countries employing native labour, such as Fiji, the Solomons, &c., owing to the high freights charged from Papua to European ports, and the difficulty in obtaining direct shipping facilities.

CONCLUSION.

Your Commissioners have come to the following conclusions:—

1. That the application of the Act to Papua is seriously retarding the progress of that Territory.
2. That the application of the Navigation Act to Papua is wrong in principle and unfair in its incidence, and further, that there is no justification for treating that Territory as part of Australia for the purposes of the Navigation Act whilst treating it as a foreign country for the purposes of the Customs Tariff Act.

RECOMMENDATION.

Your Commissioners recommend that the application of the Act to the Territory of Papua and to the Mandated Territory of New Guinea be removed, by means of an Order in Council, declaring that the carrying of passengers or cargo between ports in the Territories and Australian ports shall not be deemed engagement in the coastal trade. In submitting this recommendation, your Commissioners feel that they are acting in the best interests of the Territories, and that, if the recommendation be carried into effect, it will be a material step in their development.

Your Commissioners have the honour to be,

Your Excellency's obedient Servants,

JNO. HY. PROWSF (Chairman).
H. J. M. PAYNE.

We, the undersigned Commissioners, did not have an opportunity of hearing the evidence taken by those Commissioners who visited Papua and the Mandated Territory, but we were present during the taking of a large amount of evidence with regard to those Territories in Sydney, Melbourne, and Townsville. In addition to this we have carefully perused the whole of the evidence taken in Papua and the Mandated Territory, and with all these facts before us we have no hesitation in signifying our agreement with the above conclusions and recommendations

Your Commissioners have the honour to be,

Your Excellency's obedient servants

WALTER DUNCAN,
ALFRED C. SEABROOK.

Melbourne,
30th June, 1925.

MINORITY REPORT.

To His Excellency the Governor-General of the Commonwealth of Australia.

YOUR EXCELLENCY :

I regret that I am unable to agree with the conclusions and recommendations of the majority, and therefore report as follows:—

NEW GUINEA.

1. *Present Shipping Service.*—The only service between Australia and this Territory is supplied by Burns, Philp and Co., with two vessels, the *Mataram* (3,300 tons gross) and the *Marsina* (1,750 tons gross), which between them give a three-weekly service from Sydney. The *Mataram* proceeds to Rabaul, Kaewieng, Madang, and other ports in the Territory, while the *Marsina* goes to the Solomon Islands and takes in Rabaul. For these services under the mail contract a subsidy of £12,000 is paid by the Commonwealth Government for the *Mataram* and another of £8,000 for the *Marsina*. In addition, another £8,000 is paid to the company for a special service by the *Melusina* to the Solomons; this is not a mail subsidy, but is given to encourage trade between the Solomons and Australia. A similar subsidy of £15,000 is paid for the service between Australia and the New Hebrides. This contract and the subsidies terminate on the 31st July, 1925, but are subject to renewal under similar or different conditions.

2. *Trade Generally.*—The export trade of the Territory is confined almost solely to copra, of which 32,600 tons, valued at about £640,000, were exported for the year 1923–24. Other exports are insignificant. The total imports for the same year amounted to 17,147 tons, valued at about £428,000, and about half of such imports came originally from outside Australia (mostly from England and the United States), but practically the whole of them come through Sydney. During the year 1923–24 Burns, Philp and Co. shipped 15,800 tons of general cargo from Sydney to New Guinea, and took away 12,336 tons.

3. *Freight on Copra.*—The prosperity of the Territory depends wholly upon the copra industry, and development depends upon the sale of copra on a profitable basis. The product must be shipped to the world's best market at the lowest possible freight rate. The freight on copra from Rabaul to Europe via Sydney is £4 10s. per ton, including transshipping charges, while the direct freight from Rabaul to Europe is about £3. It would therefore appear that to ship via Sydney would entail a loss of £1 10s. per ton.

4. *The Expropriation Board.*—The majority of the coco-nut plantations in the Territory are vested in the Expropriation Board. Out of the 32,600 tons of copra exported during 1923–24 over 25,000 tons came from the properties controlled by the Board. The Board disposes of its copra through two channels—firstly, by sales f.o.b. Territory ports, and, secondly, to Sydney or London through Burns, Philp and Co. Seventy-five per cent. of the copra sent to Sydney is transhipped to Europe. In accordance with the terms of the mail contract, all copra from certain out-ports must be shipped by Burns, Philp and Co. As against the subsidy paid to this company, a special freight rate of 35s. per ton on copra from Rabaul to Sydney is allowed, and a special through freight to London of 90s. per ton. The Board ships about 8,000 tons of copra per annum through Burns, Philp and Co. Copra sold c.i.f. Sydney by the Board for 1923–24 amounted to 8,060 tons, at an average price of £21 per ton. The charges were—(a) freight, £2; (b) export duty, £1 5s.; (c) handling charges, 5s.; (d) shrinkage 5s.; this reduces the net price received to £17 5s. per ton. The remainder of the Board's output, amounting to 17,554 tons, was sold f.o.b. Territory ports at £20 3s. The duty was £1 5s., and the net price £18 18s. This shows a loss of £1 13s. per ton on 8,060 tons, i.e., £13,299 lost to the Board on account of the contract with Burns, Philp and Co. In other words, a proportion of the freight is given to Burns, Philp and Co. instead of a higher subsidy.

5. *Complaints against the Navigation Act.*—Considerable opposition to the Navigation Act exists in New Guinea, the grounds of objection being—

- (a) That the Act gives a monopoly to the firm of Burns, Philp and Co., and that this monopoly is injurious to the Territory.
- (b) That the Act increases freight rates.
- (c) That if the Act continues to be applied it will so increase the cost of marketing products that it will not pay to plant, and will kill existing industry.

Another objection raised by the Administrator was "that by reason of the heavy freights to and from Australia it is diverting trade from the latter and driving it into foreign hands"; but, as this objection is in direct conflict with the Administrator's own statements, and is contradictory to the objection (a) which he also put forward, and, further, is not borne out by trade statistics, it is hardly possible to regard the contention seriously.

6. *Objection (a)—That the Act gives a Monopoly to the Firm of Burns, Philp and Co.*—The statements in support of this objection were very general in character, and no concrete evidence in regard to it was produced. Not only was it claimed that the monopoly was exercised by Burns, Philp and Co. in regard to shipping, but also in connexion with the copra trade which is alleged to be in their hands. It was also stated that the planters are in the hands of this firm, and could sell to others only with difficulty. It was, however, not denied that the Navigation Act in no way prevents oversea vessels lifting copra at any port in the Territory, and, moreover, that such vessels are lifting it for oversea ports in increasing quantities. It is also evident that Burns Philp and Co. are by no means the only buyers of copra. From a return supplied by the Trade Agent of the Expropriation Board it is disclosed that from the 1st June, 1924, to the 25th September, 1924, less than four months, a total of 8,100 tons of copra were shipped from New Guinea, of which only 585 tons were shipped to Sydney, the remainder being purchased f.o.b. Territory ports on a "through bill" to London; and of this quantity 5,740 tons were purchased by W. R. Carpenter and Co., 1,440 tons by Burns, Philp and Co., and 920 tons by Dalgety and Co. That the Navigation Act does not prevent British and foreign vessels coming to the Territory and lifting copra for oversea ports is shown by the Administrator in his report to the League of Nations for 1922-23, paragraph 105 of which states:—

A noticeable feature of the oversea trade has been the increase in the number of ships of foreign nationality visiting the port of Rabaul. During the previous year only two such ships entered the port, but this year the number increased to seven, and 9,220 tons of copra, of a value of £178,789, were exported thereby. In addition to the foreign trading ships referred to, two British ships, other than the Australian vessels subsidized under the Islands Mail Contract, called at Rabaul and lifted 3,054 tons of copra, of a value of £66,813.

Since that report the number of such vessels has still further increased.

7. *Objection (b)—That the Act Increases Freight Rates.*—The freight rates between Sydney and the Territory are high, but there are other factors besides the Navigation Act, and, as Your Commissioners showed in their first report, the application of the Act to vessels on the Australian coast was responsible for an increase in cargo rates of only a few pence per ton out of the large freight increases since the war. All shipping costs and operating charges vastly increased before the Navigation Act came into force; and the volume of trade between Sydney and the Territories is not yet sufficient to keep the boats running without subsidy. Your Commissioners employed an auditor of the Commonwealth Public Service to examine the books of Burns, Philp and Co., to which full access was given, and he reported, *inter alia*—

The verified financial results of the Papuan, New Guinea, and Solomon Island shipping activities of this Company show, collectively, a loss of 2.173 per cent. on market values for the year 1922-23, from which it will be seen that no undue advantage has been taken by Burns, Philp, and Co. Ltd. of the coastal provisions of the Navigation Act.

8. *Objection (c)—That if the Act be continued to be applied, it will so increase the cost of marketing products that it will not pay to plant, and will kill existing industry.*—There was no evidence in support of this sweeping statement which was made by the Administrator; it is purely hypothetical, and is not borne out by the following figures:—

Year.	Outward Cargo Tonnage.	
1920	23,500 tons
1924	33,000 ..

New Guinea—Number and Net Tonnage of Vessels cleared.

Year	Vessels.	Net Tonnage.
1920	29	28,906 tons
1924	30	68,870 ..

In June, 1923, the Prime Minister instructed certain public accountants, Messrs. Yarwood, Vane, and Co., together with Mr. G. Mason Allard, to make an investigation into the state of affairs of the expropriated properties in the Territory of New Guinea, and to report (*inter alia*) whether "conditions exist which are inimical to their proper development." These gentlemen presented a valuable report containing the minutest detail of every factor bearing on the copra industry, and summarized the causes of the present depreciated value of the properties as:—

- (a) The state of the copra market when tenders were called.
- (b) The feeling of uncertainty in respect of properties in Mandated Territory.
- (c) In certain cases the indefinite position in regard to titles.

(d) The difficulty experienced in obtaining outside financial assistance, largely due to reasons (b) and (c).

(e) Possibly that taxation in the Territory is regarded as heavy.

Not one reference in the whole Report is made to the Navigation Act, and its alleged blighting influence on the development of the Territory.

9. *Rice*.—Rice is imported for the natives, and is provided for indentured labourers—10½ lb. a week to each labourer. The price of rice from Sydney is £17 a ton plus £3 freight—a total of £20 per ton. The price from Rangoon direct is £13 15s. plus £3 15s. freight—a total of £17 10s. per ton. The Expropriation Board imports annually about 3,000 tons, so that the direct importation would mean a saving of £7,500 per annum. Recently the Board had an opportunity to import 650 tons direct from Rangoon to Rabaul, and landed it at the same price at which it was being quoted in Sydney; that is, the freight of £3 per ton from Sydney to Rabaul was saved. In the absence of a shipping service between Rabaul and Singapore the rice is brought from Rangoon via Fremantle, Melbourne, and Sydney, and then transhipped to Rabaul.

PAPUA.

10. *Present shipping service*.—The shipping service between Papua and Australia is provided by Burns, Philp, and Co. It is a monthly service from Sydney by one vessel, the *Morinda* (1,500 tons gross), calling at Brisbane, Port Moresby, and Samarai, and several out-ports in Papua. For this service a Mail Subsidy of £12,000 per annum is allowed to the company.

11. *Trade*.—The two chief exports of Papua are copra and rubber. In 1923–24 the copra production was 7,300 tons, valued at £136,600, and 300 tons of rubber, valued at £33,300. These figures show an increase in production, for in 1913 the export was 1,200 tons of copra and 3 tons of rubber. The imports for 1923–24 amounted to 9,500 tons, and the total exports 8,600 tons. The 1913–14 figures are—Exports, 2,571 tons; imports, 8,480 tons. The explanation of the low trade figures is that agricultural development did not begin until 1907, and by the end of 1914 30,000 acres had been planted out. This acreage produces more each year as the plantations reach maturity, but it is claimed that no further advancement can be expected with the present lack of shipping facilities and high freights.

12. *The Progress of Papua*.—Papua has never been prosperous, so the allegation that the Navigation Act has killed its prosperity is fallacious. Agriculture did not begin until 1907, and by the outbreak of war in 1914 about 30,000 acres had been planted with coco-nut, but there was little export. In the year 1905–6 the exports were valued at £80,000, and of this amount £60,000 represented the gold production. By 1914 the value of the annual exports was about £125,000, out of which £50,000 was for gold. So before the war it is clear that agriculture, although growing, was insignificant. It is now alleged that the Navigation Act has compelled it to remain insignificant. The chief opponent of the Act is the Lieutenant-Governor, who in 1914 reported to Parliament as follows:—

Lessees are, by the terms of their lease, bound to cultivate a certain proportion of the area they hold, and so as soon as they have sufficient land to comply with these conditions they are likely to give up developmental work until the rubber or coco-nuts they have planted are old enough to bring in a reasonable return for their outlay. Then, it is expected, development will again advance—but this and all other prognostications must be taken as subject to the possible effects of the war

There was stagnation during the war, and after the war came the big drop in the prices of rubber and copra, which is admitted by the Lieutenant-Governor, while he blames the Navigation Act for the blow to the industry. The fact that the plantations are coming into full bearing raised the value of exports in 1923 to £179,500, out of which £22,500 represented gold production

While the low price of copra is responsible for the condition of that industry, it is disappointing to find that other industries have not flourished. The most promising products were sisal hemp and rubber, and yet the production is comparatively small. About 440 tons of rubber were produced during last year, and all of this has to be shipped to Europe for sale, though the Australian consumption is 1,500 tons a year. The reason why Australia does not take it is that Java and the Malay States, with the cheapest labour in the world, can sell their product to Australia cheaper than our own Territory can. Sisal hemp grows well in Papua, and 6,000 acres of it were planted out, and yet the growers cannot sell it in Sydney in competition with the Java product.

13. *The Case against the Navigation Act.*—Papua's complaints are almost identical with those of New Guinea, and, in addition, in Papua the whole of the stagnation in agriculture is laid at the door of the Navigation Act by reason of the fact that the costs of production are made too great by high freights and other increased charges. It is stated in evidence that all the plantation companies are in financial difficulties, and that many have gone into liquidation. It is profitless to elaborate the subject further. The fundamental fact stands out that in all branches of agriculture in Papua the costs of production are too great in comparison with those of adjacent black-labour countries. That these costs are only remotely affected by the operation of the Navigation Act is certain. With such a small amount of cargo offering, inwards and outwards, it is not likely that much shipping will compete for it. Papua is a poor country compared with New Guinea; moreover its industry is in its infancy. It has never seen prosperity either before or after the Navigation Act, and to make it a sturdy territory is must be spoon-fed. But in their attitude to the Navigation Act the Lieutenant-Governor and merchants of Papua are like the patient burning with fever—inclined to blame the blanket.

14. *Report of the Interstate Commission.*—I wholly concur in the conclusions of the Interstate Commission which in 1918 reported on Trade in the Pacific. With regard to shipping and its relation to trade the following was the conclusion arrived at:—

As to the future there will probably be a tendency to create more direct shipping communications France, the United States of America, and Japan are likely to be active in this connexion German shipping will no doubt be developed as far as possible along former lines

Australian and New Zealand island shipping is faced with the present factor that its outward carrying trade from the islands consists principally of copra to *entrepôts* for re-exportation and not for local use, except to a limited extent. The competition after the war for copra and other island products will be keen and more cosmopolitan than ever. Traffic will be developed along the nearest and most suitable routes to the natural markets for copra. As the exports grow in quantity through the plantations coming to fruition, direct shipments instead of transshipments in Sydney may tend to increase. No governmental intervention by way of subsidies or otherwise would alter the venue of the natural copra markets, but what markets will be the natural markets for copra of the South Pacific after the war is by no means certain. The world's market for copra will be found to have undergone some changes. San Francisco, for instance, is now in the business, and means to stay in it; and, during the war, the crushing of copra for oil has considerably expanded in Great Britain.

The present paramount influence of Australia and New Zealand in the island trade, in which very large sums of capital have been invested, the increasing Australian and New Zealand production of food stuffs and manufactured articles for the islands and the more extensive utilization, within the Empire, of Empire products, should make it necessary to assure British and Australian vessels being able to compete with foreign subsidies and manning conditions, and to maintain a firm hold on the South Pacific carrying trade

CONCLUSION.

While the Mandated Territory is more able to stand on its feet than Papua, it is evident that every assistance which can reasonably be given to both Territories should be afforded. Both are peculiarly situated, and their economic standard is entirely different to that of Australia. There is no doubt that the application of a good deal of Commonwealth legislation has had the effect of increasing production costs, and, while the application of the Navigation Act to these Territories is necessary to Australia from a national stand-point, it is clear that Australia, and not the Territories, should pay for it. To throw open the ports to cheap foreign shipping in competition with our own mercantile marine would mean that the trade would be lost to Australia, and, while that trade is at present insignificant, if it were now given to certain foreign countries strong points for such countries would be established at our back door. For grave national reasons we cannot allow the trade of the islands along our northern littoral to pass into foreign hands. It is not the monetary but the strategic value of the trade that is important, and to look a few years ahead when Australia will be a great industrial country requiring raw materials the opportunity of the Territories, with their raw materials alongside of us, will have arrived. It is necessary, for the ultimate security of Australia and the Territories themselves, that our shipping and trade in the Pacific must be protected; but, at the present time, because it is our national safety that is at stake, the Territories should not have to pay the price. When an object is necessary for the safety of a country that country must often make concessions which may appear financially unsound. It is not expected that our defence policy should add directly to the consolidated revenue.

From the evidence it is clear that the real shipping disabilities from which the Territories are suffering would be removed if a new cargo service were inaugurated from Australia to Papua and thence to Singapore, provided that sufficient subsidies were granted in order to provide an adequate service and a reasonable freight rate

RECOMMENDATION.

Knowing that the present policy of the Government will not permit of the Commonwealth Shipping Line providing a service for the Territories to Singapore, it is felt that it is useless to recommend accordingly. I therefore recommend that, in the absence of a more favorable offer, the tender of Burns, Philp and Co. be accepted. The outline of such tender is:—

- (a) A new cargo service of quarterly sailings from Sydney to Papua, Darwin, Singapore, and return to Sydney via Papua and the Mandated Territory.
- (b) A new motor ship to replace the *Mataram* in the Mandated Territory service, with regular calls at Samarai (Papua) *en route*, commencing at the beginning of the year 1926.
- (c) A year thereafter a second motor ship or suitable steamer to replace the *Morinda* in the Papua service.
- (d) These alterations as set forth in (a), (b), and (c) are accompanied by an offer of reduced freights as specified in the tender, and in consideration of the increased service and the reduction in freights an additional subsidy to be allowed of £25,000 per annum for a three-years' term or £20,000 for a five-years' term.

Melbourne,
1st July, 1925.

G. E. YATES.

YOUR EXCELLENCY:

A section of the Commission, consisting of Mr. J. H. Prowse, Mr. G. E. Yates, and Senator H. J. M. Payne, was deputed by the Commission to proceed to the Territories and inquire into and report upon the effect of the Act thereon. Under those circumstances, therefore, the undersigned Commissioners do not feel justified in signing any report dealing with New Guinea and Papua.

FRANK ANSTEY,
CHAS. S. McHUGH.

Melbourne,
2nd July, 1925.