



## ECONOMICS MADE EASY

### Part 1

#### 6. Shipping

*Under the Restrictive Trade Practices legislation, a particular exemption allows shipping lines to combine together in what is called 'conferences' so that they can arrange common freight which are then known as 'conference rates'. These conference rates only apply to what is called 'liner traffic', that is, freight carried in conventional cargo liners which pick up cargo at fixed times and at known rates around the Australian coast, for carriage overseas. Conference rates do not apply to bulk cargoes such as wheat, iron ore etc.*

*There is another restriction on shipping that makes shipping costs very high. Under our Navigation Act, the interstate coastal trade between Australian ports has to be carried by ships registered in Australia and manned by Australian crews. This imposes a frightening cost burden on coastal shipping.*

#### **Shipping** (July 1971)

Woolgrowers really feel the impact of the cost price squeeze. For instance, in 1960 my shearing expenses came to about 5 per cent of the gross proceeds of my clip. In 1970 they represented about 16 per cent of the clip. In 1971 they must be close to 20 per cent, with the price of the clip down so much in value and with expenses up.

The sea freight on wool presents the same grim picture. The current conference freight rate works out at 4.272 cents per lb. or 14.3 per cent of the current average price for wool of 29.8 cents per lb. The shipowners are said to be demanding a 40 per cent increase in the freight rate from New Zealand but the rise is said likely to be not as high for Australia. But if our freights rise by 25 per cent instead of 40 per cent, freight would then cost 5.34 cents per lb. or 18 per cent of the current price for wool.

So I am under no illusion that wool freight rates are one of the very large burdens that are breaking the woolgrower's back. I usually blame the conference system for this and I may be right. I have a side-swipe at the ineffectiveness of our restrictive trade practice legislation and again, I am almost certainly right.

To many people the solution is for Australia to have an overseas shipping line of its own so that Australians can compete with the conference shipowners and beat them at their own game. It's a queer thing that, a few years ago, when we decided to enter into the overseas shipping scene, we joined up with the conference system instead of competing with it. There were supposed to have been good reasons for this but I have never quite understood them.

The question is whether Australia should have an overseas line of its own, run by the government and competing with the conference system and not working in with it.

Now I have a great admiration for the present leadership of the Australian National Line and I also admire the way the line is operated. There are other Australian lines, privately owned,

which are good also. But we should not forget the bitter lesson of the recent stewards' strike and its serious effect on Australian coastal shipping. No one can really see the poor stewards as down-trodden slaves. A chief steward gets \$7,685 plus keep for a year of 32 weeks with 20 weeks fully paid holiday. So he is really getting \$240.15 plus keep for a week's work. An assistant steward gets \$6,095 plus keep with the same holiday arrangements and this works out at \$190.47 plus keep for a week's work. Not really bad wages! Fred says he'd be happy getting about a third of that lot.

Yet we still had shipping held up on the Australian coast with devastating effects, particularly on Tasmania. The plain fact is that it would never do for us to get ourselves in the position of being too dependent on the communist controlled Seamen's Union which could, and would, hold all Australia to ransom if it suited the Union or its overseas masters.

I know that as ships become more and more automated the high cost of crewing Australian ships becomes relatively less important. But it is still high. We could swallow the high cost (with a painful gulp) if we did not have to contend with either malicious or irresponsible holdups such as the recent stewards' strike.

Eccles says that he hears that the Navigation Act is going to be revised shortly. One of the effects of this legislation is that interstate sea cargo has to be carried in Australian-manned ships. Cement can be shipped from Townsville to Darwin for \$2.30 a ton in a Japanese ship, while the freight of cement from Townsville to Weipa (about half the distance) in an Australian vessel costs \$25 a ton. You can imagine the effect of this on the development of the Northern Territory and other northern areas.

If the Navigation Act is being opened up it will be a good idea to see if this part of the Act is working to Australia's benefit. I certainly would not like to see the present conference system go unchallenged; it ought to be probed and tested. But I am not hopeful that it can be successfully challenged by an Australian shipping line, however well led and operated, if the stewards can lie back on their \$240 a week feather bed and tie the whole fleet up.

### ***Spending and Charlie Jones (September 1975)***

I'm sure the Minister for Transport, Charlie Jones, means well, but he does badly.

When he was in Opposition he used to thunder away about how he would soon have most of the Australian trade carried in Australian ships built in Australia.

This has not happened and if it had, the increased costs would have been devastating.

Even now, shipping freights are at a rate that is ruining exporters and which will switch trade to land transport where possible.

Let us follow Charlie step by step along his tragic path.

After he became Minister for Transport he soon found that it was impossible to build ships economically in Australia, that the 45 per cent shipbuilding subsidy is equivalent to a protective tariff of about 120 per cent — that this is the protection needed to protect us against the Japanese, who buy our coal and our iron ore, ship them to Japan, turn them into steel and then into ships and then undersell us by that margin.

So Charlie soon found that he couldn't afford to force all our ships to be built here. But even if we use ships built overseas we still have to stagger under the most grievous shipping freight burden.

A few weeks ago he announced a 40 per cent increase for interstate shipping freight rates.

There was an immediate howl of anguish from the poor pathetic Tasmanian Labor Party members, who came scurrying to Canberra to beg for mercy. But in vain.

Then they are reputed to have decided that desperate measures were needed and they ought to arrange another Tasmanian by-election.

They were last seen drawing lots to see which of them was to be sacrificed on the altar.

But I suppose it wasn't poor Charlie's fault. The problem is that we have now a system of feather bedding the maritime unions which makes it impossible to operate economically on the Australian coast.

For instance, the basic pay for a seaman is \$9,900 a year with 24 weeks' holiday. How Fred would like that kind of treatment.

The coastal freight increase will pretty well cause poor little Tasmania to wither on the Australian vine. In mainland ports shippers will be able to switch from sea to land transport and this they will do. But perhaps it will have other effects.

For instance, the cost to ship steel from Sydney to Darwin will be about \$71 a ton, while it would cost about \$30 to ship the same cargo from Singapore.

And as Darwin now needs large amounts of steel, it will probably be imported, with serious effects on the unemployment in Newcastle and Port Kembla.

But it's not only the feather bedding of the maritime unions that is killing the Australian shipping trade.

Even if we could afford to pay the Australian wage rates it would be dangerous to place ourselves in the hands of the maritime unions to a greater extent than we are now.

And indeed, it is bad enough now. For instance, in July, 34 tugmen in Geelong went on strike for conditions even more generous than they were then receiving.

The port was held up for nearly two months with a slackening of employment and an adverse effect on development there, and the likelihood that shipowners will avoid using the port of Geelong in the future.

And I understand that the disadvantaged workers in the Geelong area were levied to pay the strike pay of the people who were hurting them.

But a far starker picture of extortion and blackmail can be found in the recent report of Mr Justice Sweeney, acting as a Royal Commissioner into payments to maritime unions.

In case after case he spells out the way officials of maritime unions have held the coastal shipping industry to ransom, and frequently solely for their own personal gain.

I quote from page 15 of the report:

I am satisfied that the reason this payment was demanded and received was to place moneys at the disposal of Wells and Rawlings (union officials) which could be used for their own purposes and in Rawlings' case, with Wells' agreement, for Rawlings' own personal benefit. The payments were not related to any union campaign at all.

So the maritime unions are quietly and efficiently killing coastal shipping, except in Tasmania, where they are killing Tasmanian instead.

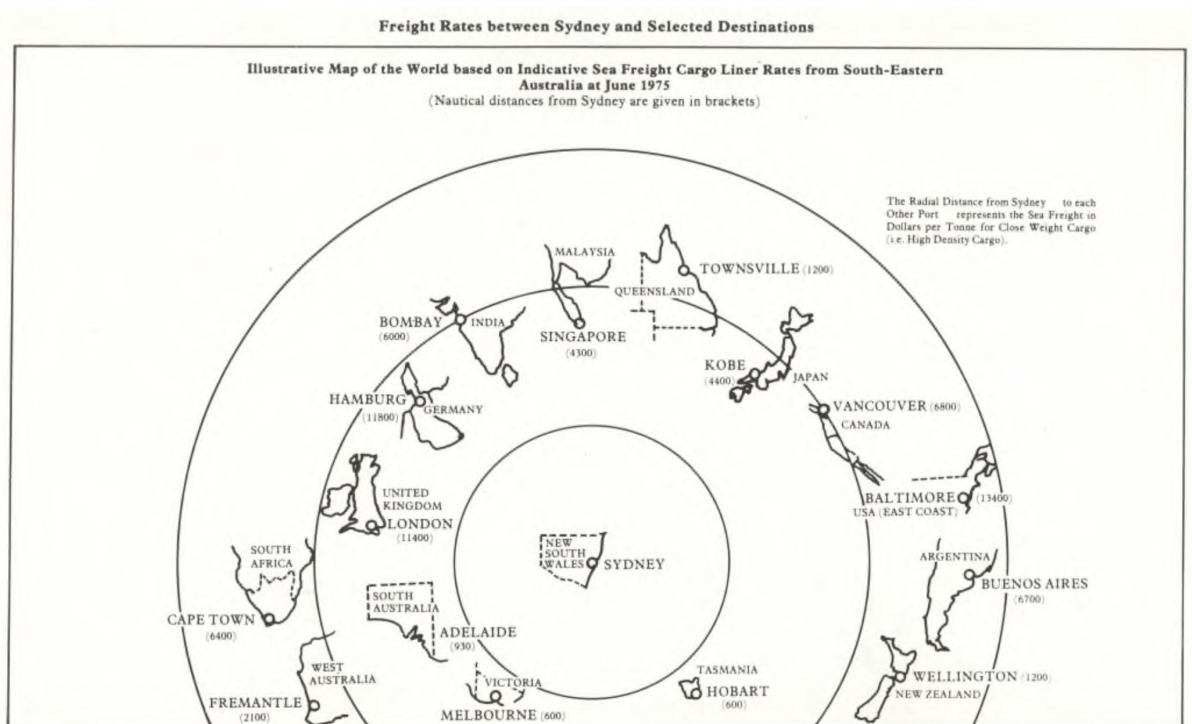
The Navigation Act, which enforces the carriage of Australian cargo in Australian ships, is becoming the heaviest cross the economy carries. And certainly it is one of the most effective barriers to the development in outlying areas.

Ask the citizens of Darwin, Wyndham, King Island and Kangaroo Island what they think of the cost of the service they get from the floating feather beds that serve them.

### Shipping and the Jackson Diagram (July 1977)

Eccles is always nagging me about the damage done to Australia's development by our Navigation Act, particularly that section which forces us to use Australian ships to carry out interstate shipping cargo.

The utter awfulness of the situation that this has brought about is shown in a diagram which Eccles culled from the Jackson Committee Report. [Jackson, R. G. (chairman). 'Policies for Development of Manufacturing Industry', Green Paper Report, October 1975.]



The diagram shows that in 1975 the cost to carry cargo from Sydney to Perth (2,100 nautical miles) was more than from Sydney to London (11,400 miles).

Or, going north, it costs more to carry cargo from Sydney to Townsville (1,200 miles) than to Singapore (4,300 miles).

And I notice that the Industries Assistance Commission commented that because we are forced to carry phosphate rock from Christmas Island to Australian ports using some Australian ships, this increases the cost of phosphate rock to the Australian farmer by \$10 million a year.

There are many reasons for the high cost of Australian shipping.

The cost of per ton mile carriage is always less on a long haul than on a short haul. One reason is that the very heavy loading and unloading costs have to be paid for in both cases and if the costs are spread over a short haul they always look larger than spread over a long haul.

And bigger ships can be used on the longer hauls to Europe and other popular ports because there is more cargo to be carried.

So the cost per ton mile is always bigger on short hauls than on long hauls.

But there are less worthy reasons for the awful cost of interstate shipping. One is the cost of providing accommodation to Australian scales.

BHP say that it costs about \$16,000 per seaman to convert an overseas ship to Australian crew standards. And when you have done that you have to pay Australian wage rates.

For every dollar to sail a British ship, Australia has to pay \$3.60. Even Scandinavian conditions, which are twice as expensive as the British, only come to 55 per cent of Australian crew costs.

Having altered the ship to our standards and paid the crew at our wage rates, we have to contend with Australian strikes. Of the 7670 ship days available to the BHP fleet in 1975, more than 12 per cent were lost by strikes.

But perhaps the biggest slug that our interstate freight rates suffer is stevedoring charges.

If we ship from Sydney to London there is only one Australian stevedoring charge, but if we ship from Sydney to Perth there are two.

These costs get built into the freight costs, so it is not surprising that our interstate freight rates are so high.

There are a lot of sheep and cattle being shipped from Australia to overseas countries and in some cases they need baled hay.

The cost of growing, cutting, baling and stacking good quality hay is about \$1.50 a bale, or that's what South Australian farmers have been getting for it. But it will cost \$3,00 a bale just to lift it from a lorry to the ship about 15 feet away.

An examination of the costing sheets of a stevedoring company showed that hay was being handled at the startling speed of five bales per man hour.

It is also interesting to note that one of the items in the miscellaneous column was purchase of sweat bands. I wonder how much sweat you would lose loading bales at the rate of five an hour.

Our wharf costs are the highest in the world but there is a glimmer of hope that under the new arrangements, with the stevedoring companies being responsible for paying the idle time of their own wharfies, instead of this cost being spread over the whole industry, things may improve. They certainly couldn't be worse.

The high cost of Australian shipping is why Utah are determined to resist using Australian manned ships.

### ***Outlook Conference (March 1979)***

When I was a member of Parliament, Eccles used to make me go to the Agricultural Outlook Conference which is put on by the Bureau of Agricultural Economics in Canberra at the end of January each year.

He hoped that, by so doing, I might perhaps fill in the great gaps in my economic understanding, as he called them, so that I could serve my electorate better.

Now that I am no longer an MP, I still go.

One reason is that I meet many knowledgeable and influential people there which helps me write this column.

But another less worthy reason is that, in my retirement, I have become an inveterate conference attendee.

Constant practice enables me to sleep soundly through the first session after lunch while looking wise at the same time.

I admit my parliamentary experience helped me in this so I have an unfair advantage over most people. But nevertheless, I am proud of my pre-eminence in this field.

Often, if I am roused from my stately slumbers by some careless clapping or rude mirth, I find many envious eyes watching me closely, hoping to see how a real expert does it.

I do not tell them. I just go on looking wise.

This year, one notable event was a buffet dinner and drinks put on by the European Shipping Conference.

I guess these people wanted to take the opportunity to explain to influential farm leaders the advantages that come from the shipping conference system.

It was not a good evening.

First, many of us had to eat while standing up which is an uncivilised way to behave.

Second, it was hard to hear what the speakers were saying. This may have been a good thing but it would have been nice to have been certain about this.

But the evening was spoilt for me because I kept recalling Eccles' warning that there was no such thing as a free feed, so I had an uneasy feeling that I had already paid for my meal, or, if I hadn't, I was about to.

There were some excellent graphs displayed on the walls, all done in striking colours, designed to show that the shipping conference system had served Australia well.

But one of these happened to show how the conference freight on wool had been held down when Sir William Gunn was twisting the arm of the European Shipping Conference in 1972.

The Wool Corporation has recently been doing some more screwing and have been able to negotiate a special reduced freight rate for 80,000 bales from a shipping line outside the conference system and which showed a reduction of over 60 per cent on the conference rates.

Many of us were suspicious that it was the startling success of this trial shipment that activated the function we were at.

And I noticed that, when one of the farmers was speaking later and asked, "Was Sir William Gunn in the room?" many of the shipping people looked around nervously and some edged towards the door.

#### **The break-up of conference shipping is interesting**

Loading costs in Australia	31%
Crew costs, insurance, etc	23%
Bankers costs	11%
Port costs	4%
Discharge in Europe	17%
Depreciation and return on capital	14%

It costs 31 per cent to load in Australia compared with 17 per cent at the other end, which is a grim indictment of the mess we have made on the waterfront.

But the shipping conference system has encouraged these costs to rise.

If there is strife on the waterfront and a shipowner has to choose between having his ship held up — which costs the earth — and giving in, he usually gives in.

He does so because he can recover any resulting cost increases by raising his rates, knowing that the other conference lines will stick together.

Eccles has another saying, "You can always tell a man who is dining out on an expense account by the enthusiasm with which he summons the waiter."

Conference ship owners know that someone else will pick up the tab in the end.

The Government has given the shipping conference system a privileged position under the restrictive trade practices legislation.

There are many reasons for so doing and perhaps the speakers told us about them at the dinner.

That I couldn't hear them if they did was not the fault of the shipping people.

But they were wrong to insert a function of this kind into an outlook conference program.

Farmers may be a bit simple but we usually know when we are being duchessed, even if we have to eat standing up.