

The LOG

JULY 2012



MELBOURNE BRANCH



Kindly sponsored by the Victorian Regional Channels Authority

The next Branch Meeting will
Be held on Wednesday 25th July.
**PLEASE NOTE THAT THIS WILL BE A
LUNCHTIME MEETING STARTING AT
1230 Hours**

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Marine Pollution Perspectives

The Rena

Will be the subject of our guest
speaker David Crompton-Guard and

his colleague

Aleksandra Henclewska

Company of Master Mariners of Australia Ltd.

Master

Her Excellency Ms Quentin Bryce AC. Governor- General





Branch Master's report for The LOG - Capt David Shennan

COMMA Congress 2013

The dates and venue for the COMMA Congress have been confirmed. The Congress will be held in *Melbourne The Rialto*, the Intercontinental Hotel on Collins Street. This provides us with the necessary exhibition and AGM meeting facilities and is central and close to a range of accommodation options. Informa will be making the arrangements and seeking sponsorship to support the event. Further details will be provided as the date draws nearer.

Winter Meetings

The June meeting was held at lunchtime as requested by a number of members, but an attendance of less than 20 indicated that this may not be the best timing for many of you. However, we will continue with the planned lunchtime meetings for July and August this year and we can have further discussions about this format before next winter rolls around.

Federal issues

At the meeting we discussed the hot topic of the moment, the federal plans for a re-organisation of CMMA and some constitutional issues. Much of this has also been circulated to the membership, as I am aware not all of you can make meetings. There has been relatively little feedback received thus far, so I am still trying to figure out whether the majority of you will be happy with any position decided by the branch committee, or simply that you have no strong feelings regarding structural reorganisation. A video appeal produced by The Federal Master, plus a PowerPoint produced by the Federal Executive were presented to the meeting, and an open discussion resulted. It was decided to collect all feedback from members during July, and this will be considered by the Court at its July meeting - with the intention of providing a branch view to the Executive in early August.

Early indications are that the need for a constitutional change has been accepted by the membership in order to ensure the sustainability of the Company after the next AGM. There are two proposed changes. The first would do away with the present federal executive so that branch masters will come together to form the federal executive. At the moment the federal executive is additional to branch masters and for logistical purposes needs to be sourced from the same branch, which is difficult to achieve these days. The second change reduces the minimum number of office holders at each branch – although it doesn't stop a branch having more.

As you will by now be aware, the existing executive wishes to refocus CMMA and their vision will have a financial impact. The Federal Master's video is available on the website and explains the proposal. At our meeting it was felt by some that the constitutional changes should be made first and the next executive should then take stock and consider the company's future direction. At this stage, that is the position I will put forward on behalf of the Melbourne Branch, pending feedback from you all in July.

You are again encouraged to visit the Company of Master Mariners website, review the video and place your comments on the forum commenced by the Federal Master. Alternatively you can forward comments to the Melbourne Secretary who will present them to Court members for consideration.

COURT MEETING 27th June 2012

Six Court members were in attendance with apologies received from five others.

Minutes of the previous meeting were read and accepted.

Matters arising.

Branch Auditor Capt Bill Korevaar has agreed to act as Branch Auditor.

A Brief Look Back. The Branch Master has written to Capt John Turnbull expressing the thanks of the Branch.

Readings	David John Smith	Ordinary member	WA.
	Gregory Alan Dunn	Associate member	WA
	Dylan Bennett	Associate member	WA

Ratifications	Joanna Mary Carson	Associate member	Melb.
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Upcoming Events	25th July	Branch meeting - see attachment.
	28th July	Maltese Australian Association Ball - See attachment
	10th August	ICS Ball, Langham Hotel.
	12th August.	70th Anniversary of Operation Pedestal.

Correspondence Inquiry into The Maritime Powers Bill 2012.

Treasurers Report	Membership	Ex - Officio	03
		Life	03
		Honorary	01
		Retired	38
		Ordinary	67
		Associate	<u>14</u>
		Total	<u>126</u>

For the Branch Master's Report please see page 2.

Shipping Reform. The Bill passed the Senate on 18th June 2012 and has now received Royal assent. As advised the legislation will commence on the 1st July 2012.

Honours Board. Capt P. O'Sullivan will seek quotes for the necessary repair and refurbishment.

The Court meeting closed at 1200 hours. The next meeting will be Wednesday 25th July at 1030 hours in CQ Functions.

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Speaker There was no guest speaker for this meeting. The Branch Master's Report covers the topic of discussion after lunch.



This was most clearly seen in the substantial groups of liner companies. Thus, Blue Funnel was largely controlled by the Holt family (with assistance from the Swires), Blue Star by the Vesteyes, Clan Line by the Cayzers, Cunard (including Port Line) by the Bates family and P&O by the Andersons. The leadership of such important public companies thus descended from father to son (or cousin or, occasionally, to son-in-law) and sometimes then to grandson. An exception was the Ellerman group, where the second Sir John Ellerman, who suffered from extreme shyness, delegated most of his power to a Mr Martin-Jenkins, who had been his friend at school. He then concentrated on the natural history of rodents, upon which he became an internationally recognized authority.⁸ Nevertheless, these company heads took it in turns to become President of the Chamber of Shipping, a position which, for many years, led automatically to a knighthood. To some, they were then known as 'the liner knights'. For Andrew Weir's Bank Line, Furness Withy, Blue Star, Clan Line and Royal Mail there were also peerages.

Although Britain had excellent university courses in ship design and naval architecture (at Glasgow and Newcastle upon Tyne) it was rare for technical staff to move into general management or on to the Board; or for anyone with seafaring experience to reach Board level. Like many other specialized industries, British shipping was insular, with its own, rather sycophantic, trade press (they needed the advertising) and even its own daily newspaper.⁹ As they rarely recruited people from other industries, there was no cross-fertilization.

This contrasted with the period 1850–1914 when the British merchant fleet was expanding rapidly, often with companies being formed by partnerships of former ship-masters and ship-brokers or shipping clerks, and sometimes with financial

6 Sir Donald Anderson, Chairman of P & O, Letter to *The Observer*, 28 May 1957.

7 C. Barnett, *The audit of war: the illusion and reality of Britain as a great nation* (London, 1986); S. Joy, *The Train that Ran Away: A business history of British Railways* (London, 1973).

8 T. Taylor, *Ellermans: A wealth of shipping* (London, 1976). Sir John Ellerman, in a letter of 16 February 1932 to the prime minister, J. Ramsay Macdonald, claimed to be Britain's largest taxpayer despite his shipping business running at a loss for years; see L. Johnman and H. Murphy, *British Shipbuilding and the State since 1918: A political economy of decline* (Exeter, 2002), 46–7. On his death in 1932 Sir John Ellerman had been Britain's wealthiest man leaving £37m, Hope, *New History of British Shipping*, 367.

9 *Lloyd's List* was founded in 1734 and is thus the world's oldest daily newspaper. Trade papers included *Fairplay*, *Shipbuilding and Shipping Record* and *The Motor Ship*.

assistance from the shipbuilders who constructed their ships, as well as from banks. Many such companies did not last long, for shipping has always been cyclical and the timing of investment decisions was therefore crucial. In the period under discussion the rather bureaucratic structure of the larger groups was ill-suited to such entrepreneurial activity, as was the unsophisticated training of their staff.¹⁰

Three examples of enterprise may be cited; although two of them fall outside the period under discussion, their effects lingered on. The first was the crash of Lord Kylsant's Royal Mail Group of companies in 1929, following a long period in which his Group had continued to invest in technologically advanced ships. These were financed largely by bank loans, obtained by emphasizing the superior dividend record of companies within the Group. This was, however, a sham, since so many of their shares were held within the group that, though handsome dividends might be declared, little money went outside the group.¹¹ Lord Kylsant was subsequently convicted of issuing a false prospectus and spent some time in jail. It is always risky to have highly geared companies in fluctuating markets but one may conclude that, without the general crash of 1929 and the subsequent deflation, he might have been successful. Nevertheless, the long hangover caused Sir Ronald Leach, the accountant member of Lord Rochdale's committee, to remark that this was the most under-geared industry he had ever seen. This reluctance of British shipowners to finance expansion by borrowing in the decade's post-1945 had marked effects on competition, since several ship-owning groups registering their ships under flags of convenience (e.g. those of Latsis, Niarchos and Onassis) had rapidly built up their fleets with the aid of bank loans.¹²

The second took place in the 1930s, when several liner groups entered civil aviation. Their failure was predictable since, until the advent of the Douglas DC3 (in Britain this was named the Dakota) and the Lockheed Electra in the mid-1930s, no airliner could operate without a subsidy and the British government concentrated its financial assistance from 1924 on Imperial Airways Limited, a merger of four airline companies.¹³ More rigorous cost accounting would have revealed this; and a better

10 For the larger groups, see, G. H. Boyce, *Information, Mediation and Institutional Development: The rise of large-scale enterprise in British shipping, 1870-1919* (Manchester, 1995).

11 E. Green and M. Moss, *A Business of National Importance: The Royal Mail shipping group, 1902-1937*, (London, 1982). For an analysis of the financial aspects see A. J. Arnold, "No substitute for hard cash": An analysis of Returns on Investment in the Royal Mail Steam Packet Company, 1903-1929', *Accounting, Business and Financial History* 1, no. 3 (1991), 335-53. See also P. N. Davies and A. M. Bourne, 'Lord Kylsant and the Royal Mail', *Business History* 15 (1972), 103-23 and A. J. Arnold, 'Privacy or Concealment? The Accounting Practices of Liner Shipping Companies, 1914-1928', *International Journal of Maritime History* VIII, no. 1, (1996).

12 The Rochdale Committee of Inquiry pointed out in its Report of 1970, 340-1, that in the period 1958-69 less than 20 per cent of expenditure on new tonnage by British shipowners was derived from borrowing. For Greek shipping see G. Harlaftis, *Greek Shipowners and Greece, 1945-1975: From separate development to mutual interdependence* (London, 1993) and *A History of Greek-Owned Shipping: The making of an international tramp fleet, 1830 to the present day* (London, 1995).

13 Imperial Airlines Ltd was formed in March 1924 through the State-backed merger of Instone Air Line Ltd (parent company, the shipping line of S. Instone), Handley Page Transport, British Marine Air Navigation Co., Ltd, and Daimler Airways. In 1935 a newly merged private company, British Airways had been formed through a merger of another four airline companies, British and

appraisal of the prospects for changing the regime for financial assistance would also have helped.

The third example, that of introducing containers and technologically advanced ships to carry them, might also be cited as a rare example of British shipping companies in the mid- to late 1960s attempting to compete internationally in a rapidly growing and American-dominated sector, by forming consortia: but, ultimately, that also failed.¹⁴

For much of the period after the Second World War British shipping produced only mediocre financial results. It was common to suggest that they achieved a long-term rate of return, on average, of about 3 per cent; but that was in a period of gradual inflation and after depreciation had been deducted in money terms. A rough calculation can thus illuminate the situation. If we assume that the average inflation rate was also about three per cent then it follows that, while they may have been achieving a return of capital (roughly equivalent to replacement cost depreciation), they were making no return on capital. During much of this period there were extensive tax allowances, mostly related to capital expenditure. These, together with this low rate of return, led to many companies accumulating tax allowances which they were unable to use; this had some undesirable developments.

The first was that profitable companies from other industries sought to merge with shipping companies, so that the combined entity paid less tax. Thus the construction company Bovis merged with P&O and the property firm Trafalgar House plc merged with Cunard. As these arrangements had no industrial logic whatever, they were generally unwound after they had served their purposes.

The second, which only lasted until income tax was replaced by corporation tax, took advantage of the group structure of many companies. There were a number of variations on this but, to take a simple example: a subsidiary would pay a dividend to its parent company. The subsidiary would deduct income tax but, having low profits and no tax liability, did not pay this over to the government. The parent, having received a dividend from which tax had been deducted, but also having no tax liability, would then claim the tax back. The net result was thus a movement of cash from the government to the shipping industry, duly criticized by the Public Accounts Committee of the House of Commons in 1964.¹⁵

The third was that companies with interests outside shipping – as most of them had – could use the tax allowances to reduce the taxes they would otherwise have had to pay and then invest the proceeds in the non-shipping activities. Ellermans, for example, built up large interests in brewing. However, the spectacular collapse

Continental Airways, Hillman Airways, Spartan Airlines and United Airways. Consolidation of the bulk of the airline sector was reached in 1939 when Imperial Airlines and British Airways merged to form the British Overseas Airline Corporation.

14 By the mid-1960s two wholly British container consortia had been formed. P&O, Ocean Transport and Trading, Furness Withy and British and Commonwealth Shipping combined to form Overseas Containers Limited (OCL). Cunard (Port Line), Ellermans, Blue Star Line, T & J Harrison and Ben Line formed another consortia, Associated Containers Transportation (ACT). By December 1996, P&O had bought out its partners in OCL and in 1997 merged with the Dutch shipping firm Nedlloyd to form P&O-Nedlloyd. Nedlloyd subsequently bought out P&O's interest in 2004 and were in turn acquired by A. P. Moller-Maersk Group in 2005. ACT was dissolved in 1991 and its vessels sold or transferred.

15 Rochdale report, para 1363.

of Court Line in August 1974, in large part because of its leisure and travel interests, showed that too much diversification from core activity could result in problems.¹⁶

It is interesting to observe that although these were all well-known developments they were never referred to in submissions by the Chamber of Shipping to either the Treasury or to Lord Rochdale's committee. These recipients, who disliked being under-estimated, noted the omissions.

The Chamber of Shipping

The UK Chamber of Shipping, founded in 1878 and originally a federation of local shipowners' associations, was the recognized trade association for the industry. It was frequently consulted by government departments on a wide range of subjects, lobbied both them and individual members of Parliament on relevant issues and worked closely with parallel international bodies, for which it often provided both accommodation and staff. Its annual reports provide an important, if necessarily partial, historical source for events, views and statistics. It provided salaries and conditions amply sufficient to retain staff over long periods and to attract officials, often quite senior ones, from the industry and from the Civil Service.

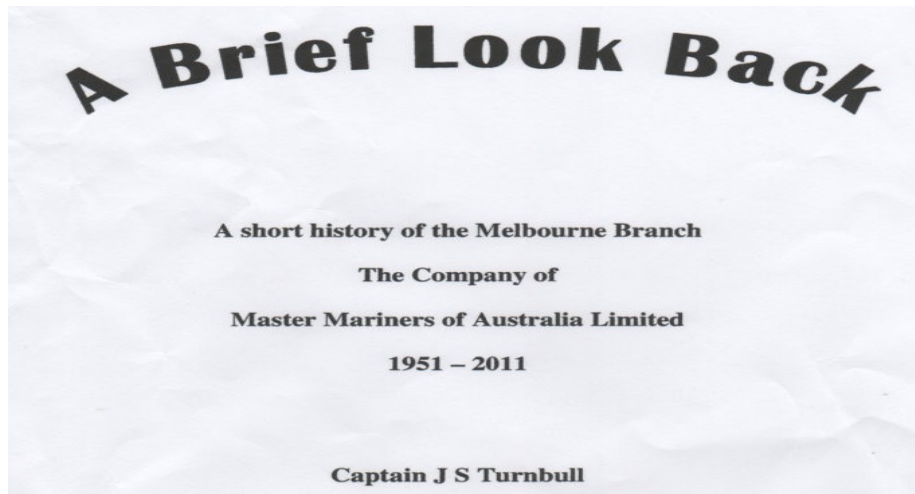
For many years the Chamber, through speeches and publications, attributed the decline of the British merchant fleet to three factors: to shipping subsidies from foreign governments; to flag discrimination (or cargo reservation) by governments, often of former colonies, and to the development of flags of convenience in countries like Liberia and Panama which had no corporate tax systems. Although these arguments were repeated, in the Chamber's annual reports, in widely reported speeches at their annual dinners and at ship-launches (where numbers of shipyard workers must often have been bemused at the attacks on far-off countries), they were most clearly formulated in a study written in 1939. This has never been published or made available to researchers. However, after the Chamber refused to let Dr Sturmeay see a copy, he borrowed one from a friend and was thus able to make good use of it in his book. Sturmeay's aim in *British Shipping and World Competition* was primarily to answer a single question, why had the tonnage of ships registered in the United Kingdom declined from over 45 per cent of the world total in 1900 to about 16 per cent of that total in 1960? His secondary object was to assess the prospects of the industry, but he concluded, with qualifications, that the primary reason for the decline had to do with decisions made within the industry.¹⁷

16 When the Court Line group of companies collapsed, nearly 1,200 people lost their jobs, 100,000 people were deprived of summer holidays they had booked and fully or part paid for; some 50,000 were stranded abroad and some 65,000 people lost deposits for holidays in the following year. The group consisted of 50 firms and had interests in shipping, shipbuilding, ship repair, aviation and package holidays. Eventually the government nationalized 16 companies owned by Court Line, mostly located in Development Areas and saved some 9,000 jobs. See Great Britain Parliament: Fifth Report of the Parliamentary Commissioner for Administration, 1974-1975, HC 498, 29 July 1975. See also Department of Trade, Court Line Ltd (London, 1975), and R. Gregory, 'Court Line, Mr Benn and the Ombudsman', *Parliamentary Affairs* 30 (1977).

17 For a different view from that of Sturmeay, see P. N. Davies, 'British Shipping and World Trade: Rise and decline, 1820-1939', in T. Yui and K. Nakagawa (eds), *Business History of Shipping: Strategy and structures* (Tokyo, 1985), 80. See also, A. G. Jamieson, *Ebb Tide in Britain's Maritime Industries: Change and adaptation, 1918-1990* (Exeter, 2003), ch. 2.



Members are reminded that the publication a Brief Look Back by Capt John Turnbull is available form the Editor at a cost of \$20 + p & p. wendick@hotmail.com or tel: 9873 2009.



WHAT I OWE TO MY MOTHER.

My Mother taught me TO APPRECIATE A JOB WELL DONE. "If your going to kill each other, do it outside. I just finished cleaning".

My Mother taught me RELIGION. "You had better pray that this will come out of the carpet".

My Mother taught me about TIME TRAVEL. "If you don't straighten up I'm going to knock you into the middle of next week!".

My Mother taught me LOGIC. "Because I said so, that's why".

My Mother taught me how to BECOME AN ADULT. "If you don't eat your vegetables you will never grow up".

My Mother taught me FORESIGHT. "Make sure you wear clean underwear, in case your in an accident".

My Mother taught me IRONY. "Keep crying and I will give you something to cry about".

My Mother taught me about the SCIENCE OF OSMOSIS. "Shut your mouth and eat your dinner".

My Mother taught me about CONTORSIONISM. "Will you look at the dirt on the back of your neck".

My Mother taught me about STAMINA. "You will sit there until your dinner is gone".

My Mothet taught me about the WEATHER. "Your room looks like a tornado went through it".

And my favourite.....

12. My Mother taught me about JUSTICE. "One day you will have kids and I hope they grow up just like you".

CoMMA & MLAANZ

SHAAIM July 2012

LUNCH
INVITATION



25 July 2012

1200 for 1215 pm

CQuisine Restaurant
CQ Functions
113 Queen Street
Melbourne VIC 3000

Members - \$40 incl GST
Non-Members - \$50 incl GST

Drinks at Bar Prices

Speaker:
David Crompton-Guard
Manager Emergency Risk
Department of Transport
Security and Emergency
Management Division



Book Now....

RSVP: Alexandra Evered,
12pm Mon 23 July 2012
03 5424 1224
alex@baysideshipping.com

A Joint Presentation
between:

The Company of
Master Mariners of
Australia Ltd

&

The Maritime Law
Association of
Australia & New
Zealand

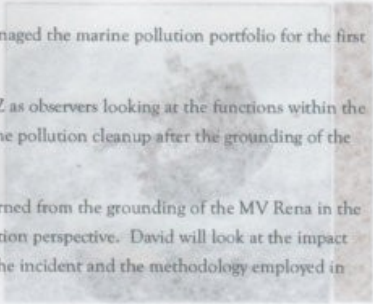
Marine Pollution Perspectives - The Rena

We are delighted to welcome David Crompton-Guard as our guest speaker for our annual joint function between CoMMA and MLAANZ.

David is a Level 3 Marine Pollution Incident Controller and managed the marine pollution portfolio for the first 3 months of this year, in a caretaker capacity.

David and his colleague, Aleksandra Henclewska, travelled to NZ as observers looking at the functions within the IMT and the strategy and tactics being employed in relation to the pollution cleanup after the grounding of the Rena in October 2011.

The presentation will cover his experience in NZ and lessons learned from the grounding of the MV Rena in the Bay of Plenty, New Zealand, October 2011, from a marine pollution perspective. David will look at the impact of the oil and debris spilt, the structures set in place to manage the incident and the methodology employed in the clean up operation.



more on 2

CoMMA & MLAANZ

CoMMA & MLAANZ July 2012



Marine Pollution Perspectives - The Rena

Please note that whilst we appreciate the unpredictable nature of shipping and whilst we do try to accommodate members where we can - we do operate a no refund policy. Cancellations and "no shows" will require payment.

CPD Points

Members of the Bar:

This is a component of the Victorian Bar Compulsory CLE Program and will carry one (1) point.

Practicing Solicitors:

If this particular educational activity is relevant to your immediate or long-term needs in relation to your professional development and practice of the law, then you should claim one unit for each hour of attendance, refreshment breaks not included.



Payment:

Cash or Cheque on the day made payable to:

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MALTESE AUSTRALIAN ASSOCIATION



*70th Anniversary Celebrations and Commemorations for the
Award of the George Cross to the People of Malta*



- *28th July 2012, 70th Anniversary Dinner Ball commencing at
6.30pm, to be held at
Lakeside Banquet and Convention Centre
65 Melton Highway, Taylors Lakes
Cost \$80.00, all inclusive,
Music by 'Let's Dance Big Band'*



- *12th August 2012, 70th Anniversary of Operation Pedestal, Malta
Convoys, Commemoration, Shrine of Remembrance and Shelter
of Peace, commencing at 1130am.*



Enquiries, 9336 3121





The Chairman and Committee of
THE INSTITUTE OF CHARTERED SHIPBROKERS
Australia & New Zealand Branch

Cordially invite you and your colleagues to the



When _____

Friday 10th August 2012
7:00 pm to 12:00 pm

Where _____

The Clarendon Room,
The Langham Hotel,
Southbank,
Melbourne.

Dress _____

Black Tie

Price _____

Members - \$150
ICS Students - \$135
Non-members - \$175

Registration _____

RSVP:
Thursday 2nd August 2012

Please forward your completed
registration form to the
secretariat at your earliest
convenience.

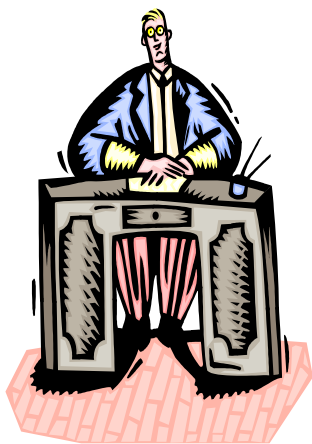
Door prizes and other spot prizes to be won on the night

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A VACANCY EXISTS FOR AN EDITOR

A small newsletter, usually of about 12 pages, content usually provided by others. No salary only the occasional pat on the back when you manage to get an issue out on time. Speak to any Court member and they will supply more details.

Advertising space is available in The Melbourne LOG. Rates are very, very competitive. Contact the Editor on wendick@hotmail.com or telephone 9873 2009.

