

1927.



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS, Secy. of the Senate.

SEP 29 1927

REPORT

ON THE

COMMONWEALTH GOVERNMENT SHIPPING ACTIVITIES

INCLUDING

COCKATOO ISLAND DOCKYARD.

NOTE :— Interim Report, Parliamentary Paper No. 66 of 1926, presented to Parliament on 11th August, 1926.

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MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Fifth Committee.)

(Appointed 22nd January, 1926.)

||Senator WALTER KINGSMILL, Chairman.

Senate.

†Senator HATIL SPENCER FOLL.
†Senator JOHN BLITH HAYES, C.M.G.
†Senator CHARLES STEPHEN McIVOR.
†Senator EDWARD NEEDHAM.

House of Representatives.

†CHARLES LYNDARD AUDREY ABBOTT, Esquire, M.P.
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†EDWARD CHARLES RILEY, Esquire, M.P.
*The Honorable Sir GRANVILLE DE LAUNCE RYRIE,
K.C.M.G., C.B., V.D., M.P.

* Chairman from 2nd July, 1925, discharged from attendance, 24th March, 1927. † Discharged from attendance, 25th June, 1928. ‡ Appointed 1st July, 1928. § Vice-Chairman from 22nd January, 1926, to 8th June, 1929. ¶ Chairman from 15th June, 1926, to 30th June, 1928. †† Vice-Chairman from 2nd July, 1928, Chairman from 24th March, 1927. ‡ Appointed 18th June, 1928. § Chairman from 22nd January, 1926, to 18th June, 1929, discharged from attendance, 18th June, 1929. †† Vice-Chairman from 24th March, 1927. ‡ Appointed 24th March, 1927.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

REPORT

ON THE

COMMONWEALTH GOVERNMENT SHIPPING ACTIVITIES.

INTRODUCTORY.

Having regard to the amount of public money involved, the frequent criticism, both in Parliament and in the press, and repeated requests for more detailed information concerning the Australian Commonwealth Line of Steamers, the Joint Committee of Public Accounts, in May, 1926, commenced, under the powers conferred upon it by the *Committee of Public Accounts Act 1913-1920*, an investigation of the Commonwealth Government Shipping activities, which, since the creation of the Australian Commonwealth Shipping Board, in 1923, have included Cockatoo Island Dockyard.

Cockatoo Island Dockyard, however, forms the subject of a separate section of this Report.

It might be explained that the Committee has not been continuously engaged since May, 1926, on this investigation. In August, 1926, Cabinet requested the Committee to inquire into and report at the earliest possible moment on the Pacific Islands Shipping Contracts - and that inquiry was not completed until the presentation of the Committee's Report to Parliament, on 23rd March, 1927.

COMMITTEE'S PROCEEDINGS.

To acquaint itself with the subject-matter of this inquiry the Committee examined the Chairman and members of the Australian Commonwealth Shipping Board and the principal officers of the Line, and many other witnesses, comprising exporters, merchants, passengers and others, who were in a position to give the Committee firsthand information concerning the Line and its operations. An invitation to give evidence on certain aspects of the investigation was also extended to the Overseas Shipping Representatives Association, but a reply was received that the Association had no evidence which it desired to place before the Committee. To enable the Committee to make a comparison regarding the system of financing, &c., between the Australian Commonwealth Line of Steamers and the Canadian Government Merchant Marine Ltd., the Australasian Manager of that Company was invited to attend, but he intimated that without permission from the executive at Montreal he was not at liberty to place any information before the Committee other than that supplied by statute to the Registrar-General.

The following is a list of the witnesses who have appeared before the Committee :-

Angliss, The Honorable William Charles, M.L.C., Meat Exporter, Melbourne.
Brennan, John Thomas, Branch Manager, Australian Commonwealth Line of Steamers, Melbourne.
Burgess, Leslie Frank, Manager, Metropolitan-Vickers Electrical Company Limited, Sydney.
Clarkson, Engineer Vice-Admiral Sir William, K.B.E., C.M.G., Deputy-Chairman, Australian Commonwealth Shipping Board.

Clerk, George Brownlow, Managing Director, English Electric Company of Australia Limited, Sydney.
 Crowe, Robert, Exports Superintendent, Department of Agriculture, Victoria.
 Farquhar, Robert, M.I.N.A., Member of the Australian Commonwealth Shipping Board.
 Garnett, Hugh, Salesman, Linacre's Motor Company, Melbourne.
 Gay, George Pickford, Accountant, Cockatoo Island Dockyard, Sydney.
 Goddard, Archie Edwin, Industrial Officer, Australian Commonwealth Line of Steamers, Sydney.
 Harry, Morgan Bruce, Chief Inspector, Postmaster-General's Department.
 Heathershaw, James Thomas, Acting Assistant Secretary, Commonwealth Treasury.
 Hill, Rowland Herbert, Internal Auditor, Australian Commonwealth Shipping Board.
 Holdsworth, Philip John, Travelling Inspector, Australian Commonwealth Line of Steamers, Sydney.
 Innes, Captain Francis Allsopp, Marine Superintendent, Australian Commonwealth Line of Steamers, Sydney.
 Jones, Francis Emile, Staff Superintendent, Sydney Snow's Limited, Sydney, formerly Traffic Manager, Australian Commonwealth Line of Steamers, Sydney.
 Julian, Edward Harold, Managing Director, Briton Limited, Engineers, Sydney.
 Keen, Frederick Arthur, formerly Chief Clerk, Cockatoo Island Dockyard, Sydney.
 Kneen, George Henry, General Manager for Australia, Australian Commonwealth Line of Steamers.
 Kydd, Oswald Johnson, Master of the T.S.S. *Hobson's Bay*, Australian Commonwealth Line of Steamers.
 Larkin, Herbert Benjamin George, C.B.E., Chairman of the Australian Commonwealth Shipping Board.
 Lewis, William, Secretary and Chief Accountant, Australian Commonwealth Shipping Board.
 Lovett, Percy Walter, Chief Auditor for New South Wales, Commonwealth Audit Office, Sydney.
 Macandie, George Lionel, C.B.E., Secretary to the Naval Board of Administration, Department of Defence.
 Mackenzie, Kenneth Ord, Branch Manager, Australian Commonwealth Line of Steamers, Sydney.
 Maling, Silas Young, Acting General Manager, Electricity Supply Department, Sydney Municipal Council.
 McNeil, Engineer-Commander Percival Edwin, R.A.N., Engineer Manager, Garden Island Naval Establishment, Sydney.
 Neal, Richard James, Cartage Contractor to the Dunlop Rubber Company of Australasia Limited, Melbourne.
 Payne, Jack, Manager, Cockatoo Island Dockyard, Sydney.
 Pocock, James Herbert, Joint Managing Director, English Electric Company of Australia Limited, Sydney.
 Pollard, Clifford Frederick, formerly Stores Superintendent, Australian Commonwealth Line of Steamers, Sydney.
 Ramsay, Paymaster-Commander Hugh Malcolm, R.A.N., Director of Naval Stores and Victualling, Melbourne.
 Robins, Captain John Francis, R.A.N., A.D.C., Captain in Charge, Naval Establishments, Sydney.
 Sanderson, Henry Horner, Assistant Superintendent Engineer, Australian Commonwealth Line of Steamers, Sydney.
 Scanlan, Albert Herbert, Managing Director, Scanlan Electric Company, and Chairman of the Electrical Manufacturers Section of the New South Wales Chamber of Manufactures.
 Seabrook, Alfred Charles, M.P., Federal Parliament House, Melbourne.
 Silk, Thomas Hugh, A.M. Inst. C.E., M.I.N.A., Managing Director, Morts Dock and Engineering Company Limited, Sydney.
 Smith, John Carlyle, Senior Superintendent Engineer, Australian Commonwealth Line of Steamers, Sydney.
 Sydenham, Engineer-Captain Ernest Dickerson, R.N., Director of Engineering, Naval Board of Administration, Department of Defence.
 Taylor, Charles Frederick, Director and Secretary, Holdenson and Neilson Fresh Food Proprietary Limited, Melbourne.
 Thompson, John Griffith, Eastern Merchant, Melbourne.

Tilt, Robert Coates, Solicitor to the Victorian Wheat-growers' Corporation, Melbourne.
 Tomalin, William, Stores Superintendent, Australian Commonwealth Line of Steamers, Sydney.
 Williams, Francis Lewis, Outside Representative, Australian Commonwealth Line of Steamers, Sydney.
 Wilson, John, Assistant Manager, Cockatoo Island Dockyard, Sydney.
 Yuill, William Keith, Sharebroker, Sydney; formerly Chief Clerk, Australian Commonwealth Line of Steamers, Sydney.

Visits of inspection were paid by the Committee to various "Bay" steamers (both on arrival from overseas and prior to departure abroad), to the s.s. *Fordsdale*, to Cockatoo Island Dockyard, Garden Island, and other engineering works.

ESTABLISHMENT OF THE COMMONWEALTH LINE.

The Commonwealth Government Line of Steamers was inaugurated in June, 1916, by the purchase in England by the then Prime Minister (the Right Honorable W. M. Hughes) of fifteen second-hand cargo steamers, known afterwards as the "Australis." Two of these were lost by enemy action in 1917, and two were sold in 1919. The remaining eleven were transferred to the Australian Commonwealth Shipping Board in 1923.

One sailing vessel, the *John Murray*, was purchased towards the end of 1917, and was lost about six months later. Two other sailing vessels, *Shandon* and *Speedway*, were purchased in 1918 and sold in 1920.

Eighteen ex-enemy vessels, which had been detained in Australian ports at the outbreak of war, or had been captured, and which had been utilized by the Navy for the transport of troops and cargo, were subsequently placed under the management of the Line, to be run on a commission basis, but later were transferred to its ownership at Prize Court valuations. One of these vessels was lost in September, 1920, and the remaining seventeen were transferred to the Shipping Board in 1923.

With the inauguration by the Commonwealth of its intensive shipbuilding programme further additions were made to the fleet as under:—

Six cargo vessels, built in Australia, known as the "D" class—with a dead-weight capacity of approximately 5,608 tons, registered tonnage of approximately 3,350 tons gross and 1,940 tons net, and a speed of 9½ knots—launched during 1919 and 1920.

Thirteen cargo steamers, built in Australia, known as the "E" class—with a dead-weight capacity of approximately 6,170 tons, registered tonnage of approximately 3,350 tons gross and 1,920 tons net, and a speed of 9½ knots—launched during 1920, 1921, and 1922.

Two cargo steamers, known as the "Dale" class, built at Cockatoo Island Dockyard—having much greater dimensions than the "D" and "E" classes—being 520 feet in length by 63 feet in breadth, of approximately 9,700 gross and 5,800 net registered tonnage, dead-weight, capacity of 12,800 tons, with 160,000 cubic feet of insulated space, and a speed of 14½ knots, viz. s.s. *Fordsdale*, launched in June, 1923, s.s. *Ferndale*, launched in April, 1924.

Two of the "E" class vessels and the two "Dales" were not in commission until after the establishment of the Shipping Board.

Other additions to the fleet comprised five modern passenger and cargo vessels, known as the "Bay" class, built in the United Kingdom and completed during 1921 and 1922, viz. *Moreton Bay*, *Hobsons Bay*, and *Jervis Bay* by Vickers Limited at Barrow, and *Largs Bay* and *Esperance Bay* by Beardmore and Co. Limited at Glasgow. These vessels have a length of 580 feet by 68 feet beam, accommodation for approximately 750 "one-class" passengers, a dead-weight capacity of approximately 12,590 tons, with 350,000 cubic feet insulated, registered tonnage 13,350 gross and 8,450 net, and a speed of 14½ knots.

Fourteen wooden motor ships and steamers built in the United States of America to the order of the Commonwealth Government were acquired during 1918 and 1919, and were worked at intervals on behalf of the Government under the management of the Line, but these vessels were not included in the Commonwealth Government Line fleet or accounts.

OPERATIONS OF THE COMMONWEALTH GOVERNMENT LINE OF STEAMERS.

Upon the inception of the Line, Mr. H. B. G. Larkin, who had had extensive shipping experience with the A.U.S.N. and B.I.S.N. Companies, and was then in London as Commonwealth Shipping Representative, was offered and accepted the appointment of General Manager of the Commonwealth Government Line of Steamers, as the Line was then called. Mr. Larkin established the head office of the Line in London, and at the outset the business was conducted on an agency basis. Subsequently branches were opened in the principal ports in Australia and in London, and a General Manager for Australia was appointed.

For some years, due largely to the then prevailing conditions, the results of the operations of the Commonwealth Government Line showed substantial profits, and the Line was instrumental in enabling shippers in Australia to get their goods to the overseas markets at reasonable rates because, it was stated, the presence of the Line not only exerted a considerable influence in restraining increases in freights, but in many instances actual reductions in rates made by the Line were almost simultaneously adopted by the other shipping companies. For example, it was claimed that the reduction of 10s. per ton in freight rates forced by Mr. Larkin early in 1923 had resulted in a saving of over £2,000,000 a year in Australia's freight charges.

In later years, however, the operations of the Line were not so satisfactory financially, a condition of affairs common to all shipping concerns, and due to the release, following the cessation of hostilities, of ships aggregating many thousands of tons.

The Balance-sheet and Profit and Loss Account for each financial year since the inception of the Line have been published annually with the Treasurer's Budget Statement.

The trading and financial results of the operations of the Commonwealth Government Line of Steamers may be set out as follows:—

ANALYSIS OF ANNUAL GROSS PROFITS, LESS DEPRECIATION WRITTEN OFF EACH CLASS OF STEAMER, ETC.

Gross Voyage Profits and/or Loss.	Australia.		Sailors.		"D" Class.		"E" Class.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Period to 30th June, 1917	P. 426,394	7 4						
Year ended 30th June, 1918	P. 894,305	11 0	P. 11,573	9 6				
Year ended 30th June, 1919	P. 1,276,905	14 8	P. 8,692	17 0				
Year ended 30th June, 1920	P. 316,998	12 5	P. 14,058	2 7	P. 34,328	19 10		
Year ended 30th June, 1921	P. 168,149	5 0	P. 3,998	17 10	P. 20,974	8 8	L. 4,955	11 10
Year ended 30th June, 1922	L. 160,909	18 8			L. 110,631	10 8	L. 57,986	12 4
Period ended 31st August, 1923	L. 247,032	13 1	L. 283	2 4	L. 82,343	8 10	L. 166,956	16 5
Total	P. 2,673,810	18 8	P. 38,040	4 7	L. 137,671	11 0	L. 229,909	0 7
Depreciation from Inception of Fleet to transfer to Board	997,506	8 10	13,914	1 9	366,241	5 10	272,570	7 0
	P. 1,676,304	9 10	P. 24,126	2 10	L. 503,912	16 10	L. 502,479	7 7

Gross Voyage Profits and/or Loss.	"Ex-enemy."		"Boys."		Total.	
	£	s. d.	£	s. d.	£	s. d.
Period to 30th June, 1917	P.	426,394 7 4
Year ended 30th June, 1918	P.	905,879 0 6
Year ended 30th June, 1919	P.	1,384,698 11 8
Year ended 30th June, 1920	P.	365,386 14 10
Year ended 30th June, 1921	P.	530,930 11 10
Year ended 30th June, 1922	P.	342,763 12 2	P.	35,204 11 6	L.	521,037 11 9
Period ended 31st August, 1923	L.	467,434 3 5	L.	87,937 0 9	L.	1,051,997 4 10
Total..	L.	351,384 12 10	L.	52,732 9 3	P.	1,940,163 9 7
Depreciation from Inception of Fleet to transfer to Board	2,155,155 17 2	
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		
		

This statement does not include the profits earned on "ex-enemy" steamers whilst being run by the Navy, or whilst running under the management of the Commonwealth Line prior to the transfer of their ownership to the Line. In a document presented to Parliament on 6th July, 1923—entitled "Commonwealth Shipping and Shipbuilding Activities"—Parliamentary Paper No. 21 of 1923—the following figures are given:—

Profit on working "ex-enemy" vessels—	
Under the control of the Navy	£1,831,576
Under control of the Line (prior to incorporation in Line's Fleet)	1,841,918
Or a total of	£3,673,494

The capital cost of the fleet concerned in the operations detailed above is shown in the statement on pages 8 and 9.

CONTEMPLATED RE-ORGANIZATION.

In November, 1921, the Government shipping and shipbuilding activities were debated at length in the House of Representatives, when it was indicated, generally, that the Commonwealth Government Line should be retained, but with drastic alteration in its system of control. With regard to shipbuilding, it was recognized that Australia had undertaken this work to aid the Allies during the war, but that upon the completion of the vessels then in course of construction it was not considered the function of the Government to continue the industry, and that its further development should be left to private enterprise.

THE COMMONWEALTH SHIPPING ACT.

Action was not taken, however, until July, 1923, when the Commonwealth Shipping Bill, the first statutory recognition of the Commonwealth Government's participation in the shipping business, was introduced into the House of Representatives.

In placing this measure before Parliament the Prime Minister (The Right Honorable S. M. Bruce) indicated that, although the Commonwealth Line had rendered invaluable service during the war in the transport of men, munitions and foodstuffs, its post-war losses were steadily increasing. These losses could be ascribed to the return of troops to their own countries, to the release of tonnage, due to the cessation of hostilities, to trade depression generally, and to the disastrous conditions prevailing in the shipping world. It had also been found by experience that a great part of the tonnage of the Line was quite unsuitable for Australian trade, and was expensive to run. Owing to the abnormally high valuation at which the ships stood on the books, it was impossible to meet the excessive charges for interest and depreciation, and as shipping values had decreased rapidly and extensively, the necessity for a heavy writing down had to be faced. So far as actual running costs were concerned, it was not contemplated that very much reduction could be made, as the vessels were on the Australian register, and it was intended that they should so remain. As the Government proposed under the Act to take debentures as a first charge on the Line, it was recognized that the Board could not approach financial institutions for a loan or an overdraft, and provision was made for the Treasurer to make advances or to guarantee an overdraft not exceeding 25 per cent. of the amount of debentures, for the purpose of working capital. It was, however, anticipated that accumulated profits would later provide the Board with sufficient working capital. The Prime Minister further explained that it was contemplated, in fact, it would be found necessary, to sell some of the ships, and although no provision was made therefor in the Bill, it was proposed to leave the proceeds of such sales with the Board for utilization as working capital or for the purchase of new tonnage. What was required for Australia, Mr. Bruce added, was a Line with tonnage suitable to Australian trade, a Line which could be conducted on a reasonable basis of expense, and which would give an indication of what were proper freights to be charged by other lines.

To show that the Commonwealth was not alone with regard to the position of its shipping activities, the Prime Minister pointed out that many shipping companies which had been formed in Great Britain when abnormal freights were being earned had not only lost their capital, but, when wound up, had owed to their banks two, three or even four times as much as the value of the asset upon which the banks had advanced the money. All the old-established shipping lines, notwithstanding their strong reserves, had had to refrain from paying dividends or had paid them by drawing on reserves accumulated over many years.

The Shipping Act, as passed by Parliament, provides for the establishment of a Shipping Line, to be called the Australian-Commonwealth Line of Steamers, under the control of a Board of Directors, entitled the Australian Commonwealth Shipping Board, of not less than three (3) nor more than five (5) members, in whom is vested the management of the Line, and to whom the

Particulars of the vessels which comprised the Commonwealth fleet, together with their capital value, their book value in 1923, just prior to taking over by the Board, and the value at which taken over, are set out in the following statement. As reference will be made later in this Report to the sale of certain of these vessels, the prices received therefor have, for convenience, been included in the statement.

Name of Vessel.	Date Built.	Tonnage.		Original Capital Cost Plus Capital Additions.	How Disposed of.	Book Value at Time of Disposal or Transfer to Board.	Price obtained for Vessels disposed of prior to Transfer of Line.	Value at which taken over by Board.			If since Sold Price Received, less Commissions.		
		Gross.	Net.					£.	s.	d.	£.	s.	d.
<i>Australblue</i>	1907	4,308	2,940	140,028 10 11	Lost by Enemy Action	146,028 10 11	144,275 0 0	£	..	s. d.	£	..	s. d.
<i>Australdale</i>	1907	4,370	2,843	101,142 19 0	"	91,142 19 0	144,275 0 0	0	0	0	22,000	0	0
<i>Australfield</i>	1900	4,271	2,723	109,932 13 0	Sold	138,439 8 2	109,200 0 0	0	0	0	22,000	0	0
<i>Australfreem</i>	1899	3,354	2,280	50,971 4 0	Sold	70,587 17 3	113,355 0 0	0	0	0	22,000	0	0
<i>John J. Murray, S. F.</i>	1877	1,114	737	3,080 14 4	Total wreck	22,080 14 3	19,900 0 0	0	0	0	22,000	0	0
<i>Shandon, S. F.</i>	1883	1,432	1,397	35,448 8 7	Sold	23,919 16 0	22,000 0 0	0	0	0	22,000	0	0
<i>Speedway, S. V.</i>	1918	621	454	20,005 8 2	Sold	22,655 11 11	7,910 0 0	0	0	0	22,000	0	0
<i>Cardinia</i>	1903	1,915	1,709	6,515 0 0	Total Wreck	5,109 0 0	19,800 0 0	0	0	0	22,000	0	0
<i>Australbrook</i>	1909	4,336	2,802	382,285 8 3	Transferred to Shipping Board	640,914 11 10	625,805 0 0	0	0	0	22,000	0	0
<i>Australcruy</i>	1907	4,903	2,835	133,765 14 0	"	90,746 2 0	..	0	0	0	22,000	0	0
<i>Australford</i>	1907	4,318	2,853	102,100 10 0	"	63,394 4 2	..	20,000	0	0	22,000	0	0
<i>Australglan</i>	1900	4,500	2,811	122,230 12 0	"	62,441 0 7	..	18,000	0	0	22,000	0	0
<i>Australmead</i>	1912	4,101	2,470	166,588 14 0	"	62,441 0 7	..	17,000	0	0	22,000	0	0
<i>Australnairn</i>	1900	4,308	2,808	106,004 10 0	"	63,389 10 10	..	27,500	0	0	30,870	0	0
<i>Australpeak</i>	1906	4,432	2,622	122,748 13 0	"	61,978 8 11	..	23,000	0	0	24,000	0	0
<i>Australplain</i>	1906	4,320	2,763	120,010 8 7	"	63,244 2 11	..	12,750	0	0	22,000	0	0
<i>Australpool</i>	1907	4,007	2,327	120,010 8 7	"	63,290 3 0	..	23,000	0	0	22,310	0	0
<i>Australport</i>	1900	4,320	2,763	165,005 13 0	"	62,362 1 0	..	16,700	0	0	20,000	0	0
<i>Australpost</i>	1915	3,685	2,212	153,683 2 6	"	63,348 14 0	..	31,500	0	0	30,700	0	0
<i>Australrange</i>	1907	4,233	2,812	153,401 2 6	"	63,848 14 0	..	31,500	0	0	27,000	0	0

Name of Vessel.	Date Built.	Tonnage.		Original Capital at Time of Disposal of.		How Disposed of.	Book Value at Time of Disposal or Transfer to Board.		Price obtained for disposal of prior to Transfer to Line.		Value at which taken over by Branch.		If stoves Sold, Price received, less Commissions	
		Gross.	Net.	£	s. d.		£	s. d.	£	s. d.	£	s. d.	£	s. d.
<i>Arcturion</i>	1901	6,510	3,485	34,273	0 0	Transferred to Shipping Branch.	29,346	2 6	£	Nil	£	Nil	£	12,220 0 0
<i>Bakara</i>	1913	5,070	3,087	89,207	3 0	"	75,881	17 0	"	54,000 0 0	"	20,005 0 0	"	20,005 0 0
<i>Daraband</i>	1912	6,016	3,081	102,008	17 1	"	90,729	5 30	"	51,000 0 0	"	23,106 0 0	"	23,106 0 0
<i>Boonah</i>	1906	6,143	3,308	98,941	0 0	"	86,941	0 0	"	47,808 0 0	"	17,978 0 0	"	17,978 0 0
<i>Booral</i>	1905	4,969	2,724	69,005	7 8	"	62,918	10 11	"	20,000 0 0	"	8,830 0 0	"	8,830 0 0
<i>Boornra</i>	1913	6,670	4,010	111,202	15 3	"	94,854	7 2	"	64,500 0 0	"	39,600 0 0	"	39,600 0 0
<i>Bulga</i>	1903	1,439	907	14,000	0 0	"	11,900 0 0	"	"	3,500 0 0	"	3,500 0 0	"	3,500 0 0
<i>Bulga</i>	1905	5,302	3,310	80,881	0 0	"	70,842	11 0	"	21,000 0 0	"	12,712 0 0	"	12,712 0 0
<i>Catula</i>	1907	4,205	2,331	52,602	6 7	"	45,217	4 4	"	10,000 0 0	"	10,000 0 0	"	10,000 0 0
<i>Carina</i>	1907	5,480	3,437	93,218	5 11	"	83,687	1 1	"	20,500 0 0	"	25,330 0 0	"	25,330 0 0
<i>Doce</i>	1907	4,328	2,532	53,750	16 5	"	46,670 0 0	"	"	10,000 0 0	"	19,050 0 0	"	19,050 0 0
<i>Douglas</i>	1904	3,601	2,309	40,841	0 0	"	37,047 0 0	"	"	10,000 0 0	"	27,070 0 0	"	27,070 0 0
<i>Gilgai</i>	1901	5,612	3,536	27,854	1 7	"	23,647	13 8	"	18,000 0 0	"	15,322 10 0	"	15,322 10 0
<i>Maletta</i>	1904	1,098	539	20,000	0 0	"	17,648 10 0	"	"	4,500 0 0	"	5,000 0 0	"	5,000 0 0
<i>Paradisi</i>	1904	4,220	2,505	50,800	10 10	"	43,735 0 0	"	"	10,000 0 0	"	8,500 0 0	"	8,500 0 0
<i>Talaga</i>	1904	2,832	2,408	30,923	11 10	"	26,373 7 10	"	"	7,500 0 0	"	7,500 0 0	"	7,500 0 0
<i>Toromeo</i>	1905	4,140	2,703	32,876 4 4	"	"	28,180 16 0	"	"	9,500 0 0	"	10,000 0 0	"	10,000 0 0
<i>Delunga</i>	1910	3,348	1,904	196,282	14 2	"	139,728 16 10	"	"	33,900 0 0	"	17,900 0 0	"	17,900 0 0
<i>Eliga</i>	1920	3,308	1,549	105,313 11 0	"	"	136,020 12 0	"	"	32,500 0 0	"	20,000 0 0	"	20,000 0 0
<i>Dinga</i>	1910	3,241	1,930	197,115 11 0	"	"	137,034 13 1	"	"	32,500 0 0	"	17,500 0 0	"	17,500 0 0
<i>Dromana</i>	1910	3,350	1,934	177,716 1 1	"	"	110,907 14 5	"	"	32,500 0 0	"	17,500 0 0	"	17,500 0 0
<i>Dunosa</i>	1920	3,351	1,941	183,500 11 11	"	"	124,098 0 8	"	"	32,500 0 0	"	34,000 0 0	"	34,000 0 0
<i>Eudalia</i>	1920	3,354	1,955	192,135 11 11	"	"	130,010 0 0	"	"	32,500 0 0	"	35,000 0 0	"	35,000 0 0
<i>Emita</i>	1920	3,347	1,910	203,001 0 0	"	"	100,340 0 8	"	"	35,500 0 0	"	18,750 0 0	"	18,750 0 0
<i>Enoggera</i>	1920	3,350	1,922	212,870 4 0	"	"	106,218 0 8	"	"	35,500 0 0	"	31,000 0 0	"	31,000 0 0
<i>Euridia</i>	1920	3,351	1,921	211,019 0 0	"	"	102,309 10							

In the case of the "Bay," "Dale," "D," and "B" class vessels, the valuations at which they were taken over were made early in 1923 by leading ship valuers in London, but in respect of the "Bay" boats, the valuers' assessments were increased by £100,000 each. The value of the "Australis" and "Ex-emyne" steamers was determined after a study of the prices then being received for vessels of similar age and class.

The *Commonwealth Shipping Act 1923*—assented to on 31st July, 1923—came into operation by proclamation on the 1st September, 1923, and the following Board of Directors was appointed as from that date, with Sydney as the Head Office of the Line :—

Engineer Vice-Admiral Sir William Clarkson, K.B.E., C.M.G., Member of the Board,
for four (4) years at £3,000 per annum.

Robert Farquhar, Esq., M.I.N.A., Member of the Board, for nine (9) months, which period has been extended since from time to time, and is now on a monthly basis, at £3,000 per annum.

Mr. Larkin, as already stated, had been General Manager of the Commonwealth Government Line of Steamers from its inception. Sir William Clarkson had been previously a member of the Naval Board of Administration; at the outbreak of war he became Director of Transports, and later he was appointed Controller of Shipping, in which capacity he had full charge of all

Australian overseas and interstate shipping. Mr. Farquhar had been Director of Commonwealth Shipbuilding—his previous experience having been principally in connexion with ship construction work. His particular function on the Shipping Board has been the control of Cockatoo Island Dockyard.

The Board holds regular weekly meetings—oftener, if necessary—but Mr. Larkin has been abroad for the greater part of the period since the creation of the Board, having been absent from Australia from January to October, 1924, and from March, 1925, to September, 1926, when he attended before the Public Accounts Committee in response to its cabled inquiry whether he desired to give evidence.

The other members of the Board, Sir William Clarkson being Deputy Chairman, therefore carried on the functions of the Board, keeping in touch by letter and cable with the Chairman.

OPERATIONS AND POLICY OF THE BOARD.

To inform the Committee of the operations and the policy of the Board, the Deputy Chairman, in the then absence of Mr. Larkin, placed before it full statements setting out the action taken by the Board to carry out the provisions of the Shipping Act, and its policy in conducting the Australian Commonwealth Line of Steamers.

When the Board took over from the old organization—the Commonwealth Government Line of Steamers—in September, 1923, 27 vessels had already been laid up—some of which had been idle for over a year—it having been proved that the freights those steamers were capable of earning, even if full cargoes were obtained every voyage, would not pay ordinary voyage expenses, let alone interest on transfer value, depreciation, and cost of administration. The Board soon ascertained that this condition also obtained with regard to twenty of the remaining ships, and that under existing conditions only the five "Bay" and the two "Dale" steamers could reasonably be expected to pay anything in excess of voyage disbursements, and that such excess would fall very far short of what was necessary to meet interest and depreciation. Furthermore, the market value of ships had fallen between the date of valuation and the date of taking over, and had continued to fall until second-hand cargo carriers were practically unsaleable.

The reasons advanced for the inability of the ships transferred to the Board to earn sufficient funds to carry out the provisions of the Act were:—

- (1) With regard to the 47 ships already referred to—
 - Unsuitability for the trade of many of the ships—including the "D" and "E" class steamers, which had been found to be entirely unsuitable for overseas trade, being too small, slow and expensive. Efforts to utilize steamers of the "E" type in the Java and Singapore trade also proved so unprofitable this service was abandoned.
 - Excessive cost of running and maintaining even those vessels found suitable—due to their having been used to their utmost during the war, with a minimum expenditure on maintenance, and consequent deterioration to hulls, machinery and boilers.
 - High cost of manning and provisioning under Australian articles as against the costs incurred by competing ships.
- (2) With regard to the "Bay" and "Dale" steamers—
 - Difficulty in obtaining cargo—due for some time to industrial troubles and to adverse press criticism.
 - Cost of manning and provisioning under Australian articles—an amount sufficient to pay more than 5 per cent. on the transfer value of the "Bays" and "Dales."
 - The uneconomical conditions under which the overseas shipping trade of the Commonwealth is conducted—it being stated that there is more than double the tonnage on the United Kingdom to Australia berth than is necessary to carry the cargo offering; in consequence of which, ships rarely carry full cargoes.
 - The announcement that the Government was prepared to receive tenders for the sale of the Line, and the consequent state of uncertainty concerning the Line so created.

In view of these circumstances, the Board adopted the broad policy:—

- (a) To administer the affairs of the Line with the greatest possible economy;
- (b) To take all possible steps to bring fares and freights down to the lowest economical limits;
- (c) When fares and freights had been brought down, to use every endeavour to keep them down.

To carry out (a), the first duty of the Board was to get rid of the useless tonnage as early and as advantageously as possible—and in this the Board considered that it had been as successful as could reasonably be expected, having regard to the enormous surplus of the world's tonnage. The cost of administration was said to have been closely watched, and office staffs reduced to a minimum. The storing and provisioning of the ships had been entirely re-organized—as a result of which substantial savings and increased efficiency were claimed.

With regard to (b) and (c), the Board recognized, as its only source of revenue was from fares and freights, that the expectation of Parliament that profits would be earned could be met only by a material increase in fares and freights, but as, in its opinion, the Line existed for the purpose of disciplining the private ship-owners, and compelling them to charge only reasonable rates, it was obviously precluded from making any increases, even had it so desired, because, if private ship-owners agreed to them, the cost to shippers in the Commonwealth would be much more than the losses incurred by the Line if the increases were not made; whilst, on the other hand, if the Line alone imposed increases, it would not be able to obtain either passengers or cargo. The Board considered, however, that existing rates could be reduced if the trade were conducted more economically by the withdrawal from the berth of surplus tonnage, and with that object in view, it took steps to have rates lowered. Confidential details placed before the Committee indicated that the efforts of the Board had led to substantial reductions in freight, and that on other occasions its refusal to agree to increases proposed—in one instance by both British and foreign ship-owners—had been successful.

Certain of the factors stated by the Deputy Chairman of the Board to have exercised an influence against the successful operation of the Commonwealth Line may be elaborated as under:

Industrial Trouble.—For some time, both before and after the inception of the Board, the operations of the Line were, it was stated in evidence, considerably hampered by industrial troubles, but in June, 1925, an arrangement was made by the Board with certain Unions in the transport group, other than the Seamen's Union, and since that date it was claimed the Commonwealth Line had had no serious trouble.

Press Criticism.—Unfair press criticism and a tendency to give undue publicity to any matters adversely affecting the Commonwealth Line and its operations, exercised, it was stated, an influence on its business. Instances were quoted in evidence of the prominence given in the press to happenings of a detrimental nature on Commonwealth steamers, whilst similar episodes on other vessels were not mentioned.

The Committee itself had specific examples during its investigation. In one case a paragraph appeared in a Melbourne paper that passengers on a "Bay" steamer had complained that the food was poor during the voyage. The editor was asked if he could indicate the source of the information, and whether the names of the passengers were available, but a reply was received regretting that, although he had inquiry made, no such particulars could be furnished. In another instance a Sydney newspaper published during the course of the Committee's investigation, a paragraph headed "Federal Ships—Do not pay—May all be sold," and then proceeded to quote, in heavy type, an opinion expressed by the Prime Minister, when a private Member of Parliament, some three years previously.

Running Costs of Steamers.—Figures placed before the Committee showed that under Australian conditions of manning and pay in force last year, a "Bay" steamer had to carry a complement of 170—at a cost, including overtime and leave, of £3,725 per month, whilst a vessel of similar class on the British register would have a crew of 154 only, at a total monthly cost of £1,654. A comparison of the actual wages, &c., paid for the year ended 31st March, 1926, on the five "Bay" steamers and the estimated wages payable for similar steamers on English articles showed a difference in favour of the latter of £117,758, the figures being:—Actual wages paid under Australian articles, £204,987; estimated wages paid under English articles, £87,229.

When the extra victualling cost is considered, this amount is increased by £9,510, making a total of £127,268, or nearly equivalent to interest at 5 per cent. on the transfer value of the "Bay" steamers.

It is estimated that the additional cost of running the seven steamers now in commission as compared with a similar number and class of vessels on British articles would approximate £220,000 per annum; if, therefore, the Commonwealth Line had operated with British rates of wages and conditions, its anticipated loss of £189,905 for the year 1926-27 would have been converted into a profit of £30,000.

Taking Australian wages and conditions as £100, the Committee was informed that, in respect of a vessel of 6,000 tons gross, British wages would be £32.41, American £42.21, Swedish £24.51 and Danish £15.44, but since those figures were prepared Australian rates have been increased by 5s. per month per rating.

Proposed Sale of Line.—In May, 1925, tenders were invited from British subjects or companies for the purchase of the Commonwealth Line, which then comprised 27 steamers, viz.:—5 "Bays," 2 "Dales," 5 "D" class, 4 "E" class, and 11 "Ex-enemy." The terms of sale stipulated that before the completion of the purchase the successful tenderer had to enter into an agreement to conduct between Australia and the United Kingdom certain specified services by these vessels for a minimum period of seven years; no increase in rates of freight or passage money was to be made without reference to and approval by a Committee to be appointed, and the independence of the Line—free from the control of any "ring" or "combine"—had to be maintained.

No definite tenders were lodged as a result of the advertisements, and subsequently the Prime Minister announced that the Government had decided to retain the Line, sell obsolete and uneconomical tonnage, and, where necessary, replace it by modern steamers. Notwithstanding the announcement of the Prime Minister, the attempt made to dispose of the Line in 1925 had had, it was stated in evidence, a detrimental effect on its business, and had tended to shake the confidence of regular shippers in the Line, and this had taken some considerable time to overcome.

FINANCING OF THE LINE.

Issue of Debentures.—In accordance with the provisions of Section 15 of the Commonwealth Shipping Act, debentures were issued by the Board to the Treasury to an amount of £4,725,650, representing, as set out in the Schedule to the Act—

Vessels, spare gear, &c.	£4,718,150
and	
Office furniture and fittings	£7,500

This figure represented the total written down values of the whole of the steamers then in the possession of the old organization—the Commonwealth Government Line of Steamers—as well as the transfer values of the steamers not completed at the time of transfer, viz., *Elouera, Euroa, Fordsdale, and Ferndale*.

Sale of Tonnage.—The first action of the Board was to dispose of the steamers which were unsuitable for use in the United Kingdom to Australia trade, and arrangements were made to dispose of 34 vessels, comprising 6 "D" class, 13 "E" class, 5 "Ex-enemy," and 10 "Austral." Subsequently nine "Ex-enemy" and one "Austral" were included in the list for disposal, leaving in commission the five "Bays," two "Dales," and three "Ex-enemy" steamers. After reviewing the position, as disclosed by the accounts for the year ended 31st March, 1926, the Board decided to abandon the service to the West Coast of England in which the two "Dale" boats were operating, and which had proved to be very unprofitable, to lay up and dispose of the three remaining "Ex-enemy" steamers, and to concentrate on the London service with the "Bays" and "Dales."

The prices realized for the vessels sold are shown in the statement above, and the position may be summarized as under:—

	Transfer Value. £
Seven steamers in operation	3,400,000
Forty-seven steamers sold	1,318,150
	<hr/>
Office furniture and fittings	4,718,150
	7,500
	<hr/>
Debentures issued for	4,725,650

Working Capital.—Under Section 16 of the Commonwealth Shipping Act the Treasurer may make advances from Revenue to provide the Board with working capital, or he may guarantee an overdraft for the Board. No advances have been received by the Board from the Treasury as provided by this section, and the Line has been financed entirely by moneys derived from the sale of surplus tonnage, and the amount which has been received in excess of requirements has been invested in State Loans in accordance with the provisions of Section 19 (6). The Treasury has, however, guaranteed an overdraft for the Board at the Commonwealth Bank to the extent of £100,000 in Sydney and £150,000 in London, and this has occasionally been operated on—it being found sometimes more economical to work on the overdraft than to realize invested funds earning a little over 5 per cent. per annum. The total amount received by the Board on account

of the sale of steamers to 31st March, 1927, the estimated amount absorbed by the steamers sold and by steamers in commission may be summarized as under:—

	£	£
Selling price of steamers disposed of, after deducting instalments not paid	1,043,210	
Expenses in connexion with steamers sold or awaiting sale	286,135	
	<hr/>	
Net amount of cash available for operating fleet in commission	379,878	757,075
Voyage results from 1st September, 1923, to 31st March, 1927		
Overhead charges (excluding interest and depreciation), less sundry receipts	249,019	
	<hr/>	
Amount absorbed by steamers in commission		628,897
Balance		<hr/>
		128,178

The amount shown as absorbed by steamers in commission includes insurance premiums credited to Insurance Reserve Account amounting to £100,000, and Bunkers and Stores debited to opening voyages and credited to Reserve Account amounting to £133,474—a total of £233,474—which sum, whilst being included in voyage losses, does not represent actual shrinkage in cash.

Payment of Interest.—Section 17 of the Commonwealth Shipping Act requires the Board to pay interest to the Treasury at 5 per cent. per annum on the amount of the debentures issued. These debentures represent the transfer value, not only of the steamers retained and being operated, but of those steamers which were handed over for disposal, and in respect of which the Board incurred heavy expense before sales were effected. The amount of interest due to the Treasury to 31st March, 1927, on debentures issued by the Board may be summarized as under:—

Amount charged to old organization—the Commonwealth Line of Steamers	£11,532
Amount debited to Profit and Loss Account on account of steamers being operated and on account of transfer value of surplus steamers from date of sale	754,784
Amount charged to Realization of Assets Account on account of steamers laid up awaiting disposal	63,513
	<hr/>
	£829,829

of which only the first item has up to the present been paid—leaving the sum of £818,297 owing to the Treasury.

The position is, therefore, that if actual payment of interest were insisted upon the Treasurer would have to make an advance to the Board of an amount equal to the sum outstanding, that money would be returned by the Board as payment for the interest due, and the Board would have to issue further interest-bearing debentures; or, as an alternative, the Treasurer would have to guarantee an overdraft with the bank, which would have to be drawn upon to its full extent to pay the outstanding interest, and on this overdraft the Board would have to pay interest to the bank. Under the existing arrangement however, the Board owes the Treasury the outstanding amount, but is not paying interest thereon.

Additional Capital.—The power given to the Board by section 18 of the Act to raise additional capital, subject to resolution by both Houses of Parliament, has not been availed of.

Disposal of Profits.—The wording of section 19 of the Act indicates that Parliament assumed the Line would, after reconstruction, be in a position to earn profits, although it was well known that for some time prior to the passing of the Act most of the steamers were not earning sufficient freight to cover voyage disbursements, and while the "Bay" steamers were showing some profit on voyage accounts, those profits were more than absorbed by the losses incurred by the other vessels. Even the writing down of the capital costs would not, apart from depreciation, improve the trading position.

Reviewing the financial position generally, the Board was of opinion that it might now reasonably expect to earn on voyage operations sufficient profit to cover administrative expenses, with a small margin towards interest charges; but the greater part of interest and depreciation charges could not be met.

Result of Operations.—The following statement gives an analysis of the operations of the fleet, plus administrative expenses, depreciation and interest from 1st September, 1923, to 31st March, 1927—the figures for the closing months of the financial year 1926-27 having been estimated :—

Period.	"Bay" Steamers' Voyages Results.	"Dale" Steamers' Voyages Results.	Other Steamers' Voyages Results.	Other Earnings, viz., Commissions, Interest, &c.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1.9.23-31.3.24 (7 months)	P. 17,176 9 8	L. 42,713 13 10	L. 133,685 13 7	5,391 11 9
1.4.24-31.3.25 ..	P. 40,996 17 1	L. 56,696 18 2	L. 134,056 9 4	20,765 6 3
1.4.25-31.3.26 ..	P. 94,604 11 2	L. 75,724 12 9	L. 18,967 15 0	23,043 8 11
1.4.26-31.3.27 ..	L. 10,015 0 7	L. 70,775 15 3	L. 18,967 15 0	21,100 0 0
	P. 142,762 17 4	L. 170,186 7 3	L. 352,454 10 8	Cr. 69,306 6 11

Period.	Administrative Expenses.	Total Loss on Operating Steamers.	Depreciation.	Interest.	Total Loss Carried to Balance-sheet.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1.9.23-31.3.24 (7 months)	42,386 17 9	143,484 9 11	907 12 8	101,032 7 11	245,474 10 6
1.4.24-31.3.25 ..	94,317 2 11	202,304 2 9	180,798 0 2	203,717 7 0	593,879 9 11
1.4.25-31.3.26 ..	31,472 9 8	107,241 0 6	179,584 6 10	216,251 9 7	503,076 16 11
1.4.26-31.3.27 ..	90,146 12 8	168,805 3 6	172,547 0 0	233,732 10 0	575,384 13 6
	318,323 3 0	628,894 16 8	534,136 19 8	754,783 14 6	1,917,815 10 10

Analyzing still further, the voyage results, as shown in the preceding statement, the following table sets out particulars of the various services which have been conducted by the Board, and their financial result, excluding administrative expenses, depreciation and interest :—

	1st September, 1923, to 31st March, 1924.	1st April, 1924, to 31st March, 1925.	1st April, 1925, to 31st March, 1926.	1st April, 1926, to 31st March, 1927. (Estimated.)	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
"Bay" Steamers ..	P. 17,176 9 8	P. 40,996 17 1	P. 94,604 11 2	L. 10,015 0 7	P. 142,762 17 4
"Dale" Steamers—					
West Coast of U.K. Service ..	..	L. 42,713 13 10	L. 56,696 18 2	L. 30,023 9 8	L. 135,434 1 8
London Service ..	..	..	L. 34,762 5 7	L. 34,762 5 7	L. 34,762 5 7
"Ex-enemy" Steamers (East and West Coast of U.K. Service) ..	L. 116,351 1 11	L. 118,050 2 10	L. 43,152 10 6	L. 18,967 15 0	L. 286,491 10 3
"E" Class Steamers (Java Service) ..	L. 10,883 1 5	L. 12,546 7 10	..	..	L. 23,429 9 3
"D" and "E" Class Steamers Chartered to other Owners ..	P. 3,848 1 0	P. 820 16 4	P. 2,448 3 11	..	P. 7,116 2 0
Steamers chartered by Line ..	..	L. 34,416 14 7	L. 34,416 14 7	..	L. 34,416 14 7
Lay-up Expenses ..	L. 1,279 12 0	L. 4,320 15 0	L. 931 2 7	..	L. 6,531 0 7
Total ..	L. 100,480 3 11	L. 135,813 6 1	L. 37,816 10 0	L. 90,768 10 10	L. 370,878 0 7

P denotes Profit; L denotes Loss.

In examining the financial results of the trading of any shipping concern, the necessity for studying the many factors affecting the business was impressed on the Committee throughout its investigation; and in submitting the above figures it was explained that the comparatively successful year enjoyed by the Commonwealth Line during 1925-26 was due, in a great measure, to British steamers having been held up through the strike of British seamen, which occurred during that period, whilst the less favorable results for the year just closed could be accounted for by the falling off in imports from the United Kingdom following the British coal strike, the substantial decrease in the quantity of exports from Australia and the lower earnings, due to the reduction of 10 per cent. in freight rates, which operated from July, 1926. Notwithstanding these adverse factors, however, it was claimed that the Commonwealth Line had received its normal share of the business offering. A further examination of detailed voyage results placed before the Committee indicated that the Commonwealth Line received better support from the United Kingdom than from Australia—for example, taking the years ended 31st March, 1925,

1926 and 1927—the "Bay" steamers showed on the outward voyages, i.e., from the United Kingdom to Australia, profits of £72,838, £44,309 and £64,974, and on the homeward voyages a loss of £26,775, a profit of £52,720 and a loss of £74,989 respectively—fluctuations attributed to prevailing conditions, but not due to loss of support.

The above figures cannot, it was explained, be accepted as an indication of the results which will follow the inauguration of the Board's policy—contrary to the views of the Chairman—of abandoning the service to the West Coast of the United Kingdom, and concentrating the fleet on London. Until further experience has been gained in this service a fair comparison of the financial results of the policy cannot be made.

The Committee also had placed before it detailed statements showing the earnings, expenditure and resultant profits and/or losses on each trip of every vessel or class of vessel since the inauguration of the Board, together with the Profit and Loss Accounts and Balance-sheets of the Line for each financial period. The Profit and Loss Accounts and the Balance-sheets have been presented to Parliament each year with the report of the Auditor-General.

The Liabilities and Assets of the Line may be tabulated as follows :—

	31st March, 1924.	31st March, 1925.	31st March, 1926.	31st March, 1927.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Liabilities.				
Debentures ..	4,525,650 0 0	4,725,650 0 0	4,725,650 0 0	4,725,650 0 0
Treasury—On account Interest on Debentures ..	115,202 7 5	345,731 9 1	582,013 19 1	818,296 9 1
Agents' Credit Balances ..	5,164 5 10	30,894 0 8	2,751 13 5	Not known
Sundry Creditors and Credit Balances ..	22,958 11 6	160,058 4 3	139,309 8 9	Not known
Sundry Credits on Closed Voyages ..	92,971 19 5	26,190 15 0	26,728 10 4	Not known
Balance of Receipts over Expenditure on Pending Voyages ..	58,676 13 2	104,263 12 1	56,210 6 2	Not known
Insurance Reserve Fund ..	..	..	117,632 6 3	130,000 0 0
Bunker Provision and Stores Reserve Fund ..	122,549 12 6	131,635 17 4	132,317 6 1	133,474 0 0
Realization of Assets Account ..	10,082 18 11	..	..	(Estimated)
	4,953,256 8 9	5,524,443 18 5	5,782,613 10 1	..
Assets.				
Steamers—less depreciation ..	4,103,000 0 0	3,921,685 19 0	3,361,616 16 5	2,913,456 0 0
Office Furniture and Fittings less depreciation ..	9,382 2 5	9,348 7 4	8,076 5 4	8,000 0 0
Spare Gear ..	32,887 19 5	36,174 8 10	35,824 12 8	31,000 0 0
Unexpired Insurance Premiums ..	40,266 9 10	60,341 19 9	31,832 1 6	30,000 0 0
Claims on Underwriters ..	1,659 9 5	23,057 11 9	41,426 15 11	47,000 0 0
Agents' Debit Balances ..	75,900 3 0	21,167 11 1	38,350 12 6	Not known
Sundry Debtors and Debit Balances ..	230,739 11 4	259,999 12 10	252,376 15 7	Not known
Sundry Debits on Closed Voyages ..	13,024 19 3	46,931 0 4	15,994 0 6	Not known
Balance of Expenditure over Receipts on Pending Voyages ..	2,043 13 4	70,690 6 11	..	Not known
Investments and Cash at Bank and in hand ..	208,877 10 3	141,476 5 4	239,696 12 8	303,042 0 0
Realization of Assets Account ..	..	104,217 14 10	414,987 19 8	532,000 0 0
Balance from Profit and Loss Account ..	245,474 10 6	839,354 0 5	1,342,430 17 4	1,917,145 0 0
	4,953,256 8 9	5,524,443 18 5	5,782,613 10 1	..

The Accounts for the year ended 31st March, 1927, have not yet been completed, but the following statement indicates the estimated financial position of the Line as at that date:—

LIABILITIES—		£
Debentures Issued	4,725,650	
Reserve Funds	263,474	
Treasury (Account Interest)	818,296	
Depreciation	507,908	
	<u>6,315,228</u>	
ASSETS—		
Steamers remaining in Commission—		
Transfer Value	3,400,000	
Capital Improvements	21,364	
	<u>3,421,364</u>	
Furniture and Fittings	8,000	
Spare Gear	31,000	
Unexpired Insurance Premiums	30,000	
Claims on Underwriters	47,000	
Investments	£303,463	
Cash at Banks	£34,650	
Overdraft	35,071	
	<u>421</u>	
	303,042	
Instalments not yet paid on Surplus Tonnage sold	59,962	
	<u>3,900,368</u>	
Total shrinkage of Assets from inception of Board	2,414,960	
Deduct—		
Loss on Sale of Surplus Tonnage	532,000	
Total Loss since inception of Board in operating steamers (including Balances on Pending and Closed Voyages, &c.)	1,882,960	
Made up as follows:—		
Loss of Voyage Operations, plus Administrative Expenses	628,895	
Depreciation charged to Profit and Loss Account	534,137	
Interest charged to Profit and Loss Account	754,783	
	<u>1,917,815</u>	

NOTE.—The difference between £1,917,815 and £1,882,960—£34,855—represents items in transit.

Administrative Expenses.—Statements placed before the Committee indicated that when the Board was established in September, 1923, the office staffs consisted of 169 males and 79 females with salaries totalling £64,387 per annum, whilst in February, 1926, there were 144 males and 53 females, with salaries totalling £64,298. These figures included the Board expenses, comprising the salaries of two Directors (£6,500), with their private secretaries (£875), and the Secretary and Chief Accountant (£1,000); the salary of the third member of the Board (£3,000) is charged to Cockatoo Island Dockyard—the Dockyard accounts being kept distinct from those of the Shipping Line. There were also General Managers in Australia and in England, each on a salary of £2,000 per annum; Branch Managers at Sydney (£800), Melbourne (£1,100), Brisbane (£650), Adelaide (£800), and Fremantle (£1,000); and an Assistant Manager in London (£1,000). Other principal officers of the Line included, at both Sydney and London, a Marine Superintendent and an assistant, and a Superintendent Engineer and an assistant. This superintending staff for a fleet of seven vessels was, it was stated, due to the necessity for having superintendents at the Head Office of the Line, and as the itineraries of the steamers did not permit of overhauls and major repairs being effected in Australia unless the steamer was taken out of commission, such work had to be carried out in London with the consequent need for superintendence there.

Notwithstanding the heavy salary bill, the Committee was informed in evidence that, on the whole, the rate of salaries paid to many officers in the employ of the Shipping Board was lower than that paid to corresponding positions in private shipping companies, and in consequence difficulty was experienced in retaining the services of young and efficient officers. The general feeling of doubt prevalent concerning the permanency of the Line was also a factor which influenced officers when offered more attractive positions elsewhere.

Administrative expenses, including rent, &c., for each financial period since the establishment of the Board have been:—

	1923-24 (Seven Months only).	1924-25.	1925-26.	1926-27.
	£	£	£	£
Board Office	5,294	13,152	12,673	11,872
Sydney	12,073	30,078	29,294	28,872
Sydney Wharf	2,388	1,471	5,123	5,739
London	10,483	27,423	24,085	21,994
Melbourne	7,425	9,865	8,729	9,431
Brisbane	1,722	4,139	3,920	3,972
Fremantle and Perth	1,097	4,115	3,978	4,150
Adelaide	1,905	4,074	3,770	4,115
	<u>42,387</u>	<u>94,317</u>	<u>91,472</u>	<u>90,145</u>

It was admitted that, although some reduction had been made in the London office expenses after the transfer of the Head Office to Sydney, considerable savings could still be effected. In London much of the work of securing cargo, &c., has been performed by a firm of brokers, under an agreement which provided for a minimum annual payment of about £18,000. The Chairman of the Board was of opinion that a saving could be effected by dispensing with the services of the brokers and augmenting the Line's own staff. On the other hand, it was considered by the Deputy Chairman and other witnesses that, by dispensing with the brokers who had been associated with the Line since its inception the earnings of the Line would be seriously affected, at least, for some time.

In its Interim Report on the Commonwealth Government Shipping activities, presented to Parliament on 11th August, 1926, the Joint Committee of Public Accounts referred to the necessity for drastic curtailment of overhead expenses in connexion with the Line, but inquiry made since elicited the reply that, although some small savings had been effected, it had not been considered advisable to undertake any drastic alterations pending the presentation of the Committee's final Report.

As vessels call at Hobart only during the fruit season, the work at that port is performed by an agent. Agents are also employed at Colombo and at Port Said and Suez.

As the majority of shipping companies trading with Australia do their business through agents, who are paid a commission based on the cargo engaged and the passengers booked, the Committee inquired whether such a system would not be more economical than maintaining branch offices, and it was furnished with figures indicating that if the Line's branches had been run on a commission basis, the expense would have been much higher; moreover, the Line had been established originally on an agency basis, which had been found unsatisfactory, particularly from the point of view of the amount of business obtained.

BENEFITS OF THE LINE.

Apart from the financial results of its actual trading operations and its war-time necessity, evidence was placed before the Committee indicating that benefits, in addition to those already referred to through its influence on freights, had been derived by Australia through the establishment of the Commonwealth Line and its presence on the United Kingdom to Australia berth. By the building of the modern "Bay" and "Dale" steamers the Commonwealth Line had impelled other owners to improve their ships and services; and by the provision of experimental refrigerated chambers in its ships, it had encouraged and rendered possible the successful marketing of Australian soft and citrus fruits overseas. Goods carried in these chambers, it might be mentioned, pay no freight unless they arrive at their destination in good condition.

Amongst both exporters and importers the Commonwealth Line was said to enjoy a good reputation for its efficient handling of cargo, and many communications from merchants confirming these views were placed before the Committee in evidence. This condition applied particularly to shipments of tea from Colombo to Australia, in which trade the Commonwealth Line took a prominent part.

Notwithstanding much criticism at times, especially in the press, concerning the passenger treatment and accommodation of the "Bay" steamers, it was shown in evidence that the popularity of the vessels as passenger-carriers was steadily increasing; and the Line now carried over 20 per cent. of the passenger traffic between Australia and the United Kingdom. Naturally some complaints were received, but it was stated that the management of the Line took early steps to remedy any matter in respect of which complaints were well founded. On the subject of passengers' complaints reference might be made to a case brought directly under the notice of the Committee, wherein a well-known business man made derogatory statements concerning the management of the Commonwealth Line, the food supplied and the treatment accorded passengers. After the issue of writs by the Shipping Board and the Master of the steamer the allegations were unreservedly withdrawn, and apologies tendered for "having rushed into print upon such incorrect information to the serious detriment of one of Australia's most important assets." The employment by the Line of a Travelling Inspector, who reports direct to the Board on any matters requiring attention in the internal running of the steamers, was found to have a beneficial effect.

CARRIAGE OF MAILS.

The opinion was expressed in evidence that the Commonwealth Line could be utilized for the carriage of mails to a greater extent than it had been, although it was recognized that the existing fleet was inadequate for the conduct of a regular mail service to Great Britain. The representative of the Postmaster-General's Department explained to the Committee that the Department's policy was to despatch mails by the quickest route, and where possible, by a contract vessel, and as the Orient Line was under contract to the Commonwealth Government for the conveyance of mails from Australia to Great Britain, and the Peninsula and Oriental Company was under contract to the Imperial Government for the conveyance of mails from Great Britain to Australia, the amount of mail which could be sent by the Commonwealth Line was not very great. Moreover, as the "Bay" steamers did not call at any European ports before reaching England, only mails for the United Kingdom would be despatched by those vessels, and such mails took about four days longer to reach their destination. The Department, however, recognized the desirability of utilizing the services of the Commonwealth Line whenever the sailings of its steamers made it possible to do so.

PARTICIPATION IN INTERSTATE TRADE.

It was advocated in evidence before the Committee that as a Commonwealth Government Line, with steamers complying with the provisions of the Navigation Act, greater facilities should be offered for the carriage of interstate cargo, particularly between Tasmania and Western Australia. Although the Line catered largely for interstate passengers, it was, in the opinion of the Board, considered undesirable and inadvisable for the Line to participate in the interstate cargo trade, except in cases of necessity, such as the carriage of frozen meat from Brisbane to Western Australia, and apart from the question of policy of competing against Australian interstate steamship-owners, vessels trading overseas could not satisfactorily handle any material quantity of coastal cargo without interfering with their overseas itineraries.

DOMICILE OF THE SEA-GOING PERSONNEL.

Arising out of the fact that the vessels of the Commonwealth Line are on the Australian register, and that all members of the crews enjoy the benefits of Australian wages and conditions, the Committee called for particulars concerning the domicile of the sea-going personnel of the fleet. Detailed figures regarding each vessel showed that out of a total complement of 1,034, 514 were domiciled in Australia, and 520 in the United Kingdom, made up as under:—

	Australia.	United Kingdom.
Masters	5	2
Officers, including Pursers and Wireless Operators ..	57	19
Deck Complement	35	140
Engineers	60	27
Engine-room Complement	61	89
Victualling Complement	173	202
Galley Complement	46	41
Apprentices	27	..
Totals	514	520

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS.

Whilst fully recognizing and appreciating the invaluable service rendered to Australia by the Commonwealth Line of Steamers during the war years and the immediate post-war period, and the influence which it has throughout exercised in reducing and restraining freight rates, the Committee considers that the benefits now accruing to the country by its existence as a Governmental concern are more than outweighed by the heavy losses already sustained, and which, it must be reluctantly admitted, are likely to continue. Moreover, if any shipping line is to remain in business, it must progress, and new and up-to-date tonnage must be acquired. At present, the seven ships comprising the Commonwealth fleet are being run little short of their utmost capacity—and yet, no provision has been, or can be, made for their replacement, or for additions to the fleet, unless by a special vote. The expectations of Parliament when it passed the Shipping Act in 1923 have been far from realized, and the results of the trading of the Line serve to prove how unreliable forecasts and estimates are in the shipping business.

Having regard to all the circumstances, therefore, the Committee is of opinion that the Australian Commonwealth Line of Steamers should not be retained as a direct Governmental activity.

In submitting this recommendation, however, the Committee recognizes that this line of steamers is an asset belonging to Australia, and the Committee has carefully considered how the Line should be disposed of in a manner which would preserve to Australia the good effects it has exercised in the preservation of reasonable freights and fares between Australia and the United Kingdom.

While it seems to the Committee an undoubted fact that the extremely heavy losses on the running of the Commonwealth ships, even disregarding—as has, indeed, been done in the past—the necessity for paying interest on the capital involved and depreciation on the ships, are not fairly counterbalanced by the advantages to Australia which the presence of the Line affords, it is still felt an effort should be made to retain, if possible, those advantages while minimizing running costs and management expenses.

The influence for good or evil of world-shipping upon the prosperity and the commercial development of nations is too evident a fact to need lengthy discussion, more particularly in these latter days when the agglomerative tendencies which have made themselves felt in this particular branch of commerce have resulted in the formation of huge shipping combines of world-wide activities whose underlying motives are often far from being altruistic and occasionally fail to be even patriotic.

Either to guard against victimization by these bodies or to supply, by establishing reasonable means of communication for their products and citizens with other countries, most of the commercially important nations of the world have found it necessary to interest themselves in the question of the sea-carriage of goods and passengers.

For present purposes, it is of advantage to consider briefly what form this interest has taken. In the case of those nations to whom the matter of international communication is of the greatest importance in that they have large numbers of world travellers and immense quantities of their products to place upon the world's markets, the method used to best achieve these ends has been, in most cases, to, so to speak, adopt a leading shipping company of their nationality which received the support of the Government in trade, by subsidy or bounty, and in some instances, by giving such company the control of Government-owned vessels. Examples of this procedure are furnished by France with the Messageries Maritimes, Germany with the Nord Deutsche Lloyd, Italy with the Lloyd Sabaudo, Holland with the Royal Packet Service, Japan with two steamship services—the Nippon Yusen Kaisha and another—and in a minor degree by England, where cheap money is now made available for shipping and ship-building by private individuals or companies; Sweden, whose competition with its thoroughly efficient and economical motor ships is increasing, and the Union of South Africa, which has for years been running chartered ships between its ports and Western Australia for the transport of railway sleepers.

In some dominions of the Empire, as in Australia and Canada, Government activities in shipping have been controlled actually, if not theoretically, by the Government, in each case, with financially disastrous results, and an abiding uncertainty as to the amount of financial liability in the future, while in Australian States, State ownership of trading vessels has not resulted in satisfactory returns or results.

The proposition which the Committee recommends for the future of the Commonwealth Line is for the establishment in Australia, by Australians, of a company which would be free from the influence of any outside shipping combines or associations to take over from the present holders the ships comprising the existing fleet and to run the line under the control of such company's shareholders and directors, on business lines, with the utmost possible guaranteed support of the Government in such directions as the granting of mail contracts, the sea carriage

of Government goods and material, the transport of immigrants coming to Australia under the control, or with the assistance of the Government, and in such other ways as may, from time to time, suggest themselves.

Such a company might well be called a co-operative venture, as first, its establishment, and second, its success, would be due first of all to the co-operation of the Government of the Commonwealth with the people of Australia, and secondly, by the co-operation of the various classes of the citizens of Australia with one another. To deal with the assistance which might reasonably be expected from the Government, it is suggested that the already generously written down transfer value of ships forming the Commonwealth Line should be further reduced or handing them over to the proposed company, if and when formed, on the distinct understanding that interest and depreciation should be actually paid, and not merely owed, to the Commonwealth Treasurer; that all possible assistance should be afforded by the Commonwealth Bank and its branches, as in the case of the raising of Commonwealth loans, thus materially reducing the cost of flotation; that an undertaking should be given that all business within the control of the Commonwealth Government should be given to the proposed company, and that all necessary legislation to further all or any of the above objects should be introduced as required. The people of Australia, in order to play a worthy part in such a scheme, might be expected to encourage an undertaking which is designed only for their benefit and for their national commercial security, by subscribing to the capital of the company in such proportion as their financial circumstances permit; but while these remarks apply to the citizens of Australia as a whole, it might be pointed out that to some classes of our population, they have a more particular and intimate application. Every individual or association of individuals doing business with shipping companies would surely find a benefit in supporting a scheme, which, whether engaged as an exporter or importer, whether in primary or secondary industry, is designed for the purpose of stabilizing the circumstances of the overseas trade of his country and to insure that Australian shipping shall obtain such share as it is able to handle of the commerce between the other commercial centres of the world and ourselves. Thus it may reasonably be expected that the formation of a company to relieve the Australian Government of a task which the world's experience has proved is beyond the power of any Government to carry out efficiently, would receive the support, both in money and influence, of all associations of producers, both primary and secondary, as well as of the individual members of all Chambers of Commerce and of Manufacturers, industrial and other unions and associations, and of importers and exporters throughout Australia.

As the consideration for the transfer of existing vessels would take the form of an undertaking to pay interest and depreciation on the transfer value fixed, the capital required by the company would be needed principally for the payment of such interest and depreciation, and for the provision of working capital, and consequently, only a reasonable amount would have to be subscribed.

It is not to be denied that a company such as suggested would be faced with some knotty problems, not the least of which is the question of Australian conditions. In this Report is published a comparison between costs involved in payment of seafaring wages as between the Australian, British, and other scales, which comparison becomes more significant still when the question of victualling also is considered, and a study of these data is likely to raise a doubt as to whether it is possible to retain both an Australian mercantile marine and Australian seafaring conditions, and if not, which should be dispensed with.

Another return furnishes the interesting information that these "Australian" conditions existing for the benefit of the sea-faring employees of the Commonwealth Shipping Line are taken advantage of by fully half of the said employees whose domicile is outside Australia.

Even with all these considerations, the position of Australia, of the Commonwealth Government, and of the taxpayers of Australia would be more satisfactory and secure under the suggested scheme than under present circumstances, or indeed, under any modification of the same which involves Government as against private control.

Should, however, such a proposition as outlined be found, for any reason, impracticable, it would undoubtedly be possible to find individuals willing and able to make proposals for the acquisition of the Line.

The Committee further suggests that when the necessary legislation is being considered by Parliament, the procedure laid down for the consideration of "Private Bills" in the Standing Orders of the British Parliament, and which have enabled Britain to make the best and most irreproachable use in the world of private enterprise, should be temporarily adopted for the consideration of such measures.

As legislative action will be necessary to give effect to the recommendations of the Committee—in whatever form the Government may decide to submit them to Parliament—the Committee is of opinion that there is no justification meantime for the continuance of the present expensive and inharmonious Board of Directors, and it recommends that the appointments of

the present members of the Board be terminated simultaneously, and as early as possible. Mr. Larkin's appointment terminates in August, 1928, but he has, on more than one occasion, expressed a desire to be relieved of his appointment, and has actually tendered his resignation in, at least, one instance. Sir William Clarkson's appointment expires in August, 1927, whilst Mr. Farquhar's present appointment is held subject to one month's notice on either side.

A Board of Directors is required to comply with the terms of the Act as at present on the Statute Book, and the Committee considers that as there are in the present service of the Line, officers who are capable of taking control, members of the Board should be selected therefrom—such members being representative of the financial, traffic and technical branches of the business. During the debate on the Shipping Bill, and again when the personnel of the Shipping Board was announced in August, 1923, it was indicated that a financial member would be appointed. On inquiring whether such action had been taken, the Committee was informed by the members of the Shipping Board that such an appointment had been rendered unnecessary through the selection, as Secretary and Chief Accountant to the Board, of Mr. Lewis, whose ability was undoubted, and whose financial advice was unanimously regarded by the Directors as sound.

With a Board of Directors so constituted and actively controlling the affairs of the Line, the Committee is of opinion that the retention of General Managers, who are drawing high salaries, is unnecessary.

The weakness of the existing system of financing the Line whereby it utilizes the proceeds of the sale of its assets as working capital is recognized by the Committee, but as the cash at present in hand is sufficient to provide working capital for at least two years, alteration of the present system of financing is not immediately necessary, particularly in view of the Committee's recommendations concerning the future of the Line. Moreover, much saving, it is considered, can still be effected in overhead expenses, and the Committee is of opinion, from the evidence placed before it, that a saving of at least £10,000 per annum could be effected in connexion with the London office.

The Committee regrets that dissension should have arisen between the members of the Board. Although each member of the Board, in the opinion of the Committee, appears to have given his best to his work, according to his own ideas as to what was most advantageous for the Line, their views on questions of policy are so entirely at variance that no good purpose can be served by expecting the present personnel to work together as a Board of Directors. Although the effect of such a state of affairs may not be apparent in the financial results of the Line's operations, its influence, particularly amongst the administrative and executive officers, must be decidedly harmful.

WALTER KINGSMILL,
Chairman.

Office of the Joint Committee of Public Accounts,
Federal Parliament House,
Melbourne, 6th May, 1927.

Walter Kingsmill

MINORITY OBSERVATIONS AND RECOMMENDATIONS.

In the Interim Report by the Joint Committee of Public Accounts presented to Parliament in August last, it was unanimously recommended that in the interests of Australia the Commonwealth Line should be retained subject, however, to drastic curtailment in overhead expenses and a review of the system of financing. Since that date, additional evidence placed before the Committee has confirmed the fact that the Line has been of the greatest assistance to primary producers and shippers, and, in our opinion, there is no justification for any departure from that recommendation.

We consider it to be of paramount importance to Australia that the Australian Commonwealth Line of Steamers should be retained for the following reasons:—

The Line has been, and still is, a controlling factor in regulating freight rates on exports from Australia to the United Kingdom and imports to Australia from the United Kingdom.

In support of the above claim, we would point out that during November, 1925, it was proposed that some outward rates from United Kingdom should be increased by approximately 10 per cent. The Directors in Sydney replied that they could not agree to any increase as they considered present rates were sufficiently remunerative to British owners. This suggested increase did not materialize. Further, in August, 1926, the Australian Commonwealth Shipping Board was instrumental in bringing about a general reduction of approximately 10 per cent. on freight rates on commodities exported from Australia to the United Kingdom and the Continent. Confidential documents placed before the Committee prove that this all-round reduction was not a spontaneous action by the other ship-owners, but was forced by the determined action of the members of the Shipping Board in Sydney. The annual saving to Australian primary producers and exporters by reason of this reduction alone amounts to far more than the greatest annual loss made by the Line, even including all interest and depreciation charges, and it must be remembered that the greater portion of voyage losses was incurred owing to the unsuitable tonnage transferred to the Board.

The opinion was expressed that the Line is not now in a position to control freight rates between Australia and the United Kingdom and the Continent owing to the increasing competition by foreign ship-owners, but this is entirely refuted by the fact that as recently as the end of October last, the Australian Commonwealth Shipping Board received advice from its London Office that both the British and foreign owners proposed to immediately increase freight rates by approximately 15 per cent. on all cargo carried from the United Kingdom and Continent to Australia; and the Board was asked to agree to the proposal. The Board declined, and the suggested increase did not come into effect. Had the Board agreed to this proposal the earnings of the Line would have increased materially, but as the Commonwealth ships carry only about 7 per cent. of the imports, its earnings would benefit only to that extent, whilst British and foreign owners would receive additional earnings under the higher rates of freight in respect of 93 per cent. of the trade. The annual saving to Australia in this instance again more than covers the annual loss by the Line after including all charges such as interest and depreciation.

Quite apart from the fact that the Line is preventing the possible exploitation of Australia by controlling the freight rates, the Line is an absolute necessity because of the peculiar geographical position of this country. Australia is situated far away from the markets in which it must compete for its existence, and to do this successfully, we must ensure that our ports are served with a sufficiency of modern, fast tonnage to enable our products to be marketed, not only as quickly as possible, but also as economically as possible.

The competition offered by the Line has compelled, and is continuing to compel, British and foreign owners serving this coast to provide more up-to-date tonnage, and it is imperative that this healthy competition should continue, to ensure that the marketing of this country's products is not jeopardized by allowing our ports to be served only by British and foreign tonnage.

Once the Commonwealth Line is disposed of, there will be a very real danger of the new owners becoming closely associated with, or even part of, the Conference, with consequent detriment to Australia, and increased freights far in excess of the attempts which, so far, have been effectively resisted by the Commonwealth Line. With an overseas trade—amounting in 1924-25 to £319,000,000—it is essential that Australia should have a national shipping line to safeguard its interests.

The Canadian Government, although that country is much more conveniently situated than Australia in regard to the world markets, has found it necessary to continue to operate a Government-owned fleet, and notwithstanding that the losses made by the Canadian steamers are much more than the losses made by the Australian Commonwealth Line, the Canadian Government has recently decided to extend the services of the Canadian Merchant Marine, and tenders are to be invited at an early date for the construction of five 14-knot vessels of approximately 10,000 tons each with up-to-date accommodation for first, second and third class passengers. The vessels will be Diesel-engined and equipped with modern refrigeration.

The loss made by the Canadian Mercantile Marine for the year ended 31st December, 1924 (the last figures which are available) was as follows:—

	£	s.	d.
Loss on Voyage Operations.—Plus Administrative Expenses	1,440,880	21	.. (£297,088 14 0)
Interest for year on Government Notes and Advances	4,466,144	30	.. (£920,854 10 0)
Depreciation	2,929,584	86	.. (£604,038 2 0)
Total loss for year	8,836,609	37	.. (£1,821,981 6 0)

The loss made by the Australian Commonwealth Line for the year ended 31st March, 1925, the nearest equivalent period, was:—

	£	s.	d.
Loss on Voyage Operations—Plus Administrative Expenses	209,364	2	9
Interest on Debentures	203,717	7	0
Depreciation	180,798	0	2
	£593,879	9	11

Evidence has been given by shippers and business people that since the advent of the Commonwealth Line the treatment received from other shipping owners has undergone a marked change for the better, and many letters from influential shippers have been produced showing that the Line is rendering extremely useful service. In fact one firm wrote: "Apart from the business point of view, we consider that the Commonwealth Government Line of Steamers is a national necessity not only for the shipping community, but for the welfare of Australia."

When the seamen on British steamers went on strike during 1925, and all British tonnage was laid up in Australia, the Commonwealth Line was of great assistance to Australian primary producers by enabling them to get their produce marketed abroad without any delay, and had these steamers not been available there would undoubtedly have been a serious dislocation of trade with its attendant losses. Moreover, there is little doubt but that for the presence of the Line, ship-owners would have taken steps to recoup themselves, by means of increased freights, for the loss involved through their ships having been held up.

In addition, the Line has been of considerable benefit and assistance in the Australian interstate trade, particularly so in regard to the carriage of meat from Queensland to West Australia, the space on interstate coastal steamers often having proved utterly inadequate.

From a passenger carrying point of view, the "Bay" steamers are becoming increasingly popular, and have been the means of forcing other Lines to provide better conditions and more adequate accommodation for immigrants to Australia. The accommodation provided in these vessels for settlers coming to Australia being far in advance of that provided by other Lines when the "Bay" steamers were first commissioned. In coastal passenger traffic, too, the Line has proved to be of very material assistance, as is evidenced by the large and increasing number of coastal passengers now being carried on the "Bay" steamers.

We agree with the recommendations of the Committee that the services of the present members of the Board should be terminated simultaneously and as early as possible. With a fleet of only seven ships as compared with fifty-four when the Board was first instituted in 1923 there does not appear to be any justification for the retention of such an expensive Board. together with two General Managers. The management and control of the Line can well be undertaken by a Board chosen from officers now with the Line, specially selected on account of their knowledge and experience in the financial, traffic and technical branches of the service.

In our opinion, the Commonwealth Line should not be associated in any way with the Conference Lines, and early steps should be taken to remove any restrictions now imposed on the Line by virtue of its association.

We also consider that at ports where it is considered desirable to have an agency instead of a Branch Office, such agents should not be selected from amongst those representing opposition lines.

The present steamers (five "Bays" and two "Dales") cannot be expected to maintain the existing service without serious risk of breakdown and consequent dislocation. To permit of the laying up and overhaul of ships, and, perhaps, the extension of services, new tonnage will be necessary. Owing, however, to recent development in methods of propulsion and the doubts that at present exist as to the most economical method to be employed, it is considered inadvisable that new tonnage should be ordered until such time as the superiority of the Diesel or other engines has been demonstrated.

Melbourne, 6th May, 1927.

E. C. RILEY,
P. J. MOLONEY,
C. S. McHUGH.

COCKATOO ISLAND DOCKYARD.

INTRODUCTORY.

In May, 1909, the Commonwealth authorities, being desirous of securing an area of land suitable for the establishment of a Naval Dockyard, communicated with the Government of New South Wales, as a result of which the advisability of taking over Cockatoo Island Dockyard, where the State was then constructing ships of war for the Commonwealth, was considered. The actual transfer was effected on the 31st January, 1913, and an adjacent islet, known as Schnapper Island, was included in the transaction. After its transfer to the Commonwealth, Cockatoo Island Dockyard was placed under the control of the Naval Board of Administration, during which period the construction of certain Australian cruisers and destroyers, dredges, and other vessels was undertaken.

To carry on the Commonwealth's programme of shipbuilding, there was created in May, 1921, a "Shipbuilding Board of Control," consisting of Mr. R. Farquhar, who was also appointed Director of Commonwealth Shipbuilding, as Chairman, and Mr. H. C. Brown, then Secretary of the Ship Construction Branch of the Prime Minister's Department, as Finance Member. The functions of the Shipping Board of Control included the control and supervision of the operations of the Government Shipbuilding Yards at Williamstown and Cockatoo Island, and the placing of both Yards on a sound business footing; and, in accordance therewith, the management of Cockatoo Island Dockyard was taken over from the Navy on 29th June, 1921.

CONTROL BY THE AUSTRALIAN COMMONWEALTH SHIPPING BOARD.

Two years later, on 1st September, 1923, Cockatoo Island and Schnapper Island were, in accordance with the provisions of the *Commonwealth Shipping Act 1923*, transferred to and vested in the Australian Commonwealth Shipping Board, for its management and control.

The administration and financing of Cockatoo Island Dockyard were to be carried out as laid down in the Act, the provisions of which have already been outlined in this Report.

Mr. Farquhar having been appointed a Member of the Shipping Board, it was arranged that he be authorized to control the operations of the Dockyard and its staff, and to represent the Board in all matters concerning Cockatoo Island.

Under Section 14 (4) of the Shipping Act, the Board was empowered to carry on, in respect to Cockatoo and Schnapper Islands, the business of manufacturer, engineer, dock owner, shipbuilder and repairer, and any other business incidental thereto, and in accordance with this provision arrangements were made to conduct the establishment as a modern industrial concern, and to use every possible legitimate endeavour by submitting tenders—providing for overhead charges and a reasonable profit—to obtain all private work offering. Such a course, it was maintained, was essential to enable the Board to meet its obligations under the Act, as it was considered that had the Board to depend solely on work from the Navy and other Government Departments, it would be impossible to do so. It was considered, however, that Government Departments were not giving sufficient support to Cockatoo Island. On the other hand, the Dockyard had secured a considerable quantity of private work, and had a number of clients who were satisfied with both the work and the charges, as many repeat orders were received without requests for prices. It was explained that, as a rule, a fixed price was given for outside work, but in the case of work for the Navy or the Commonwealth Line, the practice was to charge actual cost of labour and material, plus 42½ per cent. for overhead charges and 10 per cent. for profit.

Complaints have, however, been made at various times by business competitors that to obtain private work, the Cockatoo Island Dockyard authorities had made a practice of unreasonably undercutting prices, and that losses sustained on private work had been made up from undue profits on Government work.

When the Shipping Board took over Cockatoo Island Dockyard, the principal works in hand were:

Completion of *Fordsdale* and *Ferndale*.

These two steamers were constructed for the Commonwealth Government at actual cost, no profit accruing to the Shipping Board.

Sundry Repairs and Docking Work.

The principal contracts secured since taking over have been:—

Two Steamers for the Commonwealth Lighthouse Service, viz., *Cape Leeuwin* and *Cape York*.

Special attention of the Committee was drawn to the fact that, although these two steamers were promised by the Government to Cockatoo, yet tenders were thrown open to competition to all shipbuilding firms in Australia. The plans and specifications, which had been prepared at Cockatoo at considerable expense, were given to its competitors. Notwithstanding, Cockatoo Island Dockyard was successful in securing the Contract, being the lowest tenderer.

One Seaplane Carrier for the Navy Department.

Turbo-alternators and Mechanical Draft Plant for the Sydney Municipal Council.

Extensive repairs and docking work—406 vessels having been docked since September, 1923, i.e., slightly more than one every second day.

Numerous contracts for forgings, castings, boilers, and general engineering work.

The lighthouse steamers have since been completed and delivered, and the seaplane carrier is now in the course of construction.

Concerning the tender secured by the Shipping Board from the Sydney Municipal Council for the supply of steam turbo-alternator plant for the Bunnerong power house, the Committee received from the Prime Minister a communication, dated 27th April, 1926, in the following terms:—

"With reference to the investigations of your Committee into the activities of the Commonwealth Shipping Board, I desire to inform you that complaints have been made to this Government in connexion with a contract recently secured by that Board from the Sydney Municipal Council for the manufacture of heavy electrical machinery.

It is contended that the manufacture of heavy electrical machinery for land purposes is outside the legitimate functions of a Government Dockyard, and constitutes an unwarranted and unreasonable incursion into the field of private enterprise.

It is further contended that considerations other than ordinary commercial principles were responsible for the placing of the order, inasmuch as the Dockyard quoted £661,324 for a job which included only 55 per cent. of Australian work, whilst a competing Australian firm quoted £619,173 with 96 per cent. of Australian work.

The Government would be glad if you could make it convenient for your Committee to immediately investigate the circumstances surrounding this particular contract, and advise whether the foregoing statements are correct. The Government is particularly anxious to know at as early date as possible whether in accepting this contract, the Dockyard is responsible for the placing of orders abroad which would otherwise have gone to Australian firms and Australian workmen."

Under date 11th June, 1926, the Committee replied to the Prime Minister as follows:—

"As the result of investigation of the circumstances surrounding the contract secured by the Australian Commonwealth Shipping Board from the Sydney Municipal Council for the provision of steam turbo-alternator plant for the Bunnerong Power House, the Joint Committee of Public Accounts has the honour, in response to the request contained in your communication of the 27th April last, to report as under:—

1. In an endeavour to ascertain all the facts of the case, the Committee examined, in camera, the following witnesses:—

Messrs. G. B. Clerk and J. H. Pocock, Managing Directors of the English Electric Company of Australia Limited, Sydney;

Mr. A. H. Scanlan, Managing Director of the Scanlan Electric Company, Sydney, and Chairman of the Electrical Manufacturers' Section of the New South Wales Chamber of Manufactures;

Mr. E. H. Julian, Managing Director of Britons Ltd., Engineers, Sydney; all of whom gave evidence concerning the undesirability of the Cockatoo Island Dockyard, as a Governmental activity, contracting for work which, in their opinion, should be carried out by private enterprise.

Mr. S. Y. Maling, Acting General Manager of the Electricity Department of the Sydney City Council, who outlined to the Committee the conditions of the contract and the reasons for accepting the tender of the Australian Commonwealth Shipping Board; the witness also intimated that the Lord Mayor of Sydney and the Town Clerk had desired him to say that any further information required by the Committee on this subject could be readily supplied.

Messrs. R. Farquhar and J. Payne, Director and Manager respectively of the Cockatoo Island Dockyard, and Mr. L. F. Burgess, Sydney Manager of the Metropolitan-Vickers Electrical Co. Ltd., which Company is the sub-contractor to the Shipping Board for the supply of the electrical section of the plant.

2. In addition to inspections of the Cockatoo Island Dockyard, the Committee visited the works of the English Electric Company Ltd., at Clyde, New South Wales, the works of Metropolitan-Vickers Australia Pty. Ltd., at South Melbourne, Victoria, and Auburn, New South Wales, and also saw at the Ultimo and White Bay power houses of the New South Wales Government Railways alternators and other electrical machinery which had been manufactured in Australia by the English Electric Company and other firms.

3. The evidence tendered on behalf of the private manufacturers was, briefly, that there was no justification for the Cockatoo Island Dockyard, which had been constituted essentially for naval and marine work, launching out into the manufacture of heavy electrical machinery for land purposes. Private enterprise had developed the industry in Australia, much local capital had been invested, and extensive workshops had been laid down for handling this particular class of work. Exception was also taken to the association of the Commonwealth Shipping Board with one particular Company, without other concerns having been given equal opportunity of quoting for the electrical section of the work, which it was admitted the Dockyard did not propose to manufacture itself. It was further maintained that the amounts of the tenders submitted and the percentage of the work to be done in Australia proved the English Electric Company, at any rate, was more capable of carrying out the contract than the Cockatoo Island Dockyard, as it was stated that this Company offered to do the work for £619,173, and to put into it 95 per cent. of Australian manufacture, whereas the Cockatoo Island Dockyard was to receive £661,224 for a plant which included only 55 per cent. of Australian work.

4. On the other hand, the Director of the Cockatoo Island Dockyard considered that in tendering for the work neither the spirit nor the wording of the *Commonwealth Shipping Act 1923* had been departed from; moreover, in order to discharge the responsibilities placed upon the Shipping Board by the Act, the directorate felt it would be lacking in its duty unless every effort were made to secure work to enable the Dockyard to be kept in active operation on a sound commercial basis, and so retain its experienced technical staff and its body of highly skilled workmen. So far as the turbo-alternator contract was concerned, it was asserted that the facilities and plant at Cockatoo, much of which had been idle for years, were particularly adapted for the work it was undertaking.

5. It was also explained to the Committee that to enable Cockatoo Island Dockyard, or, in fact, any manufacturing establishment to undertake the supply of steam turbo-alternator plant complete, association with an overseas firm capable of providing certain essential parts was necessary. In the case of the Cockatoo Island Dockyard, the Shipping Board had, even before this tender was invited, entered into a manufacturing agreement with Metropolitan-Vickers Electrical Co. Ltd. whereby it could manufacture in Australia turbines, condensing plant, &c., under licence from the Company, which on its part, would supply full designs and such raw materials and parts as might be required. With regard to the turbo-alternator plant, Metropolitan-Vickers Electrical Co. had accepted the responsibility for the electrical section of the plant and had sub-let back to the Board such portions of that section which Cockatoo could handle. As might be expected, such an agreement necessitated the Board obtaining solely from Metropolitan-Vickers those portions of the plant which the latter was in a position to supply. In justification of such an agreement, it was indicated that this arrangement not only placed at the service of the Dockyard the benefit of the special experience of such a Company, but enabled the Dockyard to tender for complete jobs. Similar agreements, it was added, were usual between manufacturers, and, in fact, existed between the Shipping Board and other firms abroad.

6. Concerning the contention that the manufacture of heavy electrical machinery for land purposes is outside the legitimate functions of a Government Dockyard, and constitutes an unwarranted incursion into the field of private enterprise, sub-section (4) of section 14 of the *Commonwealth Shipping Act 1923*, which section transfers Cockatoo and Schnapper Islands to the Australian Commonwealth Shipping Board, might first be quoted:—

"The Board shall have power to carry on in respect of those Islands the business of manufacturer, engineer, dockowner, shipbuilder and repairer, and any other business incidental thereto or to the said workshops and establishments."

7. This section certainly appears to the Committee to indicate that the Board is within its legal rights in undertaking the work of a manufacturer or an engineer, and, furthermore, the evidence discloses that the plant and machinery available at the Dockyard will enable it to carry out the particular portion of the work which it proposes to do. On the other hand, to complete the contract which has been undertaken, the services of a sub-contractor have had to be secured to perform the electrical section of the work; any exception to this might, however, be met with the reply that the electrical work is "incidental" to the main contract, and it would obviously be almost impossible for any extensive work to be undertaken by any manufacturing concern without recourse to some outside assistance.

8. Having regard to all the circumstances therefore, the Committee considers that an incursion into the field of private enterprise, such as has occurred, must be regarded as unequal competition for the following reasons:—

- (a) the Dockyard and the plant have been handed over to the Board at greatly reduced capital value;
- (b) although the Shipping Act provides that the debentures shall bear interest payable half-yearly, and the Board makes provision therefor in its books, no interest has been paid to the Treasury, and the Board consequently enjoys the use of such money without cost;
- (c) whilst provision has to be made by the Board for rates and taxes, no payments on these accounts have been demanded;
- (d) any losses incurred by the Dockyard will have to be made good at the expense of the taxpayers of Australia.

9. The Committee, with the exception of Senator Needham and Messrs. Parker Moloney and E. C. Riley, is of the opinion that such an incursion is unfair and undesirable.

10. It must be admitted, however, that certain mitigating circumstances surround the present case. It is freely recognized that the maintenance of such an establishment as Cockatoo Island Dockyard is an essential link in the chain of Australia's defence, and, further, that it is a well-equipped engineering concern with a highly-trained technical staff and a skilled body of workmen who would be difficult to replace in the event of disbandment. Consequently, the directorate not having, in its opinion, received sufficient work of a nature which might be regarded as strictly within the scope of a Government Dockyard, felt it imperative to secure such work as would enable it to keep the establishment in active and profitable operation and to discharge the obligations imposed upon it by the Act.

11. It might be added that during the course of the Committee's inquiry it was suggested that if certain naval work now being carried out at Garden Island were sent to Cockatoo there would be less need for the Shipping Board to seek outside work; this question will, however, be further considered by the Committee when preparing its report on the present investigation of the Commonwealth Government shipping activities.

12. With regard to the further contention that "considerations other than ordinary commercial principles were responsible for the placing of the order, inasmuch as the Dockyard quoted £661,224 for a job which included only 55 per cent. of Australian work, whilst a competing Australian firm quoted £619,173 with 96 per cent. of Australian work," the facts elicited by the Committee in evidence showed that of all the tenders received, by the Sydney City Council in response to advertisements, only two were considered by the Council to be formal, viz., the Australian Commonwealth Shipping Board and the Australian General Electric Company. The technical advisers of the Council recommended the acceptance of the latter tender, but as a matter of policy, and, presumably, to support local manufacture, the Council decided to give the order to the Australian Commonwealth Shipping Board, on receiving the assurance of its expert that he considered Cockatoo Island Dockyard could carry out the work. The total contract price of the Shipping Board amounted to £666,605, including spare parts, special tools, special condenser and oil cooler tubes, which sum was stated to be comparable to the recommended tender of £628,234 13s., which it exceeded by 5.8 per cent.

13. The tender of the Australian General Electric Company was said to provide for from 30 to 36 per cent. of the work being done in Australia; whilst detailed figures placed before the Committee regarding the Shipping Board's tender, which, as already explained, provided for the electrical work being performed by Metropolitan-Vickers Electrical Co. Ltd. showed the following position:—

Expenditure in Australia—

	£	Percentage.
By the Cockatoo Island Dockyard ..	409,616	
plus value of work contracted back by the Dockyard to Metropolitan-Vickers	24,400	
	434,016	
By Metropolitan-Vickers for work performed and technical assistance provided	20,200	
	454,216	68.2
Expenditure in Great Britain—		
By Metropolitan-Vickers ..	136,500	
By Cockatoo Island Dockyard ..	7,191	
	143,691	21.5
Freight (Australian Commonwealth Line of Steamers) ..	12,310	
Duty ..	56,988	
	68,698	10.3
	£666,605	100.0

14. The Committee was informed that the importations under the Shipping Board tender would consist almost entirely of special material which could not be produced in Australia, and special electrical apparatus which Metropolitan-Vickers considered it was not advisable to manufacture locally on account of the large size of the units and the engineering risks which would be incurred. The balance remaining—less than £30,000, or 4.5 per cent. of the whole contract—represented parts which it was admitted could be made in Australia, but for which there were no manufacturing facilities available in the works of Cockatoo Island or Metropolitan-Vickers. On this point it must be borne in mind that the manufacturing agreement between the Shipping Board and Metropolitan-Vickers precluded the Board from obtaining from other firms, any electrical parts which could be supplied by Metropolitan-Vickers.

15. It might be added that the Shipping Board submitted an alternative tender covering the largest proportion of work which, it claimed, was possible to be carried out in Australia, at present, being performed at Cockatoo, but as it was essential to the Council that the time limits be strictly adhered to, that tender was not accepted, as the Council was of opinion that there was a possibility of the contract not being completed within the stipulated period.

16. The Australian firm's tender of £619,173, comprising 96 per cent. of Australian work referred to in your letter, was amongst those declared informal, and was not considered by the Sydney City Council authorities. This firm—the English Electric Company—stated to the Committee that they had put down a modern plant for the manufacture in Australia of heavy electrical machinery on the understanding that they would receive the encouragement and support of the Federal and State Governments as well as of the Sydney Municipal Council, and, naturally, they were more than disappointed in being ruled out of order with this particular work. Concerning their claim to do 96 per cent. of the work in Australia, or 95 per cent. as stated in evidence, considerable doubt was expressed by electrical experts as to whether it would be practicable to do such a high proportion of the work in Australia. In fact, Mr. Maling went so far as to say that he would not have recommended the tender of any firm guaranteeing so high a percentage of local manufacture, because, in his opinion, such a plant would be unreliable and even dangerous.

17. Having regard to all the circumstances, therefore, the Committee is of opinion that by the acceptance of this contract, the Dockyard authorities cannot be said to have been responsible for placing orders abroad which otherwise would have been executed by Australian workmen, with, perhaps, the exception of the 4.5 per cent. referred to in paragraph 14.

18. Whether the order would have been placed with other Australian firms is, however, another matter. Presumably, had the Australian Commonwealth Shipping Board not been a tenderer, the work would have gone to the Australian General Electric Company which submitted the only other formal tender; but, in that case, it must be remembered that only about 33 per cent. of the work would have been performed in Australia."

Subsequently, however, the power of the Shipping Board to enter into this contract was challenged before the High Court; and, according to the Attorney-General, speaking in the House of Representatives on 17th March, 1927, "The view of the High Court substantially was, that there are no powers in the constitution which enable the Commonwealth Parliament by statute to authorize a corporation created by it to carry on business of a general kind unconnected with the specific legislative powers of the Commonwealth."

Following the decision of the High Court, arrangements were made for the work being performed at Cockatoo Dockyard for the Sydney Municipal Council to be completed elsewhere. As the turbo-alternator contract amounted to £666,605, and the mechanical draft plant contract to £99,898, the loss of such work had an immediate and serious effect on the Dockyard.

FINANCIAL POSITION OF COCKATOO ISLAND DOCKYARD.

According to the Report by the Joint Committee of Public Accounts on the Commonwealth Naval Dockyard, Cockatoo Island, presented to Parliament on 28th October, 1915 (Parliamentary Paper No. 224 of 1914-1915), Cockatoo Island and Schnapper Island, together with plant, equipment and certain water rights were taken over from the State of New South Wales by the Commonwealth in 1913 at a valuation of £867,716; but at the time of the Committee's Report, the total capital cost, owing to further capital expenditure, alterations and improvements, new machinery, plant, &c., amounted to £1,513,188.

The Report on Cockatoo Island Dockyard by the Shipbuilding Board of Control, presented to Parliament in August, 1922 (Parliamentary Paper No. 46 of 1922), showed that the assets taken over from the Navy, as at 26th June, 1921, comprised land and buildings, plant and machinery, docks and slipways, &c., amounting to £1,945,582. But in its balance-sheet as at 30th June, 1922, the Board of Control set out under liabilities—Treasury Capital Account, £2,275,000, and Treasury Advances Account, £202,625, which, it explained, together represented the total expenditure by the Treasury on the Dockyard from the time it was taken over by the Commonwealth. Interest and depreciation were, however, calculated by the Board on an amount of £400,000 only, which, it understood, had been approved by Cabinet as being the capital of the Dockyard under the new administration. During the regime of the Shipbuilding Board of Control, a period of 26 months, it was claimed that steps had been taken to place the Dockyard on a commercial basis, the staff had been reorganized, a modern accountancy system installed, and the plant and its layout altered to prevent unnecessary handling—representing, in the aggregate, an annual saving of £85,700. The improvements effected, it was stated, resulted in the overhead percentage, which stood at 133 per cent. when the Board took over in June, 1921—interest and depreciation not included, falling to 45.9 per cent. in June, 1922, after providing £40,000 for interest and depreciation. The Board of Control also accumulated, during that period, an amount of £45,309 towards repairs and renewals, which, on transfer to the Shipping Board, went into Consolidated Revenue.

Under the Shipping Act, Cockatoo Island and Schnapper Island, together with all improvements, buildings, dockyards, &c., were handed over to the Shipping Board at a valuation of £400,000; and the stock at a valuation to be mutually agreed to between the Board of Control and the Shipping Board—subsequently determined to be £88,850. Debentures to the amount of £488,850 have, therefore, been issued by the Board to the Treasury in respect of Cockatoo Island Dockyard and its stock.

Concerning this valuation for stock, the Committee was informed that the stock on hand at Cockatoo Island at the time of transfer to the Shipping Board included a large quantity of material left over from three "E" class ships, the construction of which had been cancelled, and although the sum of £88,850 was mutually agreed upon, it was recognized that stock to that value was too large to be economically carried by the Dockyard. As it was considered that £20,000 represented the maximum amount of stock which the business required at a time, the interest bill was, therefore, £3,442 10s. per annum higher than economically necessary.

As in the case of the Shipping Line, no working capital was obtained from the Treasury, and the work of Cockatoo Island Dockyard has been financed by moneys earned as a result of its operations. Gross profits each year, after allowing for taxation, compensation, &c., have been sufficient to make provision for interest and depreciation—leaving a small credit balance to carry forward—the position for each financial year period being as under:—

	Gross Profit.	Interest.	Depreciation.	Net Profit.
	£	£	£	£
1923-24 (seven months only)	31,853	14,358	11,666	5,929
1924-25	49,539	24,443	20,000	5,096
1925-26	43,014	24,443	16,000	2,571
1926-27	42,704	24,443	16,000	2,261
Totals	167,110	87,687	53,666	15,857

By arrangement with the Treasury, the interest has not actually been paid, but is used in the business of the Dockyard.

The Profit and Loss Account and the Balance-sheets have been published each year with those of the Commonwealth Line in the Auditor-General's Report, and presented to Parliament therewith. Liabilities and assets of Cockatoo Island Dockyard from 1st September, 1923, to 31st March, 1927, may be tabulated as under:—

	31st March, 1924.	31st March, 1925.	31st March, 1926.	31st March, 1927.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Liabilities:				
Debentures	488,850 0 0	488,850 0 0	488,850 0 0	488,850 0 0
Treasury Account Interest	14,258 2 6	38,700 12 6	63,143 2 6	87,685 12 6
Sundry Creditors	49,459 9 9	63,638 18 11	42,683 14 2	50,852 14 10
Reserve Account Insurance		6,333 6 8	10,833 6 8	14,333 6 8
Balance from Profit and Loss Account	5,928 19 1	11,025 9 10	15,597 2 2	15,858 10 4
	558,496 11 4	608,438 7 11	618,607 5 6	657,480 4 4
Assets.				
Buildings, Plant, and Machinery, less Depreciation	386,864 18 5	367,269 4 5	361,181 19 3	377,991 7 9
Stock	77,546 17 4	61,498 12 10	49,308 1 1	39,333 10 9
Works in progress	23,383 10 11	19,281 18 5	58,922 13 3	47,104 3 7
Sundry Debtors	69,951 4 8	128,509 19 0	132,865 2 12	160,194 3 2
Cash at Bank and in hand	750 0 0	31,878 13 3	16,329 9 0	42,866 19 1
	558,496 11 4	608,438 7 11	618,607 5 6	657,480 4 4

NAVAL WORK.

During the Committee's inquiry attention was drawn to the fact that the Royal Commission on the Cockatoo Island Dockyard, in a report, dated 8th July, 1921, recommended that all work in connexion with the Fleet, with the exception of minor repairs to be done at Garden Island, should be carried out at Cockatoo Island. The Prime Minister, when introducing the Commonwealth Shipping Bill in 1923, intimated that the Government proposed that the Royal Commission's recommendation should be put into operation, and that all major work for the Navy should be done at Cockatoo. Nevertheless, it was stated, on behalf of the Cockatoo Island Dockyard, that practically the only repair work which Cockatoo carries out for Naval ships is docking, cleaning and painting bottoms, and underwater repairs. Representatives of the Naval Board admitted that, generally speaking, the only Naval work sent to Cockatoo was that which could not be done at Garden Island, and whilst the Naval Board recognized the value of having available such an establishment as Cockatoo Island Dockyard, it was of opinion that the transference of repair work from Garden Island to Cockatoo Island would, from a Naval point of view, result in increased expenditure and reduced efficiency. Garden Island as a Naval establishment, it was explained, contained not only the Naval repair shops, but Naval storehouses, torpedo and gun-mounting stores and repair shops, oil fuel tanks, wireless and signal station, accommodation for Naval officers and ratings, detention quarters, &c., many of which activities were of a secret and confidential nature.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS.

The Committee recognizes that, notwithstanding its somewhat checkered career under Commonwealth control, Cockatoo Island Dockyard is an establishment, the maintenance of which is essential for Defence purposes, and which should be retained as a direct Governmental activity. The Dockyard is a well equipped engineering concern with a highly trained technical staff and a skilled body of workmen, who would be difficult to replace in the event of disbandment. In addition to ship construction and docking work, Cockatoo Island Dockyard, it was stated, can deal with almost any class of engineering; brass, steel and iron castings; smithing and forging work; cabinet making and joinery; oil fuel tanks, water tanks; all classes of iron, steel, sheet-metal, copper and brass work, &c.

It would appear, therefore, that the Dockyard is in a position to execute quite a considerable amount of work for Government Departments, particularly Defence, Post Office, Works and Railways and Customs, as well as for the Federal Capital Commission and other similar bodies, and in view of the decision of the High Court, it seems that the activities of this establishment should be confined to the performance of such work.

In the opinion of the Committee, the association of Cockatoo Island Dockyard and the Commonwealth Shipping Line, under the control of the Australian Commonwealth Shipping Board, has resulted in little benefit to either concern; but until otherwise provided by legislation, the Dockyard will have to remain under the Shipping Board.

The Committee recommends that, when legislative action is taken, the control of Cockatoo Island Dockyard should be removed from the Shipping Board and be vested in a part time Board—directly responsible to a Minister of the Crown—comprising representatives from the Commonwealth Service skilled in engineering and Defence matters, and a financial representative from outside the Service, and that the chief executive officer of the Dockyard should be a general manager responsible to the Board, but not having a seat on the Board.

Whilst, no doubt, more work for the Navy could be carried out at Cockatoo, there is much work of a highly secret and confidential nature which can be handled more satisfactorily by technical Naval officers at Garden Island, which is under Naval discipline. The existing difficulty, regarding the place where Naval repair work should be performed, will, it is considered, be overcome by the constitution of a Board as recommended by the Committee, particularly if a Naval representative, who could act as a liaison officer between the two establishments, were a member of the Board.

Concerning the complaints made regarding the undercutting of prices, and the passing on of losses on private work to Government work at Cockatoo Dockyard, the Committee is of opinion that such complaints cannot, in so far as they apply to the present control, be substantiated, and this view is borne out by the result of a special investigation conducted by the Commonwealth Audit Office.

The Committee was informed that when Cockatoo Island Dockyard was vested in the Shipping Board, the furlough rights of certain officers of the Dockyard, who had long periods of service to their credit, were not recognized by the Board. Any cases where apparently injustice has arisen through the change of control should, the Committee considers, receive the sympathetic attention of the Government.

WALTER KINGSMILL,
Chairman.

Office of the Joint Committee of Public Accounts,
Federal Parliament House,
Melbourne, 6th May, 1927.

Walter Kingsmill