New Zealand’s coastal trade 1875-1975
From the first steamers to the decline of the cargo fleet

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INTRODUCTION
In recent months you may have noticed that our coastal shipping industry has been splashing itself across the headlines. A Ministry of Transport-sponsored move by the government to deregulate and to throw the coast open to international competition has provoked a sharp response. While producer boards have welcomed abandoning cabotage, (coastal trade) shipping lines, maritime unions and some international maritime experts have queried the wisdom of the move in terms that range from the polite but firm to the unprintable.

The debate is anything but new. About 120 years ago New Zealand coastal companies were also drawing up battle lines against foreign interlopers. Then it was against the British lines, one of which, the Albion Line, had placed a steamer called Tairora in the Dunedin-Timaru trade a few months after the Union Steam Ship Company's steamer Bruce at the entrance to Otago Harbour late in 1875. Albion was one of two big British lines battling it out for control of the New Zealand-UK trade with the New Zealand Shipping Company formed a couple of years earlier at Christchurch. The Scots had come to the obvious conclusion: if they wanted a larger share of the bluewater pie (the New Zealand-UK run), it would help to control the coastal feeder routes.

This was bad news for the newly-formed Union Company. If the other 'big boys' built ships for their own New Zealand coastal services, Union's future looked bleak. Therefore while the Tairora and Union's ships fought it out on the Timaru run, Union's ambitious young Managing-Director, James Mills, had his UK patron, shipbuilder (and Albion Line director) Peter Denny, pull strings for him back in Scotland. After some spirited bargaining, Union added the Tairora to its burgeoning fleet in July 1876. With the ship came an assurance that Albion would stay out of the New Zealand coast. In return Union agreed to provide feeder services to the Direct Lines (as the UK-New Zealand lines were called) without fear or favour.

Both sides heaved sighs of relief. Union could now get on with what it wanted to do, ruling the coastal routes. The Direct Lines – none of which yet owned a single steamer – could now sidestep the burden of having to manage expensive ships along a dangerous coast 12,000 miles away from their head offices. Equally important, their new accommodation with Union enabled them to free up their capital for the core New Zealand-UK trade where they knew that they would soon have to invest in steam.

This debate sounded some recurring notes. Then, as now, local lines resisted 'foreign' intervention. Then, as now, the share capital of the 'local' lines was foreign-controlled. Union Steam had started as an amalgam of Otago and Scottish capital, but its rapid growth at the expense of local and Australian lines had brought in so much additional British and Australian capital that by 1878 New Zealanders held little more than a quarter of the shares. In 1993 Union remains 50% Australian owned, the remaining half being in Brierley hands – itself with a substantial overseas share-holding. The National Government's leading critic, South Pacific Shipping, which operates seven small container ships on the Tasman, employs New Zealand crews. But its ships are German-owned and German-flagged. One gets the feeling that fear of job losses are driving these debates. In 1875 it was James Mills's own position. In 1993 concerns are felt more widely, by ships' officers, crews and shore support staff.

But back to the past. I have chosen the period 1875-1975 for three main reasons:
1. 1875 saw the introduction of large, compound-engined steamers into the coastal trade. These were the first truly efficient coastal steamers.
2. 1875 brought the founding of the Union Steam Ship Company, the major player in the New Zealand coastal trade for much of our history.
3. 1975 saw the virtual collapse of the conventional general cargo trade on the coast. In that year the Northern Steam Ship Company laid up its fleet and most of the remnants of the Holm, Canterbury and Richardson fleets were discarded. The Union Company had abandoned its coastal RO/RO [roll-on, roll-off] service the year before and would hand over its ailing Rangatina Lyttelton ferry service to the Shipping Corporation.

1875-1905
What was the shape of the coastal trade in 1875? And in what ways was it developing? In 1875 the shorter distance routes were in a state of flux. In regions such as Northland, or the numerous Auckland local trades, they were growing, as merchants pushed out to serve rural communities. The scow,
New Zealand’s best-known indigenous craft, dates from this period. Small ships, owned by mercantile firms such as Auckland’s Henderson & MacFarlane, or Wellington’s Levin & Co, were numerically dominant.

Refrigeration and farming reform intensified these developments by pushing more business the way of the coastal lines. Whereas in the days of sail, ships on the UK run had seldom exceeded 1,500 tons, the steamers of the late 1880s were topping 5,000 tons. Ports struggled to dredge and to extend wharves to remain in the trade. Bluff, Port Chalmers, Oamaru etc kept up, but many could not. Cargo formerly exported direct now joined the coastal trade flow to the larger ports. Richardson & Co. of Napier used its fleet of small steamers to carry wool, frozen meat and other produce to the larger ports for export. Patea sent cheese down to Wellington until the late 1950s. Wellington developed a large trade in trans-shipments.

Elsewhere, especially in the important ECSI (East Coast South Island), intermodal competition, in the form of the expanding rail network, made inroads into the short-haul routes. The opening of the Port Chalmers-Dunedin railway in 1872, for example, devastated the harbour trade at Otago. Between 1875-80 all of the trading ports between Oamaru and Otago Harbour – Kakanui, Moeraki, Allday Bay and Waikouaiti – ceased trading. To compensate, the longer-distance routes grew healthily. Even rail, the new adversary, helped by boosting demand for coal, which became a major staple of the coastal and intercolonial trades. By the mid-1880s fleets of colliers were shuttling between the West Coast ports and the rest of the colony.

As far as the passenger and general cargo trades went, the main routes were established fairly early. From Onehunga, steamers traded down to the ECSI ports of Lyttelton and Dunedin. Others ran from Onehunga to New Plymouth and Wellington or from Wellington to Nelson and the West Coast. Later the Union Company’s famous Lyttelton ferry service gathered strength, although its first purpose-built ship did not appear until 1907.

What did the ships carry? Some ports were dominated by bulk cargoes; coal at Westport and Greymouth, with coal and timber in Northland. Grain products from Oamaru and Timaru, beer, iron goods and assorted manufactured products from Dunedin, a mixture of general goods from Lyttelton, all moved north. Wellington, centrally located, acted as a distribution port for much of New Zealand, handling transshipments.

Certainly, business boomed. In a recent issue of the New Zealand Journal of History, Simon Ville showed that the tonnage of coasters entering New Zealand ports increased 10-fold in the four decades between 1873 and 1914, rising from 1.5 million tons to 12 million tons. This increase was larger than that for overseas entrances, which climbed only from about 500,000 to just under two million tons. These figures should be treated with a little caution, since they are very crude. I suspect that increasing ship size and the use by Union Company and Huddart Parker of intercolonial ships on coastal legs of trans-Tasman voyages may have inflated this. Tonnages of cargo handled would be a more accurate measure of trade growth than the tonnage of ships entering port: for Otago Harbour, one port for which I have detailed statistics, coastal tonnage entrances increased from 219,000 tons in 1906 to 439,000 tons in 1914; for the same period, tonnage handled.
increased from 222,000 tons to just 274,000 tons. More research is needed, conducted on a port-by-port basis.

Shipping companies underwent considerable change. The largest interprovincial trader at the start of this period, the Wellington-based New Zealand Steam Ship Company (NZSSCo) fell victim to the new Union Company in 1876. Thereafter the Union Company snapped up small rivals and concluded deals with British companies, reserving the coast to itself. In the mid-1880s it achieved a near-monopoly of the distribution of the West Coast coal supply.

This pattern changed little over the remainder of the period. Union built a trio of shallow-draft passenger-cargo steamers for its West Coast and Onehunga-New Plymouth passenger services and began planning its first purpose-built Lyttleton-Wellington ship. Larger freighters replaced the small ones acquired during the company purchases of the late 1870s and the 1880s. Some older trans-Tasman liners were stripped of their passenger accommodation and put on the main trunk coastal services.

The Union Company domination was obvious, although not complete. Simon Ville has recently stressed the diversity of shipping, citing the competitive potential of the many small firms which ran ships as adjuncts to other operations. That was certainly so in Auckland and Northland where scows, schooners and small steamers were numerous. However, we should not try to stretch this point too far without further analysis. Northern Steam's 28 ships totalled just 5,000 tons in 1901, not much more than the tonnage of two of Union's larger coastal passenger/cargo steamers. If one were able to calculate the ton/mile figures for cargo carried coastwise, the disparity might be more significant; Union's larger ships working longer routes would probably have garnered a bigger share of the colonial market. In a 1987 article in the Journal of Transport History, John Armstrong argued that using this measurement, British coastal shipping's share of freight rose from 18% of the total to 59%, with rail's falling from 73% to 39%; "doing the New Zealand comparison may keep a numerate post-grad student busy for several months!"
Finally, we should also mention that the period brought changes to the maritime workforce. In 1875 there were no effective maritime trade unions. One had formed at Lyttelton in 1874 and was revived in 1879, but was again defunct by 1880. Helped by Australian organisers, a Federated Seamen’s Union was established in 1880. Ten years later the ships’ officers founded the Merchant Service Guild. The 1890 Maritime Strike virtually destroyed the unions. The Union Company set up black lists, sponsored a tame union, the Shipmasters’ Association, against the Merchant Service Guild, used its Mutual Benefit Society to hit union earnings. Nevertheless, the unions did revive slowly. By the turn of the century, the big companies at least, were talking to the Seamen’s Union. The Shipmasters’ Union was practically defunct by the early 1900s. An issue of concern was the use of Asian labour. This became more pronounced in 1909 when P&O extended the itineraries of its ships to include a trans-Tasman leg.

Government intervention increased after the advent of the Liberals. The provision of most port facilities remained the responsibility of local government, in the form of harbour boards, but central government funded lighthouses after a series of major shipwrecks. A Chief Marine Board, formed in 1862, assumed responsibility for this. The Steam Navigation Act of that year required the survey of coastal craft, although the 1865 amendment which abolished the board signalled the start of a long period of minimum investment and responsibility. For most of last century the Marine Department was an appendage of the Customs Department.*

The Shipping & Seamen’s Act of 1877 consolidated earlier legislation and established criteria for the issuing of certificates of competency. After the Colonial Shipping Conference of 1907 the government passed the Shipping & Seamen’s Act of 1909, which regulated the coastal and overseas trades and reserved the former for British flag ships.

1905-45
The period after 1905 brought several changes. None was revolutionary but, taken together, they were significant.

The first was the sharp increase in intermodal competition. Again, rail was more important with the opening of the North Island Main Trunk in 1908 making big inroads into the coastal passenger services. Rail offered a speed that even the fastest steamer could not match. Union’s larger trio of passenger/cargo ships suffered most; the company abandoned the runs before World War One, transferring the ships to their associate company Anchor, or to the independent operator, the Northern Steamship Company. Union’s coastal passenger services retreated to those still immune to direct competition from rail – mainly the Lyttelton-Wellington route, where it built the Maori and Wahine, big ships of 4,000 tons.

The shorter passenger routes operated by Northern, Richardson’s and other smaller operators contracted further in the face of stiff competition. Some were hit by railways, others by road transport, which made its presence felt after the war. Buses and trucks hit the small steamers and harbour ferries alike. Dunedin laid up its two big steam ferries in the late 1920. Richardson’s Napier-Wairoa run began suffering from the mid-1920s and expired just a few years before World War Two. For Northern the ‘twenties and ‘thirties were a time of retreat.

There was a continuation of the trend to switch from short, intra-provincial services to longer-distance routes, especially amongst North Island companies. Of course, certain areas held out against the trend. The West Coast South Island, Nelson, East Cape, Northland etc all offered business free of rail competition. Some small ports, such as Raglan and Foxton, defied the trend by serving fast-growing inland centres such as Hamilton and Palmerston North.

But bigger ships and longer routes became more important. From about 1904 onwards, when Auckland boatbuilder
and shipowner George Niccol bought the Squall, companies began introducing new or near-new 500-ton ships. Built to Dutch or British designs, these ships were more efficient than the older, smaller craft they replaced. They were small enough to enter ports such as Gisborne and the Town Wharf at Wanganui, while still being large enough to carry a payable cargo from, say, Dunedin and Oamaru to Wanganui or Onehunga.

They posed a threat to the Union Company, which responded by taking up a secret majority interest in all but the Northern Company in the years leading up to 1914. Newcomers such as Canterbury Steam Shipping Co and the Maoriland Co. and older lines such as Richardssons and Anchor were bludgeoned into line, as were the smaller firms such as Red Pine, Wairau SSCo and Invercargill Shipping Co. Gradually the Union group reinvested to replace the remaining smaller, older ships. Some minor lines disappeared altogether. The process may be likened to the modern aviation industry where Air New Zealand has relinquished its provincial services in favour of subsidiary and associated companies such as Mt Cook Airlines.

The post-World War One period brought considerable technical innovation. The last scows were delivered in the mid-1920s and the last wooden-hulled coaster in the late 1930s. Sail, briefly sustained by the war, lost ground steadily from the 1920s. From the mid-1920s onwards motor vessels began to supplant steamers. Ships like, for instance, Canterbury’s Breeze and Gale and Richardson’s Kopara set the new pattern – vessels of 600-700 tons, capable of speeds of about 12 knots.

Ownership patterns remained stable. Union had passed into full P&O control in 1917, although the local board of directors and management were left with extensive control of operational policy. No new major players entered the industry and the Union Company consolidated its grip. In the early 1930s the company restructured its associated companies, mainly to stave off a belated challenge from the Holm Shipping Company, into which it bought a majority shareholding. In the early 1930s the three major USSCo associate companies, Holm, Canterbury and Richardsons, restructured services to remove even vestigial competition.

Employment conditions improved, albeit slowly. The resurgent trade unions suffered a major reversal with the defeat of the 1913 waterfront strike, but this time there were no yellow dog unions and blacklists.

1945-75
The end of the third quarter of the 20th century witnessed a change more dramatic than ever before in the history of commercial shipping. Compared to the shift from steam to sail a century earlier, the ‘Second Revolution’ was far more significant. In the 1870s it had been a move in propulsion systems. In the 1960s and 1970s the alterations flowed through the transport system from factory to the ship. It was indeed a second revolution.

If you ask shipping enthusiasts for the reasons for the elimination of the coastal trade during the 1960s/70s, they will almost invariably blame the rail ferries. But was that really the case? I would like to suggest that there was more than one reason. And as with most of what I have said today, each requires further research. I will examine the question under a number of headings – markets, economics and technology.

Firstly, though, let us look at what happened during that period. At the risk of oversimplifying things, we can subdivide this era into three periods:
1. During the late 1940s there was great disruption. The Shipping Controller still dictated ship movements and shipping companies struggled to keep up with demands as they refurbished vessels battered by wartime experiences, tried to
plug gaps left by lost tonnage and endeavoured to meet postwar demand as industry geared itself up. Many coastal/trans-Tasman ships had been lost during the war or had been worn-out.

2. The late 1940s to the early 1960s. This witnessed an unprecedented huge tonnage replacement programme. All companies made up for lost tonnage with new, high-quality motor vessels. Bigger ships came from British (and to a lesser extent Australian) yards and small boats from Dutch ones. The Union Company built a series of colliers for its West Coast routes and Anchor, Richardsons, Canterbury and Holm renewed their fleets with 800-1,000 ton motor vessels. The first purpose-built tankers appeared on the coast, along with bulk cement carriers towards the end of the period.

Company ranks remained stable. The few ventures set up by ex-servicemen struggled, then faded out as their small, old ships succumbed to competition. Union turned over many of its minor routes to its subsidiaries. The most remarkable growth came from the Northern Steam Ship Company. Hitherto confined to ships serving the Northland and Bay of Plenty routes into Auckland, Northern bought or built more than a dozen 1,000 tonners, as many as Holm, Canterbury and Richardsons combined. Northern entered the long distance routes between the East Coast-South Island ports and Auckland.

3. From the mid-1960s the unit load revolution cut into the coastal general trade. The arrival of the rail ferry Aramoana in 1962 killed off the remaining small Cook Strait carriers. As more ferries joined the fleet, Union and Northern added a few RO/RO (roll-on, roll-off) ships and bulk carriers increased (oil and cement), the conventional ships found it impossible to compete. For a short while some switched to the carriage of bulk cargo; Canterbury and Northern took up bulk wheat carriage, but the trade was seasonal and subject to competition from imports. Between 1972 and 1975 almost all the postwar conventional fleet was withdrawn, leaving just a couple of ships serving Nelson and the West Coast and the Chathams.

Why did this happen? I think there are several reasons: technological, intermodal competition, geographical and demographic, political and economic.

TECHNOLOGICAL
This, allied with economics, was probably the most crucial. Conventional shipping had come a long way in a century, but much of that evolution happened in the first part of that period. By the late 1930s the motor vessel was nearing the peak of its development. The 1950s and 1960s brought only modest improvements, many of which were undermined by high onshore costs at our congested ports. Although speed of ships increased slightly (still just 12-13 knots in the 1960s) and cargo handling gear improved, with more 15-ton jumbo derricks being added, ship turn-around actually slowed as ships waited up to a week for a working berth at key ports such as Wellington.

The lines did not make the switch to bulk carriage painlessly. Our first tanker, the Paua of the late 1920s, carried oil products in cased form. The first proper tanker appeared on

The first unit-load vessels were roll-on, roll-off (RO-RO) ships. First were the well-known rail ferries. The Hawea and Wanaka, built for the Union Company's 'main trunk' Auckland-Dunedin route in 1967 and 1970, were large, elaborate ships. Pacifica's current RO-ROs are the same size, but are not wedded to such expensive terminals. The diagram shows the simplicity of loading. Cargo is wheeled aboard, either in vehicular form, or on pre-loaded pallets and containers on standard-sized flatdeck wagons. This cuts port time to a minimum. Union Company
the coast in the early 1950s. By the mid 1960s there were three and they had jumped from about 3,000 tons to 12,000 tons each. Pumping equipment enabled shipping lines to take advantage of economies of scale by dramatically increasing ship size.

Bulk cement carriage, like oil, began conservatively, in bagged form. By the mid 1960s, though, each cement manufacturer had at least one ship. Vertical integration of this type hurt the general carriers badly. Bagged cement had been big business—in the case of Richardsons, about 25% of its freights.

At the same time, the old bulk standby, coal, was beginning to dry up as steam ships gave way to motor vessels, rail switched from coal to Diesel and electricity and domestic and industrial use of coal declined.

With oil and cement changing to specialist bulk carriers and with coal declining, the companies’ base shrank. That left only general cargo—flour, biscuits, beer, whiteware etc. Here the unit load revolution—containers and RO/RO—offered a solution. We are familiar with the sight of containers, but few realise the efficiencies they offer. Put simply, they reduce time in port, the most expensive part of any transport cycle. Conventional ships spent considerable periods in port accruing dues, ships’ crew costs and waterfront labour while waiting for cargo to be assembled in nearby sheds and made up in slings and hoisted aboard. Unit load speeds things up by reducing cargo to standard lots that do not have to be made up alongside the ship. Instead, major shippers can do the packing hundreds of kilometres away in their own factories, using cheaper labour. Containers can be assembled out on the open behind the berth, so that the entire cargo is ready before the ship reaches port. This dramatically reduces turnaround time. It leads to further economies. Since turnaround often limited ship size (shippers wanted to offer frequency), this can be increased, offering further savings.

The downside to the ‘second revolution’ was that the new ships were expensive, especially for companies that had just
completed a major fleet replacement programme and whose ships were still quite new. Union did make some modest improvements, building two large ferries for the Lyttelton run and the Winaka and Hawea for the main Auckland/Dunedin route, Northern built a small RO/RO for the abortive Onehunga/South Island one and New Zealand Unit Express used a tug and barge combination that met considerable union resistance. But no one else had the money for new ships.

INTERMODAL COMPETITION
Unfortunately for the shipping lines, others moved more quickly. New Zealand Rail had asked Union to run its new Cook Strait service during the 1950s, but the company dithered too long and New Zealand Rail placed its own order for the Aramauna. That ship revolutionised long-distance transport in New Zealand. Previously the need to unload and reload wagons at either side of Cook Strait had made inter-island rail-haulage prohibitively expensive and had confined rail/sea competition to short/medium haul business within either island. Now the coast was clear (quite literally!) and New Zealand Rail could run trains straight through, quicker and cheaper. Unlike the shipping lines, it could offer a direct door-to-door service to inland centres and the rapidly expanding suburbs. From the late 1960s onwards, New Zealand Rail began working closely with freight forwarders such as Alltrans, to increase their market share.

GEOGRAPHICAL AND DEMOGRAPHIC
The postwar era intensified the northwards drift, with areas north of Taupo growing faster than the South Island or southern North Island. Inland centres such as Taupo, Rotorua, Hamilton and Palmerston North could not be served efficiently by coastal shipping. The East Coast South Island ports, long the mainstay of the general cargo trade, grew slowly or even declined. The sale of a flour mill licence and the shift of its plant to Tauranga in the late 1950s, for example, cost the Port of Oamaru almost a quarter of its general cargo.

POLITICAL
The Third Labour Government’s three year freeze on rail charges hastened the small ships’ demise. Labour bought the Coastal Trader, to replace the Union Co service, but that did little to reverse a long-term trend. The rail freeze in times of high inflation only hastened the end; by 1976 the Shipping Corporation’s Coastal Trader was struggling.

ECONOMIC
All the above factors fed into the last, economics. The simple truth was that the coastal fleet priced itself off the market, though not quite in the manner usually reckoned. In the past commentators have blamed the seagoing unions for much of the collapse of the industry. The following figures suggest that the smoking gun can be found elsewhere. They are taken from the business records of the Canterbury Steam Shipping Company, a Union Company subsidiary. Each column shows the break-down of costs for a vessel named Storm. The ships were different, but the routes served were essentially the same:

<table>
<thead>
<tr>
<th>Operating Costs CSSCo 1916 and 1966</th>
<th>1916</th>
<th>1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crew costs</td>
<td>21.7%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Port charges/agents’ commissions*</td>
<td>11.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Fuel/repairs/stores/insurance etc</td>
<td>27.8%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Waterfront labour</td>
<td>19.1%</td>
<td>48.5%</td>
</tr>
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The dramatic increase in onshore costs leaps out instantly. Whereas waterfront labour costs absorbed less than 20% of ships’ earnings in 1916, that had climbed to almost half ships’ earnings 50 years later. Little wonder, therefore, that coastal shipping had been almost forced out of the non-bulk trades by 1975.

CONCLUSION
If this paper has achieved anything, it should have underlined the fact that New Zealand’s transport history is still little understood. While enthusiasts have catalogued the hardware, few historians have found the time to ask the important questions about ownership patterns, profitability, market share and competition. There is much to be done!

This talk was given at the tenth annual Stout Research Centre Conference, ‘The Sea’, Victoria University of Wellington, July 1993.

FOOTNOTES
1 Currently (post-election) under threat of being watered down considerably or dropped altogether.
4 ibid, pp 193-194.
7 Gavin McLean, Otago Harbour; Currents of Controvery, Dunedin, 1985, pp 246-258.
8 Simon Ville, op. cit.
12 Data from Gavin McLean, Canterbury Coasters, Wellington, 1987, p58.