NEW ZEALAND SHIPPING:
A MARXIST ANALYSIS

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ABSTRACT

In the thesis I attempt to analyse the present conflict surrounding the organisation and cost of the shipping link between New Zealand and its major markets, particularly the United Kingdom, Europe and North America. Liner shipping carries a little over 50 per cent of New Zealand's total export volume, although these exports do comprise the more valuable proportion of the total. Liner shipping is organised mainly as cartels, or conferences as they are called in the shipping industry, and this system has come under increasing criticism from various sectors of the capitalist economy. As such the increasing cost of shipping and the "monopoly powers" of the shipping conferences are seen as major problems for New Zealand capitalism.

In the thesis I employ Marxian methodology to analyse this conflict as a form of a general capitalist crisis. In other words, it is argued that the conflict is not a crisis in itself, but a manifestation of a deeper crisis. This involves analysis of the Conference system and its effects on New Zealand import and export industries. Thus capital accumulation in the shipping industry is examined in order to explain its effect on capital accumulation in other industries.

By employing Marxian methodology I attempt to view the problem with a new perspective. So far as I am aware no similar study has been completed in New Zealand.

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CHAPTER I

INTRODUCTION

In this thesis I attempt a Marxian analysis of shipping in New Zealand. I am concerned solely with international shipping, i.e. the shipment of goods from New Zealand to overseas markets and vice versa. Thus the problems of coastal shipping are not dealt with in this study. Specifically, attention is primarily directed towards the conference system, particularly the one which operates between New Zealand and Europe. Since the more valuable proportion of New Zealand exports is carried by the Conference Lines, they have become a central issue of controversy among all those involved with shipping. Hence, within and outside the shipping industry, the argument of exclusivity versus competition is continually raised.

A shipping conference is an organisation whereby shipping lines operating on the same route meet and decide on a common rate of freight. They also agree to regulate their sailing schedules so that instead of competing for cargoes, their sailing times complement one another. In this way the member lines are assured of a certain amount of business without having to compete with the other member lines to obtain it. In New Zealand this system is complemented by the role which the producer boards fulfill.

Under the statutory powers endowed on the producer boards by Parliament they are responsible for the transport and marketing of primary produce. For example, the Meat Board has total control over all meat exported, and it arranges the meat's transport. Hence, as the Meat Board represents all those who seek to export meat, it can enter into exclusive agreements with the conference lines to have the meat shipped by the Conference. The control of the conference system is therefore strengthened. The controversy about shipping arises from this exclusive system.

Since the starting point of scientific analysis is concrete reality in the form which it presents itself, it is appropriate to note some of the main statements of the problem as they appeared in the media. In early 1979 the National Business Review wrote:

> 20,000 Km from its main markets New Zealand is almost at the mercy of the overseas shipping lines who for years have operated as international cartels, fixing rates and rationalising trade.[1]

The NBR observes that the main markets for New Zealand traders are long distances away from New Zealand, hence transport is crucial to the export of these traders' commodities. However, the shipping lines which service the trade routes to these markets are organised in conferences so they are able to exercise greater control over fixing rates and also influence the trade patterns. Thus the NBR views the problem as one of overseas control

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[1] National Business Review Outlook (May 1979), p.33.

over New Zealand trade. More importantly it implies that the strength of the cartel allows the overseas shipping lines to appropriate higher than average profits.

Mr A.F. Wright, President of Federated Farmers, makes the point more clearly.

> Without at least the possibility of competition from other suppliers we could face a situation similar to that posed by the OPEC cartel; and nowhere else to go.[2]

The inference drawn from this statement is that the conference lines, by maintaining a monopoly control of shipping, can therefore charge monopoly rates. In this sense the costs to the New Zealand trader are seen as too high. Mr A.F. Wright speaks as a representative of the farming community, and since many farmers are not very involved in the export of their products this may not seem a drain on the farmers' income. However farm gate prices tend to be affected by freight costs, because one of the ways in which traders who export the products can offset freight rate increases is by reducing in real terms the price they pay to farmers. Therefore, rising freight costs reduces farmers' income, irrespective of whether or not an individual farmer does his own exporting. Hence farmers have similar interests to traders who wish to restrict the cost of shipping to low levels.

In general, the view of this group is that freight rates are too high and that they constitute a serious

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[2] A.F. Wright, Paper presented to Exports and Shipping Council Forum (Wellington: June 26 and 27, 1980), p.4.

drain on foreign exchange. That is since the majority of the shipping lines are foreign owned the freight rates paid go out of New Zealand. They further argue that the reason why freight rates are high is because the conference lines have a monopoly control of the trade.

The result of this unease among exporters, importers, farmers, politicians, academics and journalists was the convening of a forum, organised by the Exports and Shipping Council in June, 1980, to discuss the problems found by New Zealand exporters and importers. Three of the major questions which the forum addressed were:

> 1. Should contractural arrangements with shipping conferences continue to be made?
> 2. Can New Zealand's interests be more effectively safeguarded by the inclusion of additional parties to shipping negotiations? and,
> 3. How can the rising trend in shipping costs and freight rates be arrested? [3]

On the one side there exists the anti-conference feeling. On the other side there is the view that while the conference system may not be perfect, it is the best available at present. Thus Mr. A.M. Begg, Chairman of the New Zealand Meat Producers' Board, said:

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[3] Exports and Shipping Council Forum - Focus on New Zealand's Present and Future Shipping Needs (Wellington: June 26 and 27, 1980).

> Notwithstanding some of the imperfections inherent in the Conference system, the Boards believe that it presents the most efficient method of co-ordinating a large and complex trade bearing in mind that,
> - We are geographically isolated from our major markets and almost totally reliant on sea transport.
> - Our products are generally of a highly perishable nature and require specialised ships and backup facilities. Many of the vessels in service have to be purpose-built for the trade and are not readily adaptable to other functions.
> - Our production peaks are seasonal and call for tightly co-ordinated liftings to supplement cool store facilities.
> -Our marketing strategy calls for highly regulated arrivals in the interests of maximising market returns.[4]

Hence the producer boards emphasise the need for a reliable, comprehensive service which meets their marketing requirements. In their view the conference system provides such a service and should not be lost for the sake of another service which may offer cheaper freight rates, yet does not offer the same reliability of service. Thus, in reference to the North American market, Mr.A.M. Begg said:

> Unless we have a proper, co-ordinated service to North America to operate effectively in competition with Australia, we would end up having our meat shipped at times to suit the lines while the Australians would have their meat shipped at times to suit the market.[5]

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[4] A.M. Begg, Paper presented to Forum, p.2.

[5] The Christchurch Star (November 22, 1980), p.12.

Cost, therefore, is the major factor in the controversy over whether or not to use shipping lines outside the conferences. New Zealand traders, like all capitalists, naturally seek to maximise profits. Mr A.M. Begg believes this can be best achieved through using the conference lines because market returns are highest. In other words the reliability of the service allows the producer boards to ship their products to a given market only when the price of the product on that market is high. When there is an oversupply of the product on the market and the price is low, the producer boards are able to hold the shipment of the product back. In the view of the producer boards such an advantage would be lost if substantial use was made of non-conference shipping lines.

The issue therefore centres around the question of exclusivity versus competition. Those who support the conference system do not agree that it is exclusive, that is, that it excludes competition. For example, Mr. A.J. Bott, Chairman of the New Zealand European Shipping Association which is the main conference, said:

> Although all members of the Conference share an identical freight tariff and although schedules are carefully co-ordinated amongst the lines, the actual operation of the service and the costs involved fall individually to each line ...Thus each line has every incentive to do better than every other line and a real competitive edge exists between each member of the Conference. [6]

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[6] A.J. Bott, Paper presented to Forum, p.8.

The argument is therefore that competition does occur among the conference lines in that they each strive to provide a better service than the others. Despite this assurance of competition among lines regarding how good a service they provide, the advocates of a non-conference shipping service point to rising freight costs as a manifestation of the conferences' monopoly pricing. These traders, like all capitalists, are concerned with costs and profits, and when the costs are excessive none will be satisfied with merely service competition. What they require is competition which leads to improvements in efficiency and therefore lower costs.

The container revolution was meant to have lowered the cost of shipping substantially. However, Dr. Peter Chudleigh, an economist at Lincoln College, said:

> One could conclude that the new technologies adopted in the 1970s by the Conference Lines have been inappropriate, or have been introduced inefficiently or that the Conference Lines have not been passing on savings due to the container revolution.[7]

The advocates of non-conference lines, therefore, suspect that savings achieved by the conferences due to technological developments are not being passed on to the shipper and that the shipowners' profits are increasing while theirs are decreasing. Such allegations, however, cannot be easily proved or disproved. The only concrete reality the critics of the conference system

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7 P. Chudleigh, "The Cost of Overseas Shipping Who Pays" Discussion Paper No. 49, Agricultural Economics Research Unit, Lincoln College, 1980.

can point to is the increasing costs which shippers are forced to pay. Conference advocates explain such increases as results of the high inflation rate in the Western world, and they point particularly to the substantial increases in the price of marine fuel over the last decade.

Although arguments like these are not easily answered, Mr T.V. Rosenfeld, Managing Director of ABC Containerline N.V. of Belgium, isolates four factors which he believes increase the costs to those shippers who utilise the New Zealand European Shipping Association in particular.[8] These are:

1) The majority of ships in the UK/European service are cellular container ships and in using these New Zealand traders have tied themselves to one mode of ship. The capital costs of container ships have risen enormously. For example, the New Zealand Pacific, a container vessel ordered by the Shipping Corporation of New Zealand, was to have been built in the original contract for less than $50 million and the final delivered price exceeded $100 million. Obviously, the high cost of such ships will be reflected in the freight rates which the conference charges.

2) In the exclusive arrangements New Zealand traders are tied into high fuel consumption and high fuel costs. The majority of container ships are engined with steam or gas turbines which burn up to 50

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8 T.V. Rosenfeld, Paper presented to Forum, pp.4-6.

per cent more fuel than the diesel engines which ABC uses. The fuel costs of the conferences are therefore higher than those of the independent line.

3) By making exclusive arrangements New Zealand traders may have excluded themselves from building ships at the cheapest possible price. ABC have been able to obtain cheaper finance than have the conference lines.

4) The conference formula for negotiating rates is on the basis of replacement cost rather than historic cost depreciation. Thus T.V. Rosenfeld argues that the conference lines charge freight rates with the intention of being able to replace their present fleet as well as appropriating a small profit. Taking the rate of inflation into account obviously such freight rates are going to be high and in this sense it becomes a cost plus exercise. Mr A.J. Bott rejects these claims as untrue, but there is no easy way to prove either argument to be correct.

Overall, Mr T.V. Rosenfeld argues that New Zealand traders pay higher freight rates due to the high cost structure incorporated in the conference system. Advocates of the conference system react to this argument by asserting that a high cost structure is necessary so that the specialised vessels required for the transport of primary products are provided.

The enormous amount of attention given to this problem by exporters, importers, shipowners, the media and academics is also reflected by the concern which the

New Zealand Government has shown. The Prime Minister, Mr Muldoon, said:

> While the Government recognises the advantageous aspects of shipping conferences, we also appreciate the dangers inherent in such a system.[9]

However, despite such appreciation of the dangers inherent in such a system the Government has shown no initiative to act in the situation. The Christchurch Star reported:

> Dr. Peter Chudleigh is sharply critical of the Government and the producer boards for what he regards as their lack of interest in researching alternative shipping systems.[10]

Yet only a few weeks before this report, the same paper reported:

> The Government wants to launch a major policy review of shipping early next year because of the soaring cost of shipping our exports. It believes that the producer boards may be too conservative in their attitudes.[11]

Obviously the attitude and actions of the Government are not altogether clear, and it must find itself in a dilemma having to satisfy the interests of the different groups involved with the shipping industry. On the one hand the Government may wish to minimise the costs of shipping, yet on the other it may be equally aware of the importance of an efficient shipping service to the success of the marketing of

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9 The Press (June 27, 1980), p.2.

10 The Christchurch Star (December 6, 1980), p.12.

11 The Christchurch Star (November 22, 1980), p.12.

New Zealand primary products overseas.

Until now this problem and the conflict it generates have been analysed by the media and others as a specific problem of trade and shipping. In other words the high costs which New Zealand exporters and importers pay for the shipping service is seen as a major drain on New Zealand's foreign exchange, and hence contributed to New Zealand's balance of payments deficit. Generally this approach has failed to produce full understanding of the underlying forces of capitalist development which have shaped the problem of conflict and competition within the shipping industry. Using Marxist theory I hope to prove that the problem is merely a form of a general capitalist crisis, and not a major crisis in itself.

In the present capitalist crisis many New Zealand capitalists are struggling to appropriate profits and in response to this struggle they are directing their attention toward the costs they must pay. For New Zealand exporters and importers one of their major costs is shipping. Since this shipping is mainly foreign-owned and, importantly, organised as a cartel it becomes the centre of these capitalists' problems of profitability. The cost of shipping is therefore seen as a major impediment to the profitability of many New Zealand capitalists. From this perspective a great deal of conflict has been generated among all those involved with shipping. Such conflict has been intensified by the resurgence of independent shipping lines competing against the conference lines.

Study of this conflict and competition within a Marxist context should present a more comprehensive analysis than is evident among the non-Marxist analyses which have been completed. Marxist methodology involves the use of retroductive logic, so that theories are derived from concrete reality. In this sense the approach is perhaps no different to that of a non-Marxist methodology. However Marxist methodology seeks to establish a set of laws or generalisations which, if true, would explain the concrete reality under study. In this way Marxism seeks to identify and explain the underlying forces which shape any phenomena, not merely the manifestations of these forces.

To do this successfully the methodology abstracts the more basic laws from the less basic ones. In other words a more basic law is applied in isolation from the less basic ones, so that the mechanism of that law can be better understood. Once the most basic law is identified then the less basic ones can also be identified. In this way we are aware of the limits placed upon the operation of less basic laws by the operation of the more basic laws. Gradually a complex theoretical model is completed with all the interrelations between the different levels of explanation being more clearly articulated. In the thesis I hope to develop such a model which explains the present conflict and competition within the shipping industry.

In this thesis we look firstly at the general law of capital accumulation within an industry. The level of exchange is then analysed which involves a study of the relationship between different industries. At a lower level the role of the state is studied.

The chapter breakdown is thus:

Chapter II is an historical overview which seeks to place the problem in its historical perspective. By analysing the development of capitalism in New Zealand and the role which shipping played in this development, we can more easily understand the problem in terms of a crisis of capitalism. Earlier examples of such conflict are not difficult to find.

Chapter III looks specifically at the competition within the shipping industry and analyses the underlying forces generating this competition. This chapter looks solely at capital accumulation within the shipping industry.

The next chapter studies the effects of accumulation in the shipping industry on accumulation in other New Zealand industries. It is in this chapter that the point is made most strongly that the present conflict reflects growing problems of profitability for New Zealand capitalists, which are the result of a general capitalist crisis rather than as a result of any monopoly in the shipping industry.

The final chapter then concludes with a general summary of the main argument and an assessment of the validity of the theory used in the analysis.

CHAPTER II

AN HISTORICAL OVERVIEW

In this chapter I attempt to place the problem within its historical context. In this way we can analyse shipping's role in the development of New Zealand capitalism. Consequently, because this role is so important, we can therefore explain why shipping costs emerge as an apparent crisis instead of being identified as a manifestation of a more general capitalist crisis. The chapter is divided into a number of sections. Before analysing the role of shipping we firstly describe the development of capitalism in New Zealand. A chronology of major developments in New Zealand shipping is then presented before discussing in greater detail the historical relationship between shipping and general crises of capitalism.

1. The Development of Capitalism in New Zealand

John Macrae and David Bedggood use Marxian methodology to explain:

> The development of capitalism in New Zealand as a complex inter-relation of economic, political and ideological causes which are determined in the"last instance" by the historic expansion of the Capitalist Mode of Production (CMP) into the lands of white-settlement in the nineteenth century.[1]

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[1] J. Macrae and D. Bedggood, "The Development of Capitalism in New Zealand: Towards a Marxist Analysis" Red Papers, 3, 1979, p.89.

They further say:

> The most important interlock came historically from New Zealand's (or specifically the Peasant Family Mode's) role as a supplier of cheap foodstuffs to the United Kingdom in return for the investment of UK money capital as well as providing a limited market for British manufactures.2

Macrae and Bedggood refer to the PFM as the farmer who owns and operates his own land with the majority of help coming from his family. They exclude sheepfarming from their definition of the Peasant Family Mode and argue that the price the farmer gets paid for his product is simply a concealed wage.[3] The role of the farmer in New Zealand capitalism has been crucial.

Historically, in the latter part of the nineteenth century it was the New Zealand farmers' function to provide the United Kingdom with cheap foodstuffs. The rapid development of this function can be illustrated by the fact that during the first third of the nineteenth century Britain imported only 2.5 per cent of its foodstuffs. By 1912, it imported mainly from Australia and New Zealand, about 50 per cent of its meat, 70 per cent of its butter and 50 per cent of its cheese.[4]

Britain began to import increased amounts of foodstuffs for a number of reasons. Firstly, by placing less strain on the farming sector in Britain it allowed capital previously utilised in agriculture to be freed.

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2 Ibid, p.113

3 Ibid, p.111

4 Ibid, p.104

This freed-up capital could then be invested in the manufacturing industry. In this way the rapid development of Britain as the workshop of the world could be more easily completed.

Secondly, New Zealand and Australia were much more efficient at producing foodstuffs and these goods were able to be bought cheaper than British agricultural goods. Thus British capitalists sought to keep workers' wages low by supplying them with cheap foodstuffs. The role of the New Zealand farmer was to produce these foodstuffs cheaply so that the working class in Britain could be fed cheaply. In this way the wage required by the British worker to feed and clothe him and his family was not high simply because the cost of food was maintained at a low level.

The end result of this function to produce cheap foodstuffs was that the New Zealand farmer played an important part in facilitating the appropriation of surplus value by British capitalists.

As a result of both factors an international division of labour developed whereby New Zealand specialised in the production of agricultural goods, and Britain specialised in the manufacturing sector. According to Macrae and Bedggood, in order to establish the conditions necessary for the new colony to play a role in this international division of labour, freed-up rentier capital from the U.K. was required. Thus:

> The basic function of the new colony was to expand U.K. industrial capitalism by cheapening the reproduction costs of labour-power,

> and providing a secure outlet for the investment of rentier capital. Both operated as counters to the falling rate of profit. 5

Essentially, therefore, the early development of capitalism in New Zealand was the result of the downward pressure on the rate of profit in Britain. To counter this pressure British capital began developing New Zealand and other colonies as cheap sources of primary products and also as outlets for further investment.

As a result of this investment the infrastructure required for the more rapid development of capitalism in New Zealand was established. It was in this sense that the colonial state played such an important role in furthering the development of capitalism in New Zealand. Using large amounts of borrowed British capital the state was able to establish a productive infrastructure which facilitated the growth of agricultural production in New Zealand.

Once a capitalist dominated agricultural sector was established, the manufacturing sector could then come into existence. There are three other variables which must exist if this is to occur. A system of wage-labour should exist, and both industrial capital and a market should be available.[6]

> These preconditions of capitalist manufacture...were rapidly realised by means of their displacement from

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[5] Ibid, p. 104.

[6] Ibid, p. 125.

[7] Ibid, p. 125.

> the British social formation and their relocation in the semi-colony by agency of the local state. 7

The state had an obviously important role to play, not only in helping the development of agriculture along capitalist lines, but also by furthering the development of a manufacturing sector within New Zealand. These developments were made easy by the fact that: 1) Britain existed as a ready-made market. 2) Freed-up rentier capital was available from Britain for investment in the agricultural, manufacturing and infrastructural sectors., and 3) Britain's political/capitalist system could be readily displaced from Britain and relocated in New Zealand. Along with this the ideology of capitalist development could also be readily relocated in New Zealand.

Hence, capitalist production in both agriculture and manufacturing developed in New Zealand. The significance of this early development up until the 1950s even, was that it depended almost solely on agricultural production and on the role of Britain as a market and as a source of capital. This relationship between Britain and New Zealand was reflected mainly in trade. Deakin and Seward say:

> The direction of trade in the period 1870 to 1900 was influenced by political factors and the interests of British manufacturers.8

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7 Ibid, p.125.

8 B.M. Deakin and T. Seward, Shipping Conferences. A Study of their Origins, Development and Economic Practices (London: Cambridge University Press, 1973), p.13.

A large flow of agricultural goods went to Britain from New Zealand and in return Britain exported manufactured goods to New Zealand. Therefore, although manufacturing did develop in New Zealand, it did so very slowly as competition from Britain made it difficult for New Zealand manufacturers to survive.

Such development in New Zealand manufacturing has been most rapid in the last two decades as the state has attempted to encourage diversification of production, as well as diversification of trading partners. The result of this development was that in the year ended June 1979 the value of exports of manufactured products was $1,006 million compared with $1,079 million for meat, $685 million for wool and $482 million for dairy produce.[9]

However despite this growth in the manufacturing sector New Zealand capitalism still depends heavily on agricultural production to appropriate most profit from export sales. Thus, while there will be further development of manufacturing, this will depend on the success of agricultural production to appropriate most profit from export sales. Importantly, New Zealand's place within the international division of labour still exists in order that capitalist production of agricultural products

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9 L.E.G. Richardson, Vice President of the New Zealand Manufacturers' Federation, A paper presented to the Exports and Shipping Council Forum (Wellington, June 26 and 27, 1980) p.1.

continues.

2. The Role of Shipping in New Zealand Capitalism

As described in the previous section New Zealand developed as a supplier of cheap foodstuffs for Britain. Such a division of labour depended on the availability of an efficient means of transport. There was no sense in transporting foodstuffs from New Zealand to Britain if the cost of transport was going to push the price of the foodstuffs above the price of production in Britain. Thus the shipping service did not only have to be efficient, it also had to be economic. Shipping's role was therefore to enable the international division of labour to develop.

Capital accumulation in the shipping industry was of great importance for British capitalists. The faster shipping accumulated capital, and hence the more efficient and economic service which it was able to provide, meant that British capitalists were able to appropriate more surplus value as they paid less for the transport of the foodstuffs. These foodstuffs could then be sold cheaply to the British working class enabling British capital to raise the rate of exploitation. In other words the working class produced more surplus value for British capitalists.

However, there was a contradiction between shipping's role of facilitating capital accumulation in Britain and its need to accumulate capital itself. Shipping companies could accumulate capital efficiently not only by reducing costs, but also by charging higher rates of freight. To provide a more efficient service, such as introducing refrigeration, higher rates of freight were necessary to cover the capital costs incurred. These higher rates then became a problem for British capitalists as it pushed the price of New Zealand foodstuffs upwards, and hence the pressure on wages to increase also intensified. In this way capital accumulation in other British industries was both facilitated by the shipping service, due to its necessary existence, and also impeded by it, due to its cost.

The role of shipping was also important to the development of capitalism in New Zealand, which in the nineteenth and early twentieth century depended on this crucial link with Britain. Its service and cost had very similar contradictory effects on capital in New Zealand as it did on British capital. The effect on New Zealand capital was worse than the effect on British capital in the sense that the major shipping lines operating the service were British owned.

However the contradiction in shipping's role was only apparent in times of crises. When profitability was good and capitalist growth was proceeding in New Zealand unhindered the cost and organisation of shipping was virtually ignored. But when this growth stagnated and New Zealand capitalists found profits difficult to make, shipping and its cost assumed great significance.

I now outline the major developments in the history of the New Zealand shipping industry so that we can isolate moments of crisis when shipping has assumed such significance.

3. A Chronology of the Major Developments

1870 Shaw Savill and the Albion Line are the only two shipping lines servicing the trade.

1873 The New Zealand Shipping Company is formed at Christchurch by a group of traders disillusioned with the service and cost of Shaw Savill and the Albion Line. At the end of this year agreement is reached by all three companies regarding the establishment of a uniform rate of freight.

1882 Shaw Savill and Albion combine. At approximately the same time the steamship comes into service and refrigeration is introduced.

1884 Turnbull Martin's Scottish Shire Line and Houlder Brothers enters the trade.

1889 The Star Line is introduced to the frozen meat trade. It is run in association by two companies: Tyser and Company and P. Corry and Company of London.

1897 Two prominent farmers, Messrs. Buchanan and Williams, initiate establishment of an organisation known as the Freight Reduction Movement. Within ten days of its establishment the shipping companies announced that wool freights to London would be reduced 25 per cent. Eventually the freight rate increased.

1899 The Federal Steam Navigation Company enters the trade.

1906 The Federal Line and Houlder Brothers combine their sailings with Turnbull Martin and Company to provide a regular schedule from the United Kingdom to South Africa, Australia and New Zealand. The three do not amalgamate, but simply enter into an agreement of convenience.

1911 Turnbull Martin withdraws from the trade.

1912 The New Zealand Shipping Company purchases the Federal Line.

1914 The Tyser Line, Corry's "Star" Line, Royden's "Indra" Line and Milburn's Anglo-Australian Steam Navigation Company all amalgamate. Not all these companies are involved in the New Zealand trade, but when the amalgamation occurs the Commonwealth and Dominion Line is formed to service the New Zealand trade.

1915 New Zealand Overseas Shipowners' Committee is established.

1916 The shares of the New Zealand Shipping Company and of the associated Federal Line are acquired by the Peninsular and Orient Line. The Cunard Steam Ship Company takes over all the shares of the Commonwealth and Dominion Line. It is not until 1936 that the name is changed to the Port Line.

1918 By the end of World War 1 there are only four companies left in the New Zealand trade - Shaw Savill and Albion Line, the New Zealand Shipping Company, the Federal Steam Navigation Company and the Commonwealth and Dominion Line. In reality there are only three lines, as both the New Zealand Shipping Company and the Federal Line are owned by Peninsular and Orient. By this time the services of the lines are embodied in a Conference Agreement, and freight rates and bills of lading are the same for all participants.

1933 The Conference is forced to admit the Blue Star Line to the homeward sailings because it belonged to the Vestey Group, a worldwide organisation which had a controlling interest in a number of Dominion freezing works prior to starting a shipping service to New Zealand. The Blue Star Line is not admitted as a full member until 1958.

1936 Shaw Savill and Albion come under the complete control of Furness Withy and Company.

1935-40 There is a lull in shipbuilding during the Depression, but in this period the Federal Line and the Blue Star Line begin to take delivery of a new series of motorships.

Latter 1940s

At the conclusion of World War II the Port Line orders five refrigerated vessels. The Blue Star Line and Shaw Savill also introduce new tonnage.

1960 The 1960s sees the entry of Dutch Lines into the cargo trade, in direct competition with vessels of the Conference Lines, and also with those of Scandanavian countries.

1963 In September agreement is reached in London and the New Zealand European Shipping Association is formed between the British, French and Scandanavian Lines already in the Conference, and the two Dutch Lines, the Royal Rotterdam Lloyd and the Nederland Line.

1970 In the late 1960s and early 1970s containerisation is introduced. From this technological development emerges such companies as Overseas Containers Ltd. It is formed by four companies: Holt and Company, Peninsular and Orient, Furness Withy and British and Commercial. Peninsular Orient is its agent in New Zealand.

1973 The New Zealand Shipping Corporation is established by an Act of Parliament.

1980 Furness Withy and Company is purchased by C.Y. Tung of Hong Kong which makes it one of the biggest shipping groups in the world with a fleet of 170 ships.[10]

4. Capitalist Crises and Shipping

In 1873 there were early signs of dissatisfaction with the shipping service provided by Shaw Savill and the Albion Line. As these two operated a monopoly over the service the only action available to the dissatisfied traders was to establish their own shipping line, the New Zealand Shipping Company. It is not a crisis in itself but rather reflected the need for all capitalists to appropriate profits in the face of increasing difficulties. In this quest for profit individual capitalists not only seek to further exploit the working class, but they also seek to make profits at the expense of their competitors, other capitalists.

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10 Sources for the Chronology: S. Carlaw, Pressure Politics: The New Zealand Seamen's Union Campaign for a National Shipping Line 1964-68 (Unpublished Thesis, University of Canterbury Christchurch, 1971) pp.7-35; The Christchurch Star (March 20, 1980); J.D. McIlraith, Deputy Chairman of the New Zealand Wool Board, Paper presented to the Exports and Shipping Council Forum; I.G. Stewart, The Ships that Serve New Zealand (Wellington: A.H. and A.W. Reed, 1964).

When the profit scramble is so intense as it appears to have been in the early 1870s and late 1890s the role which shipping plays assumes its contradictory nature. In these periods while shipping ensured the successful marketing of primary products in Britain its cost appeared as a major impediment to profitability. The contradiction lies in the dilemma between accumulating capital in the shipping industry and facilitating the accumulation of capital in other industries.

In times of expansion and profit such contradictions are unimportant as all capitalists accumulate capital readily. However in times of depression, such as the 1870s, 1890s and 1970s, such a contradiction in capitalist relations is exposed and conflict between capitalists emerges. Capitalists in other industries believe transport costs are too high while at the same time capitalists in the shipping industry strive to facilitate capital accumulation in their own industry.

This conflict then emerges as a form of capitalist crisis and historically in New Zealand, due to the reliance on the export of primary products, it emerges as a typical form of crisis of New Zealand capitalism.

5. Conclusion

Shipping has fulfilled an historical role of facilitating the international division of labour which has developed New Zealand principally as a producer of primary products. The technological developments of the steamship and refrigeration were both important breakthroughs for the efficient marketing of New Zealand primary products. Thus the New Zealand farmer was able to gear his production for export within the capitalist relations which existed.

However, although shipping fulfilled this important role of transporting primary products to Britain, its cost in times of crisis came under increasing scrutiny. Hence the capital accumulation within the shipping industry was at one and the same time a hindrance and an impetus to capital accumulation in other industries. The next chapter discusses theoretically and empirically the mechanisms of capital accumulation in the shipping industry before analysing its effect on other industries in Chapter four.

CHAPTER III

CAPITAL ACCUMULATION WITHIN THE SHIPPING INDUSTRY

In this chapter I seek to explain the underlying mechanisms at work in the shipping industry which have resulted in the development of the conference system in New Zealand. It is the theme of this chapter that capital accumulation in the shipping industry has led to further improvements in efficiency and that the shipping conference must be viewed in this context. Once having examined accumulation in the shipping industry in this chapter, the next chapter then examines its effect on capital accumulation in other industries. Thus, it can then be argued that the present conflict over shipping is only a form of crisis and not a crisis in itself.

In order to examine competition and accumulation in the shipping industry, it is necessary to firstly present a section on capital accumulation in general so that the basic theory is explained before applying it specifically to shipping. By examining accumulation in general we can also gain some insight into how capitalist crises emerge. Once this has been completed we look specifically at the shipping industry, examining the development of the Conference system historically before analysing the system in its contemporary form in the final section.

1. Capital Accumulation in General

In this section it is assumed that goods are bought and sold at value. Thus we can abstract to the very basic level of production where we can isolate the source of profit, i.e., unpaid labour. It is at this level of capital-labour relations that profit is appropriated and accumulation begins. Importantly it also allows us to recognise that competition between capitalists occurs at the production level. The most efficient capitalist is the one who produces his goods at the cheapest cost and therefore undercuts the cost at which other capitalists produce the same goods. Capital accumulation is the process by which capitalists improve efficiency, and hence it is an impetus to competition. Conversely, competition reinforces the need to accumulate capital.

Capital accumulation depends on the creation of surplus value. Surplus value is created at the production level as capital exploits labour. The difference between the value of labour power and the value labour power creates equals surplus value. We can illustrate this point by the use of the following:

$$C + V + S = Y$$

$$80 + 20 + 20 = 120$$

C represents constant capital, i.e. machinery, raw materials, buildings etc. V represents variable capital, i.e. wages. S represents surplus value and Y production.

The capitalist approrpriates surplus value because the workers work say for forty hours a week but only get paid for twenty. This occurs because the workers do not get paid for the value they create, but rather on the basis of what is historically and socially acceptable as a wage. In other words the workers are paid a wage in order that they can buy a bundle of goods which maintains their standard of living at a level which has been historically determined and is socially acceptable. Thus, workers are only hired if they can create more value than they consume, that is, if surplus value is created.

While the rate of surplus value remains constant or is increasing the capitalist is able to accumulate capital readily. However if the rate of surplus value decreases the capitalist begins to face problems of profitability. This marks the beginning of capitalist crises if most capitalists are faced with this problem. The form this problem adopts is conflict between capitalists as each attempts to make profits at the expense of the other. But in reality the crisis is one of capital-labour relations. In other words capital is no longer able to exploit labour effectively and a capitalist crisis is the mechanism by which capital is rationalised so that capital accumulation can begin afresh.

Crisis is brought about by capital accumulation so that accumulation can progress at a faster rate if restricted by capital's own limits. Profit is a never-ending goal of capitalism and next year's profit must always be larger than last years. To achieve this a capitalist must reinvest his profit so that he can improve efficiency and hence lower the cost of production. The inefficient capitalist who does not do this will eventually be forced to do so, or will be forced out of business.

As John Eaton comments:

> The natural laws of capitalism tend to eliminate those who do not seek continuously to increase their wealth.[1]

Accumulation of capital is therefore essential for individual capitalists to survive. The reinvestment of profits which a capitalist undertakes to remain competitive is accumulation of capital. However in their drive for greater profits capitalists find that this simple accumulation does not fulfill their objectives quickly enough. Concentration and centralisation of capital therefore occurs as weaker capitals are absorbed by stronger ones.

2. Concentration and Centralisation of Capital

Concentration arises directly from simple accumulation and represents the growth of capital within an individual owner's control.[2] Thus concentration of capital occurs as larger amounts of capital are accumulated. These individual capitals are enlarged out of their own accumulated profits.[3]

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1 J. Eaton, Political Economy: A Marxist Textbook (New York: International Publishers Co.,Inc., 1966) p.93.

2 I.H. Chrzanowski, Concentration and Centralisaton of Capital in Shipping ed.,S.J. Wiater (Westmead, Farnborough, Hants, England: Saxon House, D.C. Heath Ltd., 1975) p.4.

3 Eaton, p.96.

Chrzanowski distinguishes this from centralisation which he says:

> is the accumulation of already created capital in the hands of a decreasing number of owners. The centralisation of capital is thus of a subjective character; it deprives some owners of their capital on behalf of others.[4]

Centralisation of capital therefore represents the amalgamation of a number of individual capitals as one. Those capitalists who concentrate their capital most efficiently are able to absorb less efficient capitals. The process of centralisation is one whereby competition becomes reduced, and its ultimate end is monopoly. Once this monopoly is achieved centralisation ceases and capital accumulation continues through the process of concentration within the monopoly. Chrzanowski represents these processes in diagrammatical form.[5]

Concentration Within Individual Capitals	———	Centralisation of Individual Capitals	———	New Concentration Within Monopoly, Oligopoly etc

Capital accumulation necessarily implies these processes and the result is that, as increasing amounts of capital come under the control of fewer capitalists the less efficient capitalists are either bought out or forced

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4 Chrzanowski, p.4.

5 Ibid, p.4.

out of business. Thus the gradual trend toward monopoly if further strengthened by such concentrations of capital.

3. Capital Accumulation Within the Shipping Industry

Capital accumulation within the shipping industry is governed by the same general laws as in any other industry. The pursuit of profit remains the single objective of the capitalist in the shipping industry. The compulsion to reinvest profits in order to improve efficiency and hence raise profits is always present. An inefficient capitalist in shipping is subject to the same fate as an inefficient capitalist in other industries.

In this section I apply the general law of capital accumulation to shipping specifically, to explain how only the efficient shipping lines survive. After the general mechanisms of the theory have been explained I then analyse the Conference system as a concrete example of such an efficient shipping system.

Chrzanowski notes a number of factors which contribute to shipping having a high rate of accumulation. Firstly, he says:

> The shipping industry is one of the most capital intensive fields of economic activity...the general tendency is for the capital intensity of shipping to increase. 6

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6 Ibid, p.31.

Simply because high inputs of capital are necessary there is a greater need for accumulation of capital to proceed rapidly in the shipping industry. The cost of modern liners today is immense and capitalists must be able to inject such levels of capital in order to maintain their fleets.[7] Capitalists can finance such investments in a number of ways. These are: 1) depreciation and savings from untaxed revenues; 2) receipts from second-hand ship sales; 3) self-insurance of the total losses of ships; 4) the issue of shares; and, 5) loans from shipyards, banks, brokers and agents, commercial and mortgage banks etc.[8]

Obviously no single one of these forms of financing shipping would really be adequate. Depreciation and savings from untaxed revenues, receipts from second-hand ship sales, self-insurance of the total losses of ships and the issue of shares are all unlikely to produce the level of capital required for financing the building of a new ship. Borrowing that amount of capital would be difficult and probably not in the capitalist's interests.

Therefore Chrzanowski suggests:

> Concentration and centralisation of capital represent an alternative to borrowing. The amalgamation of capital permits higher than average profits, thus creating sufficient surplus to finance a

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7 For example, the <u>New Zealand Pacific</u> (a container vessel) was to be built for the New Zealand Shipping Corporation in the original contract for less than $50 million and the final delivered price exceeded $100 million.

8 Chrzanowski, p.30.

> considerable part of investments from its own resources.[9]

The other forms of finance are not ignored, but through the processes of concentration and centralisaton a shipping company can do much of its own financing. It then becomes easier to obtain the other finance necessary through any of the five forms of financing mentioned. These forms therefore complement the achievements of concentration and centralisation. In this system those efficient capitalists are able to build new ships, improve efficiency, and absorb more and more of the weaker capitalists. Only the larger shipping companies possess an adequate financial basis for the rapid expansion of their fleets.[10]

Secondly, despite the monopolistic nature of liner shipping, i.e., the existence of conferences, competition still remains as a real threat. Whether it be potential or actual competition from independent lines or tramp ships[11] this gives impetus to the need to centralise capital. Competition not only exists within the shipping industry, but also between this industry and other modes of transport, such as air transport. The need to survive in the face of this type of competition is reflected in the concentration and centralisation of capital which occurs in shipping.

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[9] Ibid, p.31.

[10] Ibid, p.35.

[11] A liner service is a scheduled service on fixed routes. Tramp shipping is general purpose shipping and tramp ships usually carry bulky, homogenous primary products of low unit value. The tramps carry cargoes whenever they are available to and from whatever ports demand and supply them. They operate under charter parties that are largely standardised.

The technical innovations which are necessary for capitalists to maintain shipping at an efficient level require more and more capital. Such investment of capital is mandatory if shipping companies are to remain competitive. The centralisation of capital ensures the availability of capital at the levels required. A recent example of such centralisation was the formation of Overseas Containers Limited. This company was formed by Holt and Company, Peninsular and Orient, Furness Withy and British and Commercial in response to the high capital investments required for container shipping.

This introduces another factor which is responsible for the concentration and centralisation of capital in shipping. There exists a tendency toward spreading the risks of business over the largest possible number of participant companies. Thus it is observed:

> While risk spreading is not a new problem in the shipping industry, it is becoming even more important as capital intensity increases; containerisation is an area in which joint shipping ventures predominate, clearly illustrating this connection.[12]

Thus the example of Holt and Company, Peninsular and Orient, Furness Withy and British and Commercial jointly forming Overseas Containers Limited can also be seen as a desire by these companies to spread the risks of such an investment. If such a venture fails the loss to the four companies may not be as great as if the companies had invested in containerisation independently.

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[12] Chrzanowski, p.40.

In conclusion, concentration and centralisation of capital occurs in the shipping industry so that efficient shipping lines can remain competitive. In liner shipping the need to centralise capital has resulted in the development of the Conference system. This system has developed as one which shipowners find most efficient in facilitating capital accumulation in the industry.

4. The Development of the Conference System

The first shipping conference in the world was formed on the Calcutta trade route in 1875. Bennathan and Walters comment:

> Shipping Conferences came into prominence in the last quarter of the nineteenth century, partly in reaction to falling shipping freight rates and depressed business.13

Shipping conferences developed then as a reaction to low profitability. By coming together to agree on freight rates and sailing schedules individual shipping lines could ensure a set return on their investment. This was something they could never be sure of when operating independently.

Bernhard Abrahamsson argues that the very nature of the liner service--that is, scheduled service on fixed routes--means that there is a greater tendency for shipping lines to enter shipping conferences.[14] As he says:

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13 E. Bennathan and A.A. Walter, "Shipping Conferences: An Economic Analysis" Journal of Maritime Law and Commerce (Volume 4, October, 1972), p.93.

14 B.J. Abrahamsson, International Ocean Shipping - Current Concepts and Principles (Boulder, Colorado: Westview Press, Inc., 1980) p.119.

> There are relatively few sellers of a service that is homogenous or only slightly differentiated, and there is substantial lack of information for both sellers and buyers. Collusion is a common occurrence in such markets, and, in shipping, would be manifested in such practices as administrative pricing, market sharing and outright cartels.[15]

Initially in world trade those who exported or imported goods did so in vessels they owned. However as industrialisation progressed in the Western world and trade grew accordingly this situation changed. Transportation of goods by sea became separated from the ownership of the goods traded and shipped. Abrahamsson refers to this as vertical disintegration as shipping became a separate service industry.[16]

As the volume of world trade grew in the nineteenth century so there was a corresponding growth in the volume of liner services. On high volume routes there was intense competition as many shipping lines sought to gain a share of the trade available. As a result of this intense competition freight rates were often forced down well below average costs as liner companies accepted goods at a very low rate rather than let them go to a competitor. Abrahamsson explains:

> A price war between liners themselves or between liners and tramps can drive rates down to very low levels and lead to the elimination of financially weak carriers. This is what happened, and the result was the first

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15 Ibid, p.120.

16 Ibid, p.120.

> conference and a continuing tendency in the liner market toward concentration and agreements to restrict unbridled competition.[17]

In New Zealand the first true conference could said to have been established in 1915 with the formation of the New Zealand Overseas Shipowners' Committee. However prior to this in 1873 an informal agreement had been reached between Shaw Savill, the Albion Line and the New Zealand Shipping Company about uniform freight rates. This agreement had resulted from a short period of intense competition during which all three lines, particularly the New Zealand Shipping Company, had made substantial losses.[18] During the last quarter of the nineteenth century and the early part of the twentieth century competition became even more intense as further shipping lines entered the trade.[19] With further concentrations of capital occurring in the industry a number of these lines did not survive. Thus by 1918 there were four shipping lines servicing the trade and these were embodied within the Conference Agreement.

The development of the Conference system in New Zealand was therefore similar to the development of

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[17] Ibid, p.121.

[18] S.S. Carlaw, Pressure Politics: The New Zealand Seamen's Union Campaign for a National Shipping Line, 1964-68 (Unpublished Thesis, University of Canterbury, Christchurch, 1971) p.18.

[19] See Chronology in Chapter 2 for reference to the entry of those other shipping lines.

conferences in other parts of the world. Intense competition, which was encouraged by the growth of trade between Britain and New Zealand due to refrigeration, led to centralisation of capital within the shipping industry and ultimately the formation of the shipping conference.

5. The Conference System in New Zealand

The shipping conference may be observed as a specific form of centralised capital. The combined capital of a number of shipping lines is amalgamated to create a cartel to operate on a specific trade route. Yet at the same time the individual member lines retain their autonomy. Thus:

> it is important to remember that shipping conferences are not combines linked by shareholdings or any other form of common ownership.[20]

Although not linked by shareholding the main conferences servicing New Zealand trade routes have developed into highly organised, tightly controlled and exclusive systems.[21] Since liner shipping has concentrated into a relatively few large companies in New Zealand this has facilitated the organisational development of conferences. Hence the New Zealand Europe Shipping Association and the New Zealand/United Kingdom Conference have their New Zealand headquarters in Wellington with Mr Alan Bott as Chairman.

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20 D. Marx Jr. International Shipping Cartels (Princeton, New Jersey: Princeton University Press, 1953) p.250

21 See Appendix 1 for an outline of the conferences and consortia servicing New Zealand trade routes.

This conference is therefore able to negotiate effectively and efficiently with shippers while maintaining a tight control over its own operations.

The conferences utilise a number of methods by which they strive to maintain control of the market. There are two major ways in which they attempt to ensure the loyalty of shippers. Firstly, the Conference system uses:

> the deferred rebate system whereby some percentage of the freight payments is rebated at the end of the financial year if exclusive use is made of the Conference services.22

This simply means that if a shipper has only used the Conference during the course of the financial year he will have a set percentage of the freight rates he paid during the year rebated to him. This encourages shippers to continue to use the conference throughout the year. If a shipper uses an independent or tramp line during the year the rebate will not be forthcoming.

The second method used to ensure the loyalty of shippers "is the dual rate of contract system, used in New Zealand except for the carriage of wool, where an agreement between the shipper and the conference is entered into to despatch all the cargo by the conference in the contract period."[23] This is the method mainly employed in New Zealand, negotiations, as was said earlier, taking place between the producer boards and the conferences. If shippers break the contract they are liable to pay more for the carriage of goods they transport with the conferences.

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22 Carlaw, p.26.

23 Ibid, p.26.

In terms of cost and efficient transport of commodities, therefore, many shippers are inclined to deal exclusively with shipping conferences.

Thirdly, another factor which would maintain the loyalty of shippers is that generally the rate of freight is held firm for twelve months.[24] This enables traders to make forward sales without worrying about increases in the cost of transport within the twelve month period. It also supplies traders with the knowledge that generally their competitors are subject to the same conditions as they are. Such assurances are not possible in an open competition liner service where independent shipping lines compete for cargoes.

All these methods by which the conferences are able to maintain some measure of loyalty from shippers are ultimately dependent on the size and scope of the conferences. It is in this sense that conferences may be referred to as monopolistic. As large cartels the conferences are able to offer such inducements to shippers simply because the scope of their operations are large enough to make it profitable.

Table 1 indicates precisely how much capital the New Zealand Europe Shipping Association has invested in the New Zealand trade. Being able to call upon capital of this proportion means that the Shipping Association is able to provide a modern, reliable and efficient service.

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24 A. Bott, Paper presented to the Exports and Shipping Council Forum (Wellington, June 26 and 27, 1980), p.4.

TABLE 1

CONFERENCE LINES INVESTMENT IN THE NEW ZEALAND/EUROPE TRADE (REPLACEMENT BASIS IN 1980) [25]

	$ NZ (Millions)
Container and Roll on --Roll off ships	960
Containers	150
Additional Work at Tilbury	35
Other refrigeration equipment including NZ	30
Conventional Ships	50
	1225

The large proportion of the capital is invested in container shipping, a system of shipping which is generally more efficient and offers the cargo greater care. Because of this investment the New Zealand Europe Shipping Association is are able to service the New Zealand trade with 21 container vessels, 3 roll on--roll off vessels, 3 semi-container vessels and a number of conventional vessels.[26] Such a comprehensive coverage of the European trade makes it extremely difficult for any independent line to compete effectively in this trade. The shipping line would have to be able to match the conference lines' investment of 1225 million dollars if it wished to pose a major threat to the conference lines. Hence the main point which emerges from study of the New Zealand Europe Shipping Association is that while it is comprised of individual shipping lines, any independent line has to challenge it as a whole and not challenge its individual members.

Table 2 illustrates the comprehensive service which the conference provides compared with the independent lines which attempt to compete in the trade.

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[25] Ibid, p.4.

[26] See Appendix 2 for fuller details.

TABLE 2

SCHEDULED SHIPPING SERVICE BETWEEN NEW ZEALAND AND EUROPE

Operator	Ports	Served	Service
ABC Containerline	Auckland	Hamburg (serving Bremen and other centres) Livorno Zeebrugge (serving Antwerp Rotterdam)	3-weekly service for general/ refrig. containers and bulk parcel space. Cargo from other main NZ ports centralised to Auckland at ships expense.
Lauritzen Peninsular Reefers Ltd	Most NZ Ports*	Alexandria* Algiers* Barcelona* Benghazi* Genoa* Lattakia* Piraeus Tripoli Valencia	4-6 weekly conventional service for refrig. cargo-on inducement.
NZ Europe Shipping Association/ Overseas Shipowners' Committee	Auckland Bluff Gisborne Lyttelton Napier Nelson New Plymouth Opua Picton Port Chalmers Tauranga Timaru Wellington Whangarei	Alexandria* Antwerp Bordeaux Bremen Bremerhaven Copenhagen Dunkirk Flushing Fos Genoa Gothenburg Gdynia Hamburg Helsinki Istanbul Le Havre Le Verdon Leningrad Limassol Lisbon Malta Oslo	Frequent (weekly) container and conventional service for refrig/general cargo. Transhipment or through delivery for general cargo to most European/ Mediterranean areas, including North Africa and Black Sea. Facilities for transhipment

(continued over)

Table 2 continued

Operator	Ports	Served	Service
		Piraeus Port Said* Barcelona Rijeka Rotterdam Split Stockholme Zeebrugge	refrig. cargo to certain destinations.
Polish Ocean Lines	Auckland Lyttelton Tauranga Wellington	Antwerp Gdynia Hamburg Rotterdam	Monthly service for all types of cargo
Trans Capricorn Container Line	Auckland Lyttelton Wellington	Antwerp+ Bilbao+ Bremen+ Copenhagen+ Fos+ Gothenburg+ Hamburg+ Le Havre+ Lisbon+ Oslo+ Rotterdam+ Venice+	2 weekly 2-leg container transhipment service. (Space charter arrangements with scheduled carriers)

+ By transhipment
* On inducement [27]

The conference service is clearly much superior to the services offered by any of the independents. The same type of service is offered on the New Zealand--Britain route with the conference servicing all the major ports in

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27 Department of Trade and Industry, Paper presented to Exports and Shipping Council Forum, p.7.

New Zealand and Britain.[28] In contrast ABC Containerline N.V. is able to call only at Auckland in New Zealand and Southampton in Britain. It provides a three weekly service compared with the one weekly service offered by the conference.[29]

The service between New Zealand and North America is not so clearcut as the arrangement on this route is not as formal as the arrangement governing the trade between New Zealand and Europe. This is probably the case because the United States government has implemented strict laws in an effort to curtail the activities of shipping conferences. Such concern is reflected in the United States Justice Department's investigation into the activities of the conference lines between New Zealand and the United States. According to The Press seven shipping companies make up the conference and they carry 98 per cent of New Zealand cargo to the United States.[30] The United States Justice Department investigated this conference because it was asserted that at least one competitive American line was excluded from joining.[31] However, despite the investigation the conference still operates.

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28 The conference between Britain and New Zealand calls at 14 New Zealand ports and at 5 British ports.

29 Department of Trade and Industry paper, p.5.

30 The Press (August 9, 1980), p.6.

31 Ibid, p.6.

In summary it appears conclusively that the shipping conferences, due to greater capital investment, are able to provide much more comprehensive and efficient services than the independents. This makes it very difficult for these independent lines to remain profitable.

Also considering the scope of the conferences' operations it is interesting to note one comment of Mr Rosenfeld, Managing Director of ABC Containerline N.V. of Belgium. He said:

> ABC will call at two New Zealand ports...ABC will deliver to more areas in the United States, United Kingdom, Continent and the Mediterranean than any single member of the conference.32

It may be true that ABC has the resources whereby it can deliver to more areas than any single member of the conference. However it does not possess the resources whereby it can deliver to more areas than the conference as a whole. ABC is not competing with the individual members, it is competing with the conference.

6. Conclusion

The Conference system represents a form of centralised capital in the New Zealand shipping industry in that although not strictly a monopoly, it does possess near monopoly powers. In this way it provides a more efficient and reliable service than any of the other lines in the trade. Hence it is able to maintain a large share of the trade

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32 T.V. Rosenfeld, Paper presented to Exports and Shipping Council Forum, p.9.

available.

The individual member lines are therefore able to accumulate capital readily due to the control the conference exerts over the trade routes. Further investments are then made by these lines which lead to further improvements in service.

This chapter has sought to argue that within the liner shipping industry the shipping conferences have emerged as the most efficient means of transport. Chapter four examines the Conference system's efficiency with regard to the needs of shippers and then attempts to explain that the present conflict about the shipping conferences in New Zealand is only a reflection of a deeper crisis in New Zealand capitalism.

CHAPTER IV

SHIPPING AND CAPITAL ACCUMULATION IN OTHER INDUSTRIES

Chapter III examined accumulation in the New Zealand shipping industry and attempted to analyse the shipping conferences as forms of centralised capital which facilitated the accumulation of capital for member lines. Hence it was illustrated that due to this centralisation of capital, technology and expertise the conferences are able to provide more comprehensive and efficient services. We now examine the effect of this on capital accumulation in other industries. We therefore attempt to isolate which groups in other industries benefit most from the conference arrangements and which do not.

In the present capitalist crisis the divisions which appear between these groups may be explained in light of the crisis. However, it may also be argued that the Conference system does actually benefit some groups to the disadvantage of others. This assertion is examined so that we can accurately judge the present conflict as merely a form of a general capitalist crisis.

The chapter studies three main themes. Firstly we examine the process of exchange and discuss the assertion that the Conference lines practise monopoly pricing. Then we discuss the effects which the Conference system may have on New Zealand export industries. Thirdly, we attempt to show how the present conflict is a typical form of the crisis in New Zealand. Analysis of these three themes also involves an examination of the role of the state.

1. Capital Accumulation in Transport: The Effects

In this section we are concerned with the effect investment in the transport industry has on profitability in other industries. Transport is a unique industry for according to Marx:

> The transportation industry forms on the one hand an independent branch of production and thus a special sphere of investment of productive capital. On the other hand, it is distinguished from other spheres of production by the fact that it represents a continuation of a process of production within the process of circulation and for its benefit.[1]

In chapter III we examined the investment of productive capital in transport. Now we are interested in transport's role within the process of circulation as it affects other industries. Whereas the process of production is concerned solely with the production of a given commodity, the process of circulation is concerned with the transformation of that commodity into money-capital so that it can be reinvested to produce more commodities. Transport's role is to facilitate the process of circulation.

In other words the quicker a commodity can be transported from the point of production to the market-place and then sold, the quicker the profit of that sale can be reinvested into the production of further commodities. By facilitating the circulation process in this sense

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[1] K. Marx, Capital Volume II ed. F. Engels (Chicago: Charles H. Kerr and Co., 1907), p.172.

transport helps facilitate capital accumulation in all industries.

Transport costs therefore appear as necessary costs for all capitalists if they are to appropriate profits by selling their commodities. Hence transport costs emerge as part of the productive expenses, i.e. as part of the value of the final product. Since all capitalists must buy it, all therefore have an interest in cheap, efficient transport. High transport costs emerge as an impediment to the profitability of all other industries.

Capital accumulation in the transport industry therefore is of particular interest to all capitalists. Improvements in the efficiency of transport due to re-investment of profits implies better and faster service for capitalists in other industries. However, with these improvements there also develops centralisation of capital in the transport industry. This trend toward monopoly in the transport industry may have serious implications for other industries in that monopoly or above-average prices may be charged for the service.

We now move to the New Zealand shipping industry and examine the Conference system and its implications for all other industries. The Conference system may be analysed as a form of centralised capital and we wish to discuss its importance for New Zealand export industries. We study the two aspects which have emerged from the discussion so far. Firstly, how effectively does the Conference system fulfill the requirements of New Zealand traders, and secondly does it charge monopoly prices.

Within the context of a capitalist crisis both questions are very important to New Zealand traders. By drawing some conclusions on these two factors we may gain some insight into the effect crisis has on capitalist relations.

2. The Conference System: Implications for Other Industries

The Conference system operates as an exclusive arrangement between the shipping conferences and major New Zealand traders, particularly of the agricultural sector who are represented by the Producer Boards. Generally speaking freight rate negotiations take place between the Producer Boards and the Conference Lines exclusively, although according to Mr Alan Bott:

> There is continuous intercourse between the Lines and the individual traders in all commodities shipped to and from New Zealand, to ensure that the service being provided is efficient and equal to what the customer requires.[2]

Due to the Conferences' organisational efficiency traders are able to voice their requirements regarding the speed and care with which commodities are transported. However, despite this, these individual traders have little influence on the level at which freight rates are set. The negotiations between the Conference Lines and the Producer Boards take place on the basis of a rigorous accounting enquiry into the Lines' revenue and costs and a report is prepared by independent Charted Accountants appointed by the Boards.[3]

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[2] A. Bott, Chairman of the New Zealand Europe Shipping Association and the New Zealand/United Kingdom Conference. Paper presented to Exports and Shipping Council Forum (Wellington, June 26 and 27, 1980), p.8.

[3] *Ibid.*, p.8.

In spite of this method Dr. Peter Chudleigh argues that there is no satisfactory check on the Lines' technology, costs or management.[4] The National Business Review asserts:

> The Producer Boards' bargaining hand has never been strong at the twice yearly negotiations with the mainly overseas-owned lines.5

The argument put forward here is that the shipping conferences charge monopoly rates. Dr. Peter Chudleigh further argues that visible competition helps to hold Conference freight rates down.[6] This seems a viable argument and clearly is correct to some extent. The National Business Review goes one step further and argues that the decision by the Wool Board in late 1980 to give notice to terminate the agreement with the European Conference was merely a ploy. By creating the possibility that the freight-rate-cutting ABC Line might be allowed to compete was, the NBR suggests, a useful lever which could be used to hold Conference freight rates down.[7] Once again there is some truth in this argument, but that does not prove the Conferences are charging monopoly freight rates.

In contrast it reflects the effect which the capitalist crisis is having on the shipping industry.

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[4] Dr. Peter Chudleigh, "The Costs of Overseas Shipping, Who Pays?". Discussion Paper No. 49, Agricultural Economics Research Unit, Lincoln College, p.2.

[5] National Business Review Outlook (May, 1979), p.33.

[6] Chudleigh p.2.

[7] National Business Review Outlook (September 22, 1980).

A present over-supply of tonnage in world shipping has meant that the shipping Conferences are being faced with intense competition. The obvious reaction to this competition is to keep freight rates low, a situation which is to the advantage of the shipper.

If we look at the freight rate increases for the carriage of wool from New Zealand to Europe we can see that there has been a steady levelling off in freight rate increases for the years 1978/79 to 1981/82. This is likely to reflect the reaction of the Conference lines to the competition of the independents.

Table 3: Negotiated Freight Rate Increases for the Carriage of Wool to Europe 1970/71 - 1981/82.

Season	Negotiated Change in Base Rates	Season	Negotiated Change in Base Rates
	per cent		per cent
1970/71	+ 3.5	1976/77	+ 13.5
1971/72	+ 12.5	1977/78	+ 12.5
1972/73	- 5.0	1978/79	+ 6.0
1973/34	+ 5.3	1979/80	+ 1.5
1974/75	+ 5.0	1980/81	+ 3.0
1975/76	+ 40.0	1981/82	+ 5.0

While the levelling off in freight rate increases may be attributed to the competition from independent lines, the sharp increases of 1975/76 to 1977/78 may be attributed to another aspect of the crisis, i.e. inflation. In particular this can be seen as a reaction to the massive increases in the price of fuel during the 1970s.

In light of the effect the crisis has on the shipping industry it is relevant to note Mr. Sinclair's comment on freight rate increases.

> In view of the level of inflation experienced over recent years it would be difficult to conclude that the wool industry had been subject to 'monopolistic' rate increases over recent years.9

In other words it is impossible to prove that monopolistic freight rates have been charged. And, if excessive rates have been charged this is more likely to have been a result of the difficulties which the Conferences have been faced with, rather than a result of their monopoly powers.

On the question of freight rates Mr.Alan Bott says:

> The important things are that rates should be pitched at a level low enough for the shipper and importer to do business and high enough, in aggregate, for shipowners to continue to invest in ships.10

The shipowner is dependent on the shipper for his business, thus the cost to the shipper must be kept low enough so that he will continue to transport commodities with the shipowner. If the price of transport is too high the shipper may be forced either to deal with another firm, if it is available, or cease exporting and develop his domestic market. However, the rate must also be high enough to warrant continued reinvestment by the shipping line. If such reinvestment is not made the shipping service deteriorates. This situation would not facilitate

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9 Ibid.

10.Bott., p.8.

capital accumulation for either the shipowner or the shipper.

We now look specifically at the advantages and disadvantages of the Conference system for capitalists in other industries. Essentially these two sections isolate the different effects, some of which are contradictory, that the Conference system has on all other industries.

3. Advantages of the Conference System for Other Industries

The New Zealand Meat Exporters Council (Inc.) observed that the Conference system offered three advantages to the New Zealand meat export industry. These are:

1) A guarantee of a shipping service to specific markets, including small volume markets;

2) It avoids reliance on the availability of charter ships, or an on-demand type service; and

3) It contains provision for rapid adjustment to programmes relative to market conditions. e.g. The recent delaying of the "New Zealand Waitangi" and the "Australian Venturer". On this occasion, following consultation with the exporters, the New Zealand Meat Producers Board instructed the Conference lines to slow down or tie up the two ships mentioned, because market conditions required that action.[11]

Essentially therefore the advantage to exporters of the Conference system is that it meets New Zealand exporters' complex requirements for their marketing strategy. Mr. McIlraith, Deputy Chairman of the New Zealand Wool Board, reiterates this point by saying:

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11 The New Zealand Meat Exporters Council (Inc.). Paper presented to Forum.

> While the exporter may wish to minimise his direct freighting bill, at the same time he must ensure that the resultant service - in terms of transit times, frequency of shipping opportunity, reliability, and handling and shipping methods employed - satisfies his essential marketing requirements.[12]

Thus the needs of New Zealand exporters, particularly of those who export primary products, are quite specific. Hence the shipping service they utilise must be a specialised service offering frequent but flexible sailings which can be utilised to achieve optimal market returns on the sale of primary produce abroad.

For example, Mr. A. Begg, Chairman of the Meat Producers Board, argues that in regard to the North American market meat must be shipped there at the correct times. As the price may vary on that market, it is important that meat is shipped there only when the price is high, not when it is low. Mr. A. Begg says:

> If you are looking at a $500 million trade and if you have a ten per cent disadvantage in price - remember our main competitor is Australia - you could be looking at losses of more than ten per cent, perhaps twenty per cent.[13]

Because the Conferences operating to North America, Britain and Europe do so on a weekly schedule there exists a flexibility within the system which allows exporters to ship their products at exactly the time when they will receive a high price in overseas markets. If reliant on a service provided by one of the independents this flexibility is lost, for these lines operate on a three or four weekly

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[12] J.D. McIlraith, Deputy Chairman, New Zealand Wool Board. Paper presented to Forum, p.3.

[13] The Christchurch Star (November 22, 1980), p.12.

schedule. With such a long time lapsing between sailings the exporter is unlikely to be able to take full advantage of market conditions abroad.

As was illustrated in Table 1 in the previous chapter, the Conferences are also able to call at more New Zealand and overseas ports than any of the independent lines. This too makes for easier marketing on the part of exporters. There are less difficulties as products can be shipped direct rather than having to be transhipped.

Hence, essential to the marketing requirements of New Zealand exports is the imperative that products reach their markets when shippers want them to. According to the Managing Director of Columbus Maritime Services Limited, Captain R.A. Snushall:

> The present shipping arrangements made by the producer boards provide this assurance and surely no other system would be feasible in a country that either prospers or plummets on its ability to land exports in a condition that guarantees continuing acceptance on international markets.[14]

As well as providing a service which ensures the products reaching the markets at the correct times, it is also important that the service handles the products with efficiency and care. Such cargoes as dairy and meat products must be transported at the correct temperatures otherwise these goods could not be sold in overseas markets as they would be damaged by incorrect temperature control. Specialised shipping is therefore required to service these

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14 R.A. Snushall, Managing Director, Columbus Maritime Services Limited. Paper presented to Forum, p.2.

products adequately. The Conference lines servicing the European and British trade provide a combined total of 12,031 refrigerated twenty-foot equivalent units (TEUs).[15] This ensures that refrigerated space is always available for those products which require it.

The Conference lines have also effectively developed their container shipping facilities.[16] There are doubts about the cost efficiency of containerisation in that some people allege containerisation has introduced a higher cost structure into New Zealand shipping. This is undoubtedly true in one sense, but at the same time because container ships are larger and faster than conventional ones there are now about thirty crews serving New Zealand at any one time as against more than one hundred in fully conventional days. Also, it costs NZ$600 to load and discharge ten tons of meat by container and NZ$800 by a conventional ship, which equals about a thirty per cent premium.[17]

The advent of containerisation has also meant less handling of products, thus less damage is caused. The products are therefore receiving high class service which ensures they arrive at the market in a good condition and at the right time in terms of maximising market returns.

4. Disadvantages of the Conference System for Other Industries

A major disadvantage exists for exporters in the manufacturing sector who do not necessarily require the same type of service which exporters of primary products require. Manufactured goods do not require the same high

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15 Bott, p.2.

16 See Appendix 2 for details of their fleet.

17 Bott, p.6

cost care which is given to primary products, but despite this the exporters in the manufacturing sector still pay for this care.

K. Trace argues:

> Under the Conference system regular services are guaranteed. However, the shipper who requires frequency and speed-- and is in a position to pay for it --is only one type of shipper. The others who do not require this sort of high-class service operated by the lines within a Conference and they only pay a premium because they have no alternative.[18]

Thus, in effect, those exporting manufactured goods pay for the service which is provided essentially for primary products. As this service is so specialised these exporters pay more than if they were being serviced by a "no frills" service.

The National Business Review remarks:

> A containerload of milk powder will be carried at about a third of the freight charged for an identical container filled with the same weight of manufactured goods shipped as general cargo... In effect the manufactured cargoes subsidise the low rates charged on the producer board cargoes.[19]

This occurs because freight rates are charged according to weight and bulk. Manufactured cargoes tend to be much bulkier than cargoes of primary produce, therefore the freight rates are higher. Because the manufacturers are unable to play any active part in freight rate negotiations this must also tend to mean freight rates will be higher. However, on the other hand is the fact that manufactured goods might struggle to find vessels scheduled to go to given destinations if it were not for the export

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18 K. Trace, "Underdeveloped Countries: Shipping Problems and Policies", The World Today (Vol. 25, 1969), p.132.

19 National Business Review Outlook (April 28, 1980), p.22.

trade of primary products. Manufacturers would then be forced to charter vessels at probably even higher rates.

Conflict has therefore emerged between and within different sectors of the New Zealand capitalist economy. A number of groups see themselves being disadvantaged by the Conference system, while others such as the Producer Boards recognise the advantages of such a system. This conflict is likely to intensify as long as different capitalists struggle to appropriate profits. Before looking at this conflict as a typical form of the crisis in New Zealand, it is relevant to examine the rôle of the state as it attempts to diffuse this conflict and facilitate capital accumulation in all industries.

5. The Role of the New Zealand State

The New Zealand state has a difficult role to fulfill because of the clash of interests between different sectors of capital. The state's role is to facilitate capital accumulation in general, yet such a role is not without contradictions. For example, by supporting the present status quo in the shipping industry, the state may facilitate capital accumulation for exporters in the agricultural sector. However, exporters in the manufacturing sector and some of those in the agricultural sector may be better served by a different system of shipping. Hence the state faces a dilemma as it has to decide what form of action to adopt in order to fulfill its role of facilitating capital accumulation in general. Yet even as the state decides on one course of action it is faced with the problem that some sectors of capital are going to be antagonised by that action.

As the crisis continues the contradictory position of the state becomes clearer. It may be forced to sacrifice some industries in order to facilitate accumulation in others. Normally, however, the state would attempt to help all industries with the consequence of helping none. The inability of the state to dissipate conflict and bring an end to capitalist crisis is well illustrated by the state's policies with regard to the shipping industry.

In 1973 the Shipping Corporation of New Zealand Act was passed by Parliament thereby establishing the Shipping Corporation of New Zealand Limited. It began intially as an attempt by the state to reduce the dependence on foreign shipping lines, particularly those organised in conferences.[20] The state intervened in this way because there seemed no prospect that private New Zealand capital would invest in this sphere. Hence one of the official reasons for state intervention was:

> The capital intensity and current low financial return from shipping makes it unattractive, if not impossible, for major New Zealand interests to invest in this area and thus the national strategic requirements to obtain some presence in the shipping sector is, of necessity, at this time forced into the public sector.21

The state therefore realised that private capital would be unable or unwilling to invest in this sphere due to the low financial return a new company could expect from such a venture. The responsibility of such an

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20 See the New Zealand Parliamentary Debates (Volume 385, August 1 - September 13, 1973), pp. 3264-3272.

21 Correspondence with J. Driller, Marketing Research Officer, The Shipping Corporation of New Zealand Ltd., Wellington (October 1, 1980).

investment was then placed with the state so that "New Zealand's interests" could be protected. One of the main objectives of the Corporation as set out in the Memorandum of Association is:

> To promote, encourage and improve the interests of the import and export business and industries of New Zealand, the export trade of New Zealand and the development of overseas markets for New Zealand products and to promote, encourage and improve New Zealand trade generally.[22]

The state hoped to facilitate capital accumulation in the import and export industries by operating a national line which could articulate these capitalists' interests in a much more effective way than the Conference lines. However, the Shipping Corporation had to also exist as a viable commercial operation and it was seen as unavoidable that the Shipping Corporation should join the established Conferences in order to maintain and protect the existing services in both pricing and quality control.[23] Hence while establishing the Shipping Corporation to further the interests of New Zealand traders the state decided that this could best be done through joining the conferences.

This act of collaboration on the part of the state goes against the advice of Bennathan and Walters. They suggest that while governments generally do not have much success in controlling shipping conferences, the appropriate policy is not to join them but to change the framework in which they operate.[24] However, such advice is easily given

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[22] Ibid.

[23] Ibid.

[24] E. Bennathan and A.A. Walters, The Economics of Ocean Freight Rates (New York: Frederick A. Praeger, Publishers, 1969) p. 105.

but much less easily put into practice. The Shipping Corporation could not hope to raise the necessary capital to provide a comprehensive service to overseas ports and is faced with the same problems of any independent line wishing to compete with the Conference system. Considering the lack of experience and expertise possessed by the Shipping Corporation in its initial years of development, the collaboration with the Conferences seems not just advisable but mandatory.

In trying to facilitate accumulation in the import and export industries the state pursued a contradictory course by collaborating with the system and hence becoming part of it. In this sense as far as New Zealand traders are concerned, the Shipping Corporation is simply another Conference line. For the moment anyway the Shipping Corporation is unlikely to be able to help the accumulation of capital in these industries except in its role as a Conference member.

The state therefore has seemingly failed to make any great impact on the shipping industry which may be to the advantage of New Zealand import and export businesses. Outside the sphere of the Shipping Corporation the state has also failed to act.

While the state has stated that the present shipping system is under review, to date it has done nothing positive to initiate a change in its structure.[25] Thus the competition which the Conference lines face from the ACE line on the North American route, and from ABC on the European

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[25] See the <u>Christchurch Star</u> (November 22, 1980), p.12. It reports that the government believes the Producer Boards may be too conservative in their attitude toward shipping.

route has presented both the state and capital in New Zealand with the opportunity to reduce the reliance on shipping conferences. However, the state has refrained from using such an opportunity to change the framework of the shipping industry.

In view of the continuing crisis in which more conflict is being generated among capitalists, the state's unenviable and contradictory position becomes obvious. In this light it is understandable that the state becomes increasingly impotent to influence the course of events.

6. Conclusion.

New Zealand traders are clearly dependent on the shipping conferences to transport their commodities to overseas markets so that they can appropriate profits once the commodities are sold. However, the cost of that shipping service represents a drain on capitalists' profits. So that, while essential if capitalists are to make profits, shipping, or rather the cost of shipping, remains an impediment to capital accumulation in other industries. For some capitalists, such as those in the manufacturing sector, the cost seems unduly large. Hence capital accumulation within industries other than shipping is complicated by the fact that some capitalists receive the high class service they require, while others who do not need such service still have to pay for it.

Conflict therefore emerges between different sectors of the capitalist class. This conflict has intensified as a result of the continuing struggle by a number of capitalists to appropriate profits. With the rise of inflation plus recession these capitalists are finding that the costs they must pay are taking larger portions out of their profits. For traders shipping costs emerge as a major source of concern. When the capitalist economy is strong, such costs are incidental as all capitalists accumulate capital readily. However, once profitability falls, shipping costs emerge as a major problem.

Hence as Capital R.A. Snushall, Managing Director of Columbus Maritime Services Limited, says:

> Since the advent of trade, but particularly in the more recent times of rampant inflation and balance of payments difficulties, it has been common for the major shipping companies to be the whipping boy for New Zealand's economic ills.26

Because New Zealand depends quite heavily on trading, transport costs to the overseas markets do appear as major problems in times of difficulty. However, it seems arguable that the Conference lines provide a most efficient and regular service which ensures optimal market returns for traders in the agricultural sector. In order to receive this service the cost is an essential one.

Hence it has been the theme throughout the thesis that the present conflict is a manifestation of a deeper crisis in New Zealand and world capitalism. While at present the Conference system seems weakened and under threat due to both competition from other independent shipping lines and dissatisfaction from many New Zealand shippers, it is unlikely that the system will be replaced. The tendency to centralise capital in this industry is likely to result in conferences gaining in strength rather than losing that strength. Containerisation is obviously having a marked effect on increasing the need for

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26 Snushall, p.1.

centralisation of capital in this industry.

The coflict, therefore, while appearing as a major problem, is unlikely to result in any major changes in the structure of the shipping industry. Such an assessment may be wrong, however, if the crisis continues indefinitely. No doubt while it does continue further conflict will be generated as shipping costs remain identified as a major problem. This conflict therefore emerges as a typical form of the crisis in New Zealand capitalism. When capital accumulation in all industries can begin to proceed unhindered, the conflit is likely to disappear.

CHAPTER V

CONCLUSION

In the thesis I have attempted to explain the conflict surrounding shipping as a manifestation of a more general capitalist crisis affecting New Zealand. Employing Marxian methodology I sought to prove that capital accumulation in shipping is very important to capital accumulation in those industries dependent on shipping. In other words improvements in the shipping industry which implied more efficient transport of goods at a relatively cheaper cost, meant that capitalists in other industries could continue to export and import goods profitably simply because the cost would not be too high.. However, the argument concluded that when these capitalists find profits difficult to make, as is the situation today shipping costs become the focal point of their problems. Essentially this is not the problem, but rather a reflection of it.

The Marxist theory was able to be utilised quite competently in the analysis of the New Zealand shipping industry. Shipping conferences, the major focus of investigation, were explained in terms of the general law of capital accumulation. These conferences could therefore be analysed as specific forms of centralised capital in the shipping industry. And, we can see quite clearly that as shipping becomes an even more capital intensive industry, due to the development of containerisation, further centralisation of capital is likely.

Marxist theory is perhaps a bit weaker on the discussion of transport's role in capitalist society. Marx devotes only three pages specifically to a discussion of transport, although it is mentioned in passing elsewhere. As far as I am aware no Marxist scholar has advanced this particular study much further. Transport's role of facilitating the process of circulation and hence facilitating capital accumulation in other industries just seems to be taken for granted as fact by many Marxist scholars. Yet the contradiction which has clearly emerged from this study is that capitalists in the shipping industry are seeking to maximise profits by forming cartels, which may mean other capitalists are forced to pay higher than average prices for this service. Hence it is debatable whether the shipping industry is facilitating capital accumulation for all industries. A much more specifically economic analysis of this point is needed.

Finally, while illustrating that there are good reasons to indicate that the conflict is a manifestation of a deeper crisis, Marxist theory seems to brush over the significance of such conflict. Marxism rests on class analysis, i.e. the division between the working class and the capitalist class, but despite this it is significant to note different groups within these classes. What has also become obvious from the study is that there is great difficulty in placing different groups into their respective classes. For example, the farmers are one interest group which at one and the same time may be capitalists and farmers. So that while being able to accept that all capitalists exist to appropriate greater and greater profits, some of these groups do also have conscious objectives. These may be secondary to the underlying forces of capitalist development, but this does not mean they should be ignored.

Marxian methodology, therefore, does possess much relevance for a study of this kind. However just as non-Marxist theory is not helpful in explaining some of the underlying forces operating in a capitalist system, Marxism is perhaps not so helpful in explaining concrete phenomena in light of empirical variables which may have some influence on that phenomena as well. Further development of Marxian theory to deal with specific problems such as this can only lead to greater understanding of the New Zealand shipping industry and its place in the New Zealand and world capitalist system.

APPENDIX 1

CONFERENCE MEMBER LINES

NEW ZEALAND EUROPEAN SHIPPING ASSOCIATION

Associated Container Transportation (Australia)Ltd.
Blue Star Line Ltd.
Port Line Ltd
Baltid Shipping Co.
Compagnie Generale Maritime
East Asiatic Co. Ltd
Hamburg South America Line
Hapag-Lloyd AG
Jadranska Alobodna Plovidba
Lloyd Triestino di Navigzione S.p.A.
Nedlloyd Lijnen B.V.
Overseas Containers Ltd.
The Peninsular and Oriental Steam Navigation Company
Scan Carriers A/S
Shaw Savill and Albion Co. Ltd
The Shipping Corporation of New Zealand Ltd
    New Zealand Line Ltd
Transatlantic SS Co. Ltd
Wilh Wilhelmsen

OVERSEAS SHIPOWNERS' COMMITTEE

Associated Container Transportation (Australia)ltd
Blue Star Line Ltd
Port Line Ltd
Overseas Containers Ltd
The Peninsular and Oriental Steam Navigation Company
Shaw Savill and Albion Co. Ltd
The Shipping Corporation of New Zealand Ltd
    New Zealand Line Ltd

NEW ZEALAND EASTERN SHIPPING COMMITTEE

The China Navigation Co Ltd
Crusader Shipping Co Ltd
Japan Line Ltd
Mitsui O.S.K. Lines Ltd
Nedlloyd Lines
The Shipping Corporation of New Zealand Ltd

CONSORTIA MEMBERS LINES
ANZECS

Overseas Containers Ltd (O.C.L.)
Compagnie Generale Maritime
Hapag Lloyd AG
Lloyd Triestino di Navigazione S.p.A.
Nedlloyd Lijnen B.U.
The Shipping Corporation of New Zealand Ltd

NEW ZEALAND - JAPAN CONTAINER SERVICE

Crusader Swire Container Service Ltd.
Japan Line Ltd.
Mitsui O.S.K Lines Ltd
The Shipping Corporation of New Zealand Ltd.

NEW ZEALAND UNIT EXPRESS

The China Navigation Co. Ltd
Mitsui O.S.K. Lines Ltd
Nedlloyd Lines

SCANCARRIERS A/S

East Asiatic Co. Ltd
Transatlantic S.S. Co Ltd
Wilh Wilhelmsen

Source: Department of Trade and Industry. Paper presented to the Exports and Shipping Council Forum (Wellington, June 26 and 27, 1980), pp. 36 and 37.

An informal type of Conference Agreement does exist in the trade between New Zealand and North America

APPENDIX II

THE CONFERENCE FLEET CURRENTLY EMPLOYED IN THE NEW ZEALAND TRADE

Vessel	Capacity Refrigerated	TEUs General	Speed	Year Built
ACTA/ANL (Container Vessels)				
ACT 1	454	950	20.5K	1969
ACT 2	454	950	20.5K	1969
ACT 6	586	740	21.5K	1972
ACT 7	933	1069	21.5K	1977
AUSTRALIAN ENDEAVOUR	453	951	20.5K	1969
AUSTRALIAN VENTURE	933	1069	21.5K	1977
ANZECS Group (Container Vessels)				
Compagnie Generale Maritime				
KANGOUROU	302	1270	21.5K	1971
Hapag Lloyd A.G.				
MELBOURNE EXPRESS	92	1530	21.5K	1970
SYDNEY EXPRESS	100	1585	21.5K	1970
Lloyd Triestino Di Navigazione S.P.A.				
LLOYDIANA	100	1578	21.5K	1973
Nedlloyd Lijnen B.V.				
NEDLLOYD HOUTMAN	352	2102	21.5K	1977
NEDLLOYD TASMAN	100	1577	21.5K	1971
Overseas Containers Ltd				
BOTANY BAY	304	1268	21.5K	1969
ENCOUNTER BAY	304	1268	21.5K	1969
FLINDERS BAY	304	1268	21.5K	1969
JERVIS BAY	304	1268	21.5K	1970
MAIRANGI BAY	1223	730	21.5K	1978
REMUERA BAY	1151	662	21.5K	1973
RESOLUTION BAY	1223	730	21.5K	1977
Shipping Corporation of NZ Ltd				
NEW ZEALAND PACIFIC	1223	730	21.5K	1978
HSDG (Container Vessel)				
COLUMBUS LOUISIANA	496	500	19.0K	1979
Scancarriers (Ro/Ro Vessels)				
LALANDIA	140	1280	21.0K	1973
BOOGABILLA	250	1461	21.0K	1978
TOURCOING	250	1461	21.0K	1978
J.S.P. (Semi-Container Vessels)				
HEROJ PAIC	-	320	18.0K	1977
JEROJ SENJANOVIC	-	320	18.0K	1978
HEROJ KOSTA STAMENKOVIC	-	320	18.0K	1978

The Baltic Shipping Company operate some nine conventional vessels in the trade, capable of carrying some containers on deck. In the future these will be replaced by ro-ro vessels.

ABBREVIATIONS:

The container capacity of a ship is given in twenty-foot equivalent units (TEU). Hence a forty-foot box equals two TEU.

ACTA	=	Associated Container Transportation (Australia) Ltd.
ANC	=	Australian National Line
H.S.D.G.	=	Hamburg Sued
JSP	=	Jadranska Slobodna Plovidba

Source:

A. Bott, Chairman of the New Zealand Europe Shipping Association and the New Zealand/United Kingdom Conference, Paper presented to Exports and Shipping Council Forum (Wellington, June 26 and 27, 1980), p.2.

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