

**Studies in Shipping Subsidies and International
Shipping Rivalries: Case Studies from the North
Atlantic and the Far East**

**A thesis submitted to the University of Manchester for the degree of
Doctor of Philosophy in the Faculty of Arts**

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List of Abbreviations used in the texts and footnotes

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The Canadian Pacific Railway cited as CPR

Joseph Chamberlain Papers cited as JC

H. O. Arnold-Forster Papers cited as AF

The Canadian Historical Review cited as *CHR*

The Cunard Archives cited as CA

The Japanese Foreign Ministry Archives cited as the FM

The correspondence of Richard Dunning Holt cited as RDH

The India Office Records cited as IOR

The Indo-China Navigation Steamship Co. minutes cited as IC

International Journal of Maritime History cited as *IJM*

Jardine Matheson & Co archives cited as the JM Archives

The Archives of John Swire & Sons Ltd. cited as JSS

Journal of Imperial and Commonwealth History cited as *JICH*

The Journal of the Royal United Service Institution cited as *JRUSI*

The Journal of Transport History cited as *JTH*

The Sir Kenneth Anderson Papers cited as KA

Mariner's Mirror cited as *MM*

Maritime History cited as *MH*

Nishiin Kisen Kabushiki Gaisha cited as NKK

Nihon Yusen Kabushiki Gaisha cited as NYK

Nihon Yusen Hyakunenshi Shiryo cited as *NYHS*

Nihon Yusen Kabushiki Gaisha Hyakunenshi cited as *NYKGH*

The Northern Mariner cited as *NM*

The Archives of the P&O cited as P&O

Ocean Archives cited as OA

Osaka Shosen Kabushiki Gaisha cited as OSK

Osaka Shosen Kabushiki Gaisha Gojunenshi cited as *OSKGG*

The Peninsular and Oriental Steam Navigation Company cited as the P&O

The Post Office Archives cited as POST

The Records of the Admiralty cited as Adm

The Records of the Board of Trade cited as BT

The Records of the Cabinet Office cited as CAB

The Records of the Colonial Office cited as CO

The Records of the Foreign Office cited as FO

The Records of the Ministry of Transport cited as MT

The Records of HM Treasury cited as T

Report of the Royal Commission Appointed to Inquire into the Defence of British Possessions and Commerce Abroad (The Carnarvon Commission) cited as PRO 30/6

Sogyo Hyakunenshi cited as *SH*

Transactions of the Institution of Naval Architects cited as *TINA*

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Abstract of thesis by Chih-lung Lin for the degree of Doctor of Philosophy and entitled ' Studies in Shipping Subsidies and the International Shipping Rivalries: Case Studies from the North Atlantic and the Far East' in January 2005.

This study addresses the effects of subsidies upon the international shipping rivalries and the organisation of shipping conferences. The mail service to the Far East is the first issue in this study. The P&O was the contractor in this route since the 1840s. However, there were debates on the principles of mail subsidies and the design of the mail route. This study contends that the P&O might have received some political preference, including from the Admiralty, which did not consider the eminent rival of the P&O: the Blue Funnel Line. After the construction of the Canadian Pacific Railway with the political support and the trans-Siberian Railway, the overland routes to the Far East became the alternatives. However, neither route in the end succeeded in replacing the P&O service.

A similar situation affected the case of the mail service from the UK to North America via the North Atlantic. This study contends that the British government contributed more to the development of the Cunard Line than the previous research claims. The British Post Office always desired to reduce their expenditure on subsidies. However, in the case of North Atlantic, the Cunard Line allied itself with the other eminent shipping companies, organised the North Atlantic shipping ring and prevented the attempt to establish a short-term mail contract, which the Post Office had planned since the 1860s.

After the discussion about the British official contributions to the shipping business, the case of Japan as a fast rising shipping nation will be discussed. A complete case study on the Japanese shipping expansion on the Yangtze is also included to prove the political influence upon the promotion of the Japanese shipping business. Meanwhile, after case studies of the Calcutta and the Lower Yangtze shipping conference, in conclusion, the study contends that the subsidies might have disturbed the working of the shipping conference.

Declaration

No portion of the work referred to in this thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institution of learning.

Acknowledgement

I am indebted to a number of people and institutions, who assisted me during the course of my research.

I owe the great debt to the Document Supply Unit, University of Manchester Library for their continuous assistance for many years. In the Faculty, Professor Robert Millward, Dr. Andrew Marrison and Mr. Alex Robertson offered some useful advice. Dr. Simon Katzenellenbogen in Manchester and Dr. W. G. Huff in Glasgow gave me their unpublished research papers, which helped me gather more ideas. Dr. David Clayton of the University of York was generous enough to share with me his view. Dr. Janet Hunter of the London School of Economics was very helpful and her unpublished PhD thesis drove my initial attention to the postal business. I especially owe a debt to Professor Peter N. Davies of the University of Liverpool for he kindly introduced me to Professor Katayama Kunio for my research trip to Japan.

My trip to Japan was '*Ein Weg der Entzauberung Japans*'. Professor Katayama introduced me to the Japan Maritime Research Institute in Tokyo and I was allowed to take a seat as a visiting fellow in the Institute of Social Science in the University of Tokyo, by the permission of Professor Tajima Toshio. Both of them not only brought intellectual enlightenment to me, but they also revealed the true Japanese social culture to me, which had been behind smoke, in my perspective from Taiwan, for many years.

The search for various manuscripts for my thesis was hard work and would have been an impossible task without the following assistance, which I highly appreciate: the thesis would have been difficult to finish without the unfailing assistance of the Postal Heritage Trust. All the staff were very generous and always met my requests again and again, especially I appreciate Colin Young, Barry Attoe and Elizabeth Culver for their help during the last stage of writing this thesis. In Liverpool, I appreciate the Maritime Archives and Library, the National Maritime Museum in Merseyside, especially John Moore, who always fetched the documents from the store for many years. In the Sydney Jones Library, University of Liverpool, Dr. Maureen Watry, the archivist and the staff in the Special Collection were very helpful.

Meanwhile, I would like to thank the following institutions, which allowed me to consult their manuscript holdings: the Bank of England for their archives; the British Library for the India Office Records, the H.O. Arnold-Forster Papers, the Ripon Papers and the Curzon Collection; the Public Record Office; M. G. Barrow, Esq. of the Jardine Matheson Co. for their company archives deposited in the Cambridge University Library; the Liverpool Record Office and Local Studies for the correspondence of Richard Dunning Holt and the Archives of the Liverpool Chamber of Commerce; the National Maritime Museum in Greenwich for the Archives of the P&O and the British India Steam Navigation Co.; the School of Oriental and African Studies Library, University of London for the company archives of John Swire & Sons Ltd.; the Bodleian Library, the University of Oxford for the Papers of 2nd Earl of Selborne; the Churchill

College, the University of Cambridge for the Randolph Churchill Papers; the Archives Services of the University of Glasgow for the Papers of 1st Viscount Weir of Eastwood; the London School of Economics Library for the Sir Kenneth Anderson Papers; the Robinson Library, the University of Newcastle, for the Papers of Walter Runciman; the University Library of Birmingham for the Papers of Joseph Chamberlain; the University of Southampton Library for the Papers of Prince Louis of Battenberg. In Japan, the Faculty of Economics Library, University of Tokyo permitted me to read the papers of Ohtani Noboru; the Japanese Foreign Ministry Archives were extremely helpful.

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me even though he was busy in his own research. The Richardson Family in Newcastle and the Fuji Family in Japan were very generous hosts when I stayed in their home.

I wish to express my sincere appreciation to my supervisor, Dr. Theo Bladerston, for his teaching and supervision for many years, including his advice on the English language, which is not my native language. Without him, the course of research would have become much more risky and I would have lost the fortunate experience of attending his enlightening meetings.

Finally, I wish to dedicate this thesis to my family, who always do their best to help me. However, any mistakes in this thesis, remain my sole responsibility.

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Chapter One

Introduction

The Problems

This thesis explores the impacts of subsidies and conference arrangements on efficiency of shipping services and on international shipping competition.

Since the 1830s, the British Government subsidised the various major shipping companies to carry mail. Therefore, the mail service to the Far East is the first issue in this study. The P&O was the contractor on this route from the 1840s. However, there were debates on the principles of mail subsidies about the mail route. This study contends that the P&O might have received some political preference, including from the Admiralty, which did not consider the major rival of the P&O: the Blue Funnel Line. After the construction of the Canadian Pacific Railway with political support and of the trans-Siberian Railway, the overland routes to the Far East became the alternatives. However, neither route in the end succeeded in replacing the P&O service.

A similar situation affected the case of the mail service from the UK to North America via the North Atlantic. This study contends that the British

government contributed more to the development of the Cunard Line than the previous research claims. The British Post Office always desired to reduce their expenditure on subsidies. However, in the case of North Atlantic, the Cunard Line allied itself with the other major shipping companies, organised the North Atlantic shipping ring and prevented the attempt to establish a short-term mail contract, which the Post Office had planned since the 1860s.

After discussing the British official contributions to the shipping business, the case of Japan as a fast rising shipping nation will be discussed. A complete case study on the Japanese shipping expansion on the Yangtze is also included to prove the political influence upon the promotion of the Japanese shipping business. Meanwhile, after case studies of the Calcutta and the Lower Yangtze shipping conferences, in conclusion, the study contends that the subsidies might have affected the working of shipping conference. Shipping companies which had more fixed revenues from the subsidies might not be so strongly concerned about the stability of the shipping conference.

Literature review and the locations of archives

From the 1860s, the Post Office took principal responsibility for negotiating the mail contracts of the British Government. Therefore, its archives are important to this study. Few historians have particularly specialised in the history of the British Post Office. Perhaps the reason is

that many people thought the Post Office was a low-status organisation in the British Government. Before 1914, the Postmaster General did not have prescriptive right to Cabinet membership.¹ Moreover, the work of the Post Office was quite mechanical. It is interesting that the Archives of the Royal Mail were not transferred to the National Archives when it was established by the 1958 Act. The Post Office kept its own archives and its own research room.² This might be another reason that the archives have rarely been used for many years. But due to the nationwide, even sometimes worldwide, activities of this organisation, much material in the Archives of the Royal Mail is relevant to the economic and social history of the UK as well as its international relations. These archives should not be ignored and I shall use them fully in my thesis, especially in Chapters Two and Three.³

Regarding literature on the Post Office, of books published in the early twentieth century, Hemmeon's book is now dated.⁴ However, one official publication in 1911 remains an excellent concise historical summary.⁵ Howard Robinson's books, especially the book published in 1964 on the overseas mail service, remain classics.⁶ Daunton's book published in 1985,

¹ Hans Daalder *Cabinet Reform in Britain 1914-1963* (Stanford: Stanford University Press, 1963) p.12.

² On 1 April 2004, the Postal Heritage Trust was established to take over the Heritage Service, the Royal Mail, is responsible for managing the Archives of the Royal Mail.

³ Some more detailed introduction to the Archives of the Royal Mail can be found in Jean Farrugia, 'The centenary of Post Office Archives' in *Cross Post* 6:2 (1996) pp.65-7. I am grateful to Colin Young in the research room of the Consignia, Heritage Services for drawing my attention to this paper.

⁴ J. C. Hemmeon, *The History of the British Post Office* (Cambridge, Mass.: Harvard University Press, 1912).

⁵ *The Post Office: an historical summary* (London: HMSO, 1911).

⁶ *The British Post Office: a history* (Princeton: Princeton University Press, 1948); *Britain's Post Office : a history of development from the beginnings to the present day* (Oxford: Oxford University Press, 1953); *Carrying British Mails Overseas* (London:

which is based on a detailed archival survey, contains much discussion of the development of the British Post Office since 1840. Perry's research complements it.⁷ Andrew Forbes' thesis, on the mail service to Australia and the Far East, used the archives on the organisation to discuss its policy toward the mail contract.⁸ In addition to one general guidebook, the Post Office has published some good research, related to this thesis, based on detailed archival surveys.⁹ Sir Evelyn Murray wrote a book to introduce the work of the Post Office when he was the secretary in 1927. This book offered numerous "insider's" opinions.¹⁰

Much less research has been done on the British post office abroad. Some British staff in the Post Office in Hong Kong wrote a book on the British mail service to the Far East, which contained detailed historical information. So far, none of the later publications supersede this book, which was last revised in 1949.¹¹ By using the Post Office Archives in

George Allen & Unwin, 1964).

⁷ M. J. Daunton, *Royal Mail: the Post Office since 1840* (London: The Athlone Press, 1985); B. R. Perry, *The Victorian Post Office* (London: Royal Historical Society ; Woodbridge, Suffolk: Boydell Press, 1992).

⁸ Forbes, Andrews 'An Artery Empire: the British Post Office and the Postal and Telegraphic Services to India and Australia 1837-1914' (PhD thesis, University of London, 1996).

⁹ Jean Farrugia and Tony Gammons's *Carrying British Mail* (London: the National Postal Museum, 1980) is a good general history book on this topic, as well as A. G. Rigo de Righi's *350 Years of Anglo-American Postal Links* (London: National Postal Museum, 1990). John G. Hendy's *Ship Letters* (East Grinstead: The Postal History Society, 1997) discussed the carrying of overseas mail carrying before the nineteenth century. Actually, a large part of this book is reproduced from POST29/837 Pkt 297/E "Ship Letter Mails" by Hatswell and John G. Hendy in 1904.

¹⁰ Sir Evelyn Murray, *The Post Office* (London: G. P. Putnam's Sons, 1927).

¹¹ G. T. Bishop, C. S. Morton and W. Sayers, *Hong Kong and the Treaty Ports: postal history and postal marking*, revised by H. E. Lobdell and Adrian E. Hopkins (London: the Postal History Society, 1949 2 ed.). A later book related to this thesis is Edward B.

Canada, William Smith's book on the pre-1870 Post Office in the British North America is a good source for the general historical background, though a bit dated.¹²

In addition, a few private manuscripts were useful to this research. As a politician, the Postmaster General was not normally familiar with the work of the Post Office. Therefore, the personal papers of Postmaster General's reveal very little information on this issue, even though some of them were very influential in contemporary politics.¹³ On the other hand, as a permanent member of staff in the Treasury too, the Secretary of the Post Office was actually the person who made the decisions before sending for the approval of the Postmaster General.¹⁴ Unfortunately, many documents of the secretaries did not survive, or else they are private correspondence and totally unrelated to work in the Post Office.¹⁵

On the general work of the British shipping industry from the 1850s to 1914, Sydney Pollard's unpublished thesis contains much more information than the book published in 1979.¹⁶ Adam W. Kirkaldy's classic

Proud's *British Post Office in the Far East* (Heathfield: Proud-Bailey, 1991). However, in my opinion, it is a history book written for stamp collectors.

¹² William Smith, *The History of the Post Office in British North America 1639-1870* (Cambridge: Cambridge University Press, 1920).

¹³ For example, two satirical articles in *Syren and Shipping* of 20 August 1902 and 15 October 1902, hinted that Austen Chamberlain, then the Postmaster General, did not know the business too well.

¹⁴ Herbert Samuel, *Memoirs* (London: The Cresset Press, 1945) p.77.

¹⁵ For the latter, the private manuscript of Henry Buxton Forman deposited in the British Library is a good example. His private correspondence with the contemporary literary men is a great source for English literature at the turn of the twentieth century. However, it is irrelevant to his excellent long-term work in the Post Office.

¹⁶ Sydney Pollard, 'The economic history of British shipbuilding' (PhD thesis,

remains a good overview and reflects contemporary opinion.¹⁷ Peter N. Davies has produced a brief survey on the general development of the British marine industry from 1850 to 1914 in a widely international context. However, as he himself agrees, this topic deserves more analysis.¹⁸ George Chandler's book offers a concise shipping history of Liverpool from the thirteenth century, as the most important port in Northwestern England.¹⁹ Adrian Jarvis has just published his research on the hard days of Liverpool during the early twentieth century.²⁰ There is comparatively little research on British shipping overseas after 1919.²¹

The National Maritime Museum in Greenwich preserves the archives of the Peninsular and Oriental Steam Navigation Company (hereafter P&O), a critically important British shipping firm in the route to the Far East, which merged with the British India Co. in 1914.²² Access to many of the

University of London, 1951) and *The British shipbuilding industry, 1870-1914* with Paul Robertson (Cambridge: Harvard University Press, 1979).

¹⁷ Adam W. Kirkaldy, *British Shipping* (London : Kegan Paul, 1914).

¹⁸ Peter N. Davies, 'Nineteenth-century Ocean Trade and Transport' in Peter Mathias and John A. Davis eds. *The Nature of Industrialization Volume 5 International Trade and British Economic Growth from the Eighteenth Century to the Present Day* (London: Blackwell, 1996) pp.56-75.

¹⁹ George Chandler, *Liverpool shipping: a short history* (London: Phoenix House, 1960).

²⁰ Adrian Jarvis *In Troubled Times: the Port of Liverpool, 1905-1938* (St. Johns: International Maritime Economic History Association, 2004).

²¹ David Williams, 'Recent trends in maritime and port history' in Reginald Loyen, Erik Buyst and Greta Devos (eds.) *Struggling for Leadership: Antwerp – Rotterdam Port Competition between 1870-2000* (Heidelberg: Physica-Verlag, 2003) p.15.

²² William Mackinnon, a Scottish merchant, secured the mail contracts of the East India Company in the 1850s and he founded the Calcutta & Burma Steam Navigation Co. in 1856. In 1862 he founded the British India Steamship Navigation Co. to operate the shipping business in Eastern waters. After 1874, his business networks expanded to East Africa and Britain as well. William Mackenzie died in 1893 and Lord Inchcape became influential in the company's business despite the fact that the Mackinnon family held

archives of the P&O remains blocked and much research on the P&O was reliant on the other archives. In her research on the P&O, Freda Harcourt relied heavily on the archives of Jardine Matheson & Co. to support her arguments.²³ This is also the approach I will be taking in Chapter Two and Chapter Four because I found little information in the archives of the P&O. Owing to the limited archives available, it is not surprising that most books on the history of the P&O contain few revelations. One earlier book, *A hundred year history of the P. & O. Peninsular and Oriental Steam Navigation Company 1837-1937* by Boyd Cable, still deserves more attention. It seems Cable used some sources that are unavailable now and wrote a book which contains some interesting information.²⁴ The best academic research on the history of the P&O is Goto Shin's book, which used the Archives of the Royal Mail, in addition to the archives of the P&O.²⁵ *These Splendid Ships*, published in 1960 is worth reading as well.²⁶ On the mail route to the Far East, John K. Sidebottom's *The Overland Mail* derived a lot of narratives from the Archives of the Royal Mail.²⁷ Based on largely secondary literature, *British routes to India* is an earlier book, which contains rich information on this topic.²⁸

most shares of the company.

²³ Freda Harcourt, 'Black Gold: P&O and the Opium Trade, 1847-1914', in *International Journal of Maritime History* 6:1, June 1994, pp. 1-83.

²⁴ Boyd Cable, *A hundred year history of the P. & O. Peninsular and Oriental Steam Navigation Company 1837-1937* (London: I. Nicholson and Watson limited, 1937).

²⁵ Goto Shin, *A History of the Peninsular and Oriental Steam Navigation Company 1840-1914* (Tokyo: Keiso Shobo, 2001) (in Japanese).

²⁶ David Divine, *These Splendid Ships* (London: Frederick Muller, 1960).

²⁷ John K. Sidebottom, *The Overland Mail: A Postal Historical Study Of The Mail Route To India* (London: George Allen & Unwin, 1948).

²⁸ Halford Lancaster Hoskins, *British Routes to India* (London: Longmans, 1928).

The Canadian Pacific, another Canadian company under British registry, was the first British firm to operate a liner service in the trans-Pacific route from Canada. I was unable to get access to the archives base in Canada, owing to limited time. Most existing research on the CPR is about its rail operation. Some narratives in Frank C. Bowen's earlier book are unreliable.²⁹ With regard to George Musk's book, the detailed research on the part concerning shipping remains to be carried out.³⁰ In addition to his book on the general history of the CPR, W. Kaye Lamb is one of the few historians who has started to research the CPR's shipping business. He wrote several papers on the trans-Pacific route and an edited volume was published in 1991.³¹ It still stands as the basic reference for the CPR's early trans-Pacific operations. The "All-Red route" and the trans-Pacific mail service to Australia seem to be ignored topics. There is a good deal of work on the shipping service to Australia. However, there is little research on the Australian mail service. Andrew Forbes' excellent thesis in this part is too general.³² J. H. Hamilton's paper on the "All-Red Route" was written almost 50 years ago and remains the best reference on this topic. However, many narratives have become dated.³³ In this thesis, I use the material in

²⁹ Frank C. Bowen, *History of the Canadian Pacific Line* (London: Sampson Low, Marston & Co. 1928) and 'A Pacific tragedy' in *Nautical Magazine* 162 (1949) pp.72-77.

³⁰ George Musk, *Canadian Pacific: the story of the famous shipping line* (Newton Abbot: David & Charles, 1980) See also a popular account: Robert D. Turner, *The Pacific Empress* (British Columbia: Sono Nis Press, 1981).

³¹ W. Kaye Lamb, *History of the Canadian Pacific Railway* (London: Macmillan, 1977) and his *Empress to the Orient* (Vancouver, B.C, Canada: Vancouver Maritime Museum, 1991).

³² Forbes(1996).

³³ J. H. Hamilton, 'The "All-Red Route," 1893-1953 A History of the Trans-Pacific

the National Archives and the Archives of the Royal Mail for the discussion of the British policy on the trans-Pacific route and the role of the CPR.

Many British shipping firms began trans-Atlantic liner operations to North America at a much earlier time than the commencement of the trans-Pacific operations. However, even less academic research focuses particularly on this issue, probably because few company archives have survived. As regards the existing literature, Thomas E. Appleton's book on the history of the Allan Line had quite a distinctive approach, with its romantic tones, and was particularly weak in the investigation into the decline of this company since the late nineteenth century.³⁴ Some research has been done in Canada on this topic, but some of the researchers did not fully consult the original sources.³⁵ In particular, they did not use the archives available in the UK. In this thesis, I have the advantage of having consulted the archives in the UK and can therefore make a stronger argument.

John Swire & Sons Co. was the most eminent British shipping firm in

mail service between British Columbia, Australia and New Zealand' in *BCHQ XX* (1956). Robert W. D. Boyce is one of few historians to extend this topic to the telegraphic service. See his 'Imperial Dreams and National Realities: Britain, Canada and the Struggle for a Pacific Telegraph Cable, 1879-1902', in *The English Historical Review CXV* (January 2000), pp.39-70.

³⁴ Thomas E. Appleton, *Ravenscrag: the Allan Royal Mail Line* (Toronto: McClelland and Stewart, 1974).

³⁵ For example: Edward F. Bush, 'The Canadian Fast Line on the North Atlantic 1851-1915' in *Dalhousie Review* 53:3 (Autumn 1973). In this paper, most references were from the Canadian newspapers.

Chinese waters. The company archives are deposited in the School of Oriental and African Studies Library, University of London. I paid more attention to the material from the year 1900 up to 1927, especially on the shipping business. Sheila Marriner and Francis E. Hyde produced an excellent biography of John Samuel Swire, the founder of John Swire & Sons Co..³⁶ This book can be seen as a description of the growth of the company in the nineteenth century because John Samuel Swire practically dominated the firm's activities all his life. The approach of using biography in the research of British economic history was used at first by George Unwin of the University of Manchester, the first chair of Economic History in the UK.³⁷ Many scholars have applied this approach, including the researchers of British shipping history.³⁸ One book by three economic historians in China remains the best complete history of John Swire &

³⁶ Sheila Marriner and Francis E. Hyde, *The Senior John Samuel Swire 1825-1898: management in Far Eastern Shipping Trade* (Liverpool: Liverpool University Press, 1967).

³⁷ George Unwin, *Samuel Oldknow and the Arkwrights* (London: Longmans, 1924). This new approach, according to Douglas A. Farnie, focusing not just on machinery, brings human beings back to the centre of economic history research. See Douglas A. Farnie, "George Unwin (1870-1925) Foundation of the Manchester School of Economic History" in Pat Hudson (ed.), *Living economic and social history: historians explain their interest in, and the nature of, their subject: essays to mark the 75 anniversary of the Economic History Society* (Glasgow: Economic History Society, 2001), pp.77-8.

³⁸ On Alfred Jones, see Peter N. Davies, *Sir Alfred Jones: shipping entrepreneur par excellence* (London: Europa, 1978). On Donald Currie, see Andrew Porter, *Victorian Shipping, Business and Imperial Policy* (London: Royal Historical Society; Woodbridge, Suffolk: Boydell Press, 1986). On William Mackinnon, see J. Forbes Munro, *Maritime enterprise and empire: Sir William Mackinnon and his business network, 1823-93* (Woodbridge: Boydell Press, 2003). On James Mackay, see Stephanie Jones, *Trade and shipping: Lord Inchcape 1852-1932* (Manchester: Manchester University Press, 1989). On Samuel Cunard, see Kay Grant, *Samuel Cunard: pioneer of the Atlantic steamship* (London: Abelard-Schuman, 1967).

Sons Ltd., but relied heavily on Marriner and Hyde's book in the part relating to the nineteenth century. However, the research on the twentieth century is quite good, especially as it seems they used some sources available only in China.³⁹ Another book, *Taikoo* by Charles Drage, is also useful.⁴⁰

Little research has been done in English on the history of the China Merchant Steam Navigation Co., the first modern shipping company in China. Lai Chi-Kong's 'China's First Modern Corporation and the State: Officials, Merchants and Resource Allocation in the China Merchant's Steam Navigation Company, 1872-1902' was the winner of the Alexander Gerschenkron Prize for Best Dissertation in Non-U.S. or Canadian Economic History in 1993, and remains the best analysis for the heyday of the company.⁴¹ Dr. Lai argued that government intervention failed the company's management. It is strange that Dr. Lai's thesis has not been published. It is not even available from the UMI service for purchase. Therefore, few people can benefit from his research. A recent publication by Li Yi is not as good.⁴² I was unable to make a research trip to China, but I sought to compensate for this with books in the Chinese language, which

³⁹ The English translation is published as Zhang Zhongli, Chen Zengnian and Yao Xinrong, *The Swire Group in Old China* (Shanghai: The Shanghai People's Publishing House).

⁴⁰ Charles Drage, *Taikoo* (London: Constable, 1970).

⁴¹ Lai Chi-Kong, 'China's First Modern Corporation and the State: Officials, Merchants and Resource Allocation in the China Merchant's Steam Navigation Company, 1872-1902' (PhD thesis, University of California, 1993).

⁴² Li Yi, *Chinese bureaucratic culture and its influence on the 19-century steamship operation, 1864-1885: the bureau for recruiting merchants* (Lewiston, N.Y.: Edwin Mellen, 2002).

developed my general knowledge for the discussion in Chapter Four.⁴³

I obtained permission to consult the large archives of Jardine Matheson & Co., deposited in the Cambridge University Library. The research on the activities of Jardine Matheson & Co. after 1900 is very limited so far. For historians, the large archives are quite difficult to manage. Moreover the most popular books on the general history of Jardine Matheson & Co. do not make much sense from an academic perspective.⁴⁴ One book, edited by the staff of the company, remains a useful introduction to their history.⁴⁵ Professor Liu Kwang-ching's classic: *Anglo-American Steamship Rivalry in China 1862-1874* dealt with Jardine, Matheson & Co.'s shipping business marginally only up to 1874.⁴⁶ The records on the shipping business in the nineteenth century are mostly enclosed in the Jardine, Matheson & Co. archives, but incomplete. The correspondence between London, Hong Kong and Shanghai during the early twentieth century is extremely useful in understanding the directors' opinions and decision-making. The post-1900 minutes book of the Indo-China Navigation Steamship Co. is also preserved in the archives. It is particularly useful in revealing the shipping part of Jardine Matheson & Co.'s business, which was almost overlooked before, and I shall discuss it in Chapter Four.

⁴³ Zhang Houquan (ed.) *Zhao shang ju shi (Jin da bu fen)* (Beijing : Ren min jiao tong chu ban she, 1988); Jiao tong bu cai wu kuai ji ju and Zhong guo jiao tong kuai ji xue hui *Zhao shang ju kuai ji shi* (Beijing: Ren min jiao tong chu ban she, 1994).

⁴⁴ One recent publication of this kind of "popular book" is Robert Blake, *Jardine Matheson: traders of the Far East* (London: Weidenfeld & Nicolson, 1999).

⁴⁵ Maggie Keswick (ed.), *The Thistle and the Jade* (London: Octopus Books, 1982)

⁴⁶ Liu Kwang-ching, *Anglo-American Steamship Rivalry in China 1862-1874* (Cambridge: Harvard University Press, 1962).

The Ocean Archives (the Blue Funnel Line) deposited in the Maritime Archives & Library in the National Maritime Museum in Merseyside do not cover the whole history of this great shipping company. It is most likely that many sources, especially for the pre-1900 period, did not survive or remain inaccessible. Before the museum acquired the archives, it seems the company kept the archives in an idiosyncratic way. The description of the archive list is ambiguous and it is quite difficult to identify the contents of items.⁴⁷ It is very unfortunate that this kind of incomplete source cannot fully support the research on the history of this major shipping company based in Liverpool, which was far from the centre of political power and operated its business without official support. Hyde's earlier book *Blue Funnel: a history of Alfred Holt and Company of Liverpool from 1865 to 1914*, has been superseded by a book that covers the whole period, *The Blue Funnel legend: a history of the Ocean Steam Ship Company, 1865-1973*, by Malcolm Falkus.⁴⁸ The latter stands as the best general account so far and is especially strong in the discussion on the company's management. The Ocean Archives will be used for the discussion of the Far Eastern Trade in this thesis, especially in Chapter Four. On business activities in this area, Professor Hyde's other book offered an overview from the British perspective, with special reference to shipping activities.⁴⁹

⁴⁷ I am grateful to John Moore, the assistant archivist of the Maritime Archives & Library in the National Maritime Museum in Merseyside, for the information on the situation of the Ocean Archive during the mid-1990s when the Blue Funnel Line decided to close its office in Liverpool and sent the Archives to the Museum.

⁴⁸ *Blue Funnel: a history of Alfred Holt and Company of Liverpool from 1865 to 1914* by Francis E. Hyde, with the assistance of J.R. Harris. (Liverpool: Liverpool University Press, 1956); Malcolm Falkus, *The Blue Funnel legend: a history of the Ocean Steam Ship Company, 1865-1973* (Basingstoke: Macmillan, 1990).

⁴⁹ Francis E. Hyde, *Far Eastern Trade 1860-1914* (London: Adam & Charles Black, 1973).

On the political and diplomatic issues, Peter Lowe's book on Britain in the Far East is an excellent introduction on the British side.⁵⁰

The Cunard Line was the most important shipping company when British vessels dominated the North Atlantic. F. Lawrence Babcock's *Spanning the Atlantic* might be one of the first books on the development of the Cunard Line, but it revealed little new from a modern perspective.⁵¹ It seems that the company archives were not open to research before Francis E. Hyde of the University of Liverpool rescued them to prevent the company destroying them.⁵² According to the list deposited in the National Register of Archives in London, which was produced by the company in 1970 and in fact was the only available list open to the public in London until 2003, the company did not catalogue the archives well. After the University of Liverpool acquired the archives, Hyde used those materials in his last book on the history of the Cunard Line and this is the best academic book on the history of the Cunard Line so far.⁵³ This book emphasises that Samuel Cunard and the other partners' entrepreneurship determined the company's early development. In Chapter Three, by using the Cunard Archives and the other sources, I will argue that it was the important contribution from the British Government that promoted the Cunard Line. Recently, the University of Liverpool Library re-catalogued

⁵⁰ Peter Lowe, *Britain in the Far East: A survey from 1819 to the present* (London: Longman, 1981).

⁵¹ F. Lawrence Babcock, *Spanning the Atlantic* (London: Alfred A. Knopf, 1931).

⁵² "University to get archives of Cunard" in *The Times*, 29 November 1972. I also confirmed this information from the talks with Dr. Maureen Watry, the Archivist of the University of Liverpool.

⁵³ Francis E. Hyde, *Cunard and the North Atlantic, 1840-1973: a history of shipping and financial management* (London: Macmillan, 1975).

the archives. However, according to the new list, it seems quite likely that Hyde did not consult the archives extensively. He also used some material that is unavailable in the Cunard Archives at this moment. Therefore, it is quite difficult to trace all the sources he used. In addition to Hyde's book, there are some books on Samuel Cunard's life, which consulted the archives of Nova Scotia in Canada; they are used marginally in the thesis. Among them, Kay Grant's biography of Samuel Cunard is the best. It seems Hyde did not use it in his research.⁵⁴

As one of the important trading routes, trans-Atlantic shipping has been a popular topic in maritime history.⁵⁵ However, most authors did not organise their arguments well and some narratives are not reliable. Frank Bowen's *A Century of Atlantic Travel* might be considered as one of the best of the pre-1945 publications, and it offers an historical overview; however, some narratives require reconsideration.⁵⁶ Few books specifically discussed the trans-Atlantic mail service. Although it ignored the mail to Canada, Frank Staff's short book in 1956 remains the best general account on the pre-1900 trans-Atlantic mail service.⁵⁷ Arnell's *Atlantic Mails and Steam and the North Atlantic Mails* is a good complement.⁵⁸ George E. Hargest's book on the American mail to Europe

⁵⁴ Kay Grant, *Samuel Cunard* (London: Abelard-Schuman, 1967).

⁵⁵ For the books and articles relevant to this topic, see the footnotes in Chapter Three and the bibliography of this thesis. The most recent publication of this type is Stephen Fox, *Transatlantic* (New York: Harper Collins Publishers, 2003), a book with rich narratives but few revelations.

⁵⁶ Frank Bowen, *A century of Atlantic travel 1830-1930* (London: Sampson Low, Marston & Co. 1930).

⁵⁷ Frank Staff, *The Transatlantic Mail* (London: Adlard Coles, 1956).

⁵⁸ J. C. Arnell, (with the editorial collaboration of K.S. Mackenzie) *Atlantic mails: a*

is partially useful.⁵⁹ Bonsor's five-volume books are treasures of information, but the narratives are not always correct.⁶⁰ It is amazing how little research has been done on the trans-Atlantic shipping trade in the nineteenth century in comparison to the eighteenth century. A. J. Cooper's thesis, mainly on the cotton business, is irrelevant to the shipping business.⁶¹ On the shipping conferences for the North Atlantic since the mid-nineteenth century, Professor Hyde's paper, which was published after his research on the Cunard Line, remains the only academic survey of this topic.⁶² There have been many books on the rise of German shipping in the late nineteenth century and their threats to British business. In contrast, the research on the postbellum American marine industry remains small and it is especially weak on the comparative international perspectives. Vivian Vale's book is about the US Morgan shipping purchase in 1902: a very famous case. However, it seems that more detailed research is yet to come.⁶³

history of the mail service between Great Britain and Canada to 1889 (Ottawa: National Postal Museum, 1980); J. C. Arnell, *Steam and the North Atlantic mails: the impact of the Cunard Line and subsequent steamship companies on the carriage of transatlantic mails* (Toronto: Unitrade Press, 1986).

⁵⁹ George E. Hargest, *History of Letter Post Communication between the United States and Europe 1845-1875* (Lawrence, Mass.: Quarterman Pub., 1975).

⁶⁰ N. R. P. Bonsor, *North Atlantic seaway: an illustrated history of the passenger services linking the Old World with the New*, with illustrations by J.H. Isherwood (Brookside Pubs., Jersey Brookside Pubs., Channel Islands, enlarged and completely revised edition, 1975-1980).

⁶¹ A. J. Cooper, 'Liverpool and the American trade, 1865-90' (PhD thesis University of Kent, 1989).

⁶² Francis E. Hyde, 'Cunard and North Atlantic steamship agreements, 1850-1914' in Barrie M. Ratcliffe ed. *Great Britain and Her World 1750-1914: Essays in honour of W. O. Henderson* (Manchester: Manchester University Press, 1975).

⁶³ Vivian Vale *The American Peril: Challenge to Britain on the North Atlantic 1901-1904* (Manchester: Manchester University Press, 1984).

The Admiralty was the initial principal in the mail contracts before 1860 and after that it remained influential over the subsidies policy, as well as its own subvention policy. In my thesis, I will discuss the effect of the Admiralty subvention as another official subsidy to British shipping. This topic was apparently confidential, and few official archives contain this information about it. Therefore, I have to cross-refer contemporary periodicals with some correspondence from the shipping company archives. The minutes of evidence of the Report of the Committee on Mercantile Cruisers in 1902, enclosed in the Papers of the second Earl of Selborne, offer a good review of the debates up to 1902, a critical period when the British government changed its shipping policy. One file in the Mountbatten Papers, deposited in the University Library of Southampton, revealed the intelligence work relevant to this issue. As one of the most influential politicians at the turn of the twentieth century, Joseph Chamberlain had reshaped British imperial policy during his tenure in the Colonial Office. S. B. Saul's article was one of the early discussions of his policy.⁶⁴ Much research followed, which mostly focused on the area of West Africa and the Caribbean and there is little research on communications in the case of Canada and Australia.⁶⁵ The papers of Joseph Chamberlain, as well as of Austen Chamberlain, deposited in the

⁶⁴ S. B. Saul, "The Economic Significance of 'Constructive Imperialism'" in *Journal of Economic History* 17:2 (1957) pp.173-192.

⁶⁵ The exception is Robert W. D. Boyce's article mentioned above. For a brief discussion on the postal and telegraph service up to the turn of the twentieth century, see Richard M. Kesner, *Economic control and colonial development: crown colony financial management in the age of Joseph Chamberlain* (Westport, Conn.: Greenwood Press, 1981) Chapter Five: 'Imperial Communication'.

University of Birmingham Library, are useful in understanding the former's opinion.

Very few books on the general history of Japanese shipping are written in English. *A short history of Japanese merchant shipping*, published in 1967, is an introduction to the history of one of the world's leading shipping nations. However, it is too brief and there is little academic analysis.⁶⁶ Fortunately, in 1990 Peter N. Davies and Chida Tomohei, a Japanese shipping economist, worked together to produce an academic book, *The Japanese shipping and shipbuilding industries: a history of their modern growth*.⁶⁷ This is a book containing richer narratives and excellent analyses of the Japanese shipping industry, and how it surmounted several crises in the past century. This book filled a gap in the research of Japanese economic history in the English language.⁶⁸ In my opinion, the only weakness of this book is that the length is not enough to discuss fully the many issues of the industry. There are many books in the Japanese language on this topic. Asahara Johei's *Nihon Kaiun Hattenshi* might be the best, in my opinion, and it contains some interesting information.⁶⁹ Recently, Peter N. Davies and Katayama Kunio, a Japanese maritime

⁶⁶ Ryoichi Furuta and Yoshikazu Hirai, *A short history of Japanese merchant shipping*, translated and annotated by Duncan Macfarlane (Tokyo: Tokyo News Service, 1967)

⁶⁷ Tomohei Chida and Peter N. Davies, *The Japanese Shipping and Shipbuilding Industries* (London: The Athlone Press, 1990).

⁶⁸ In UK, G. C. Allen's *A short economic history of modern Japan, 1867 to 1937* (London: Macmillan, 4th ed., 1981) and his *Modern Japan and Its Problems* (London: Athlone, new ed., 1990) are reputable. In USA, William W. Lockwood's *The economic development of Japan* (Princeton: Princeton University Press, 1955) are still essential student reading for the Japanese economic history. However, all of them hardly discussed the Japanese marine industry.

⁶⁹ Asahara Johei *Nihon Kaiun Hattenshi* (Tokyo: Choryusha, 1978).

historian, together produced a booklet to discuss the origins of Japanese shipping expansion in the late nineteenth century, based on an unfinished debate between the two scholars.⁷⁰

In Japan, access to company archives is extremely difficult to obtain and most companies rarely open their archives for research. However, most leading companies, like the NYK or the OSK, published their official company history regularly, approximately every ten years. Few scholars are granted access to the archives. Teamwork is normally the way to write company history books in Japan. Goto Shin has done an excellent review article on the various official publications in Japanese shipping company history since the early twentieth century.⁷¹ One publication that he ignored is the history of the NKK: *Nishiin Kisen Kabushiki Gaisha Sanjou nen shi oyubi tsuiho* (1941), which was the most important Japanese shipping company in Chinese waters before 1945. This book, which contains huge amounts of material that no one has known the location of since 1945, deserved more attention.

During my research trip in Japan, I consulted the Foreign Ministry Archives, which are deposited in Roppongi, Tokyo. It is a very useful source and I will use it extensively in the study of the McBain case in Chapter Four. The Japanese National Archives in Takehashi, Tokyo have preserved the manuscripts of the official documents but these were not

⁷⁰ 'Aspects of Japanese Shipping History' Suntory and Toyota International Centre Discussion Paper JS/1999/376 (LSE, December 1999).

⁷¹ Goto Shin 'Kaiun Kigyushahi ni kansuru ichi kosatsu' in *Keiei Shigaku* 25:3.

very useful in my thesis. After some research, I realised that the various official publications relating to Japanese company history are not satisfactory. This is probably due to the impossibility of writing many things in one book covering such a long period. However, the opening up of Japanese shipping company archives for more research remains unlikely. William D. Wray is one of the business historians to have obtained the privilege of accessing the company archives of the NYK. His book on the early history of the NYK remains first-level work of business history and a classic.⁷² One of his arguments is about the NYK's relative autonomy in its management. However, as I shall argue in Chapter Four, the Japanese government's intervention was significant in promoting the NYK's business. The NYK was not as independent as Wray has argued.

On the Anglo-Japanese Alliance, Ian Nish's two volumes will remain the best reference for many years.⁷³ Peter Lowe's research pays more attention to the impact of the China problem upon the Alliance.⁷⁴ There is some research done on the Anglo-Japanese commercial rivalry in the Far East but little is concerned with the shipping industry. *British Shipping in the Orient* was the official Parliamentary document of the Thirty Eighth Report of the Imperial Shipping Committee in 1939; it contains a rich discussion of this issue, but most of it is about the situation in the 1930s.

⁷² William D. Wray, *Mitsubishi and the N.Y.K., 1870-1914: business strategy in the Japanese shipping industry* (Cambridge: Harvard University Press, 1984).

⁷³ Ian Nish, *The Anglo-Japanese alliance: the diplomacy of two island empires, 1894-1907* (London: Athlone Press, revised ed., 1985); *Alliance in decline: a study in Anglo-Japanese relations, 1908-23* (London: Athlone Press, 1972).

⁷⁴ Peter Lowe, *Great Britain and Japan 1911-1915* (London: Macmillan, 1969).

Conceptual and theoretical considerations

The British shipping companies experienced more international rivalry from the late nineteenth century, which was the age of the rise of organised capitalism, according to some business historians. However, in the discussion of corporate structure, in relation to UK and Japan, many business historians have questioned whether the “organised capitalism” thesis could explain business evolution in both countries in that period.⁷⁵

The British shipping company was normally family-oriented, and this form of organisation caused the decline of the British economy, in Chandler’s opinion. But some companies, such as Butterfield & Swire Co., were never public companies and maintained an effective business operation. The big Japanese shipping companies, established in the late nineteenth century, were all public companies, but it is very difficult to prove that the company organisation promoted their growth.

In Chandler’s view, the modern corporation, the so-called M-form, practised a type of functional division. Some general trading companies established a separate department of shipping. For example, Butterfield & Swire Co. established the China Navigation Co. for their shipping business.

⁷⁵ *Delusions of durable dominance or the invisible hand strikes back: a critique of the new orthodoxy in internationally comparative business history 1980s* (Tokyo: Yuhikaku, 2001) by Leslie Hannah and Wada Kazuo, contains the updated debates on this topic. This book, in Japanese, is originally from Hannah’s unpublished draft in 1995.

However, such a department would pose a problem to the parent company when it was not making money. Some general trading companies would consider selling their ships and turning to chartering. The Indo-China Navigation Steamship Company is a case in point. Though a public company, it was under the control of Jardine Matheson & Co. and we can regard the Indo-China Navigation Steamship Company as the shipping division of Jardine Matheson & Co..⁷⁶ The correspondence of Jardine Matheson & Co. in 1913 between London and Shanghai reveals that the shipping company was unable to make a profit on the Calcutta Line, because the competition of the P&O and Japanese shipping companies was strong. A proposal to the board of directors for the sale of ships emerged.⁷⁷ The following case is another example exhibiting different decision-making. In 1914, when John Swire of the Butterfield & Swire Co. claimed his company would build more ships for future business, Jardine, Matheson & Co. considered purchasing more ships for the Lower Yangtze routes to compete with the Butterfield & Swire Co., despite the business data showing there was excessive tonnage. The source of expansion is sometimes from the calculation of potential profit, not from profitability of the immediate situation. To obtain permanent profits, some shipping companies, as I revealed in the thesis, chose to secure subsidies.

⁷⁶ For an example of this kind of theory-led study, see Carol Matheson Connell 'Jardine Matheson & Co.: the role of external organization in a nineteenth century trading firm' in *Enterprise & Society* 4 (2003) pp.99-138, which used few archives to support its arguments.

⁷⁷ London to Hong Kong 1913, No.1036 20 March 1913, in Jardine Matheson & Co archives (thereafter JM): London to Hong Kong 1913.

Etymologically, 'subsidy' means 'pecuniary aid granted by Parliament and 'subvention' means 'subsidy levied by the state'.⁷⁸ In the Select Committee on Steamship Subsidies of 1902, the report distinguished three words: bounty, subsidy and subvention. According to the report, bounty means 'a payment to encourage some industries, which bears a meaning of generosity and liberality'. Subsidy means 'a payment made for value alleged to be fully received' and the postal subsidy was an example of this. Subvention was a word chosen to be 'more euphemistic and to create less prejudice than subsidy' and the Admiralty subventions were a case in point.⁷⁹ From an historical perspective, the use of the word 'subsidy' for mail carrying might be derived from its military use, which implied payment for troops.⁸⁰ For the military purpose, the first subsidy could be traced back to Henry VI in 1449 in the form of a shipbuilding bounty. Henry VII made it regular and standard. The subsidies lasted until the reign of Charles I.⁸¹ In this thesis, I will argue that, in the UK, the origins of subsidies related to the mail contracts were not only for the postal purposes but also to fulfil military demands, especially as the Admiralty was very influential in this policy. As the curiosity that is the mail contract has been a topic widely neglected, few books and papers on British shipping history pay attention to this issue. In economic history research, even for political

⁷⁸ C.T. Onions (ed.) *The Oxford Dictionary of English Etymology*, with the assistance of G.W.S. Friedrichsen and R.W. Burchfield (Oxford: Clarendon Press, 1967).

⁷⁹ Select Committee on Steamship Subsidies, Report (1902) p.iii.

⁸⁰ H. C. Calvin and E. G. Stuart, *The Merchant Shipping Industry* (New York: John Wiley & Sons, 1925).

⁸¹ C. Ernest Fayle, *A Short History of the World's Shipping Industry* (London: George Allen & Unwin, 1933) pp.144-147. J. W. Damer Powell, *Bristol Privateers and Ships of War* (Bristol, 1930) p.341.

history research, the mail contract is a topic that deserves more attention. Freda Harcourt presented a general survey 'British Oceanic mail contracts in the age of steam, 1838-1914', which contained useful narratives.⁸² It seems that before her paper, most shipping economists and economic historians had paid no attention to this issue.⁸³ However, Harcourt's paper is perhaps too general to offer a detailed analysis. Harcourt suggested that on both the political and economic sides of mail contracts, the establishment of the contracts followed the necessities of national security and economic efficiency. However, as this thesis will suggest, the decision-making of a contract is sometimes determined by politics. Some papers have confirmed this opinion.⁸⁴

A more complete study is found in Goto Shin's book on the history of the P&O.⁸⁵ In his case study Goto strongly argues that political intervention determined the final decision-making of mail contracts. Goto also argued that the subsidies were the main net revenues of the P&O in the earlier

⁸² Freda Harcourt, 'British oceanic mail contracts in the age of steam, 1838-1914' in *JTH* 9:1 (1988) pp.1-18.

⁸³ Even in his highly reputed book, *British Shipping and World Competition* (London: The Athlone Press, 1962), S. G. Sturmev devoted very few pages to the mail contract in the UK.

⁸⁴ Such as in the case of Zanzibar, see Andrew Porter, "Zanzibar mail contract, 1889-1891" in *Victorian Shipping, Business and Imperial Policy* (London: Royal Historical Society; Woodbridge, Suffolk: Boydell Press, 1986), pp.199-216. C. R. Perry, "The General Post Office's Zanzibar Shipping Contract 1860-1914" in *MM* 68(1982). Also in the case of the West Indies, see Robert G. Greenhill, "Bureaucrats, businessmen and bananas: the Colonial Office and shipping services in the West Indies 1895-1925" and in Lewis Fischer (ed.), *From Wheel House to Counting House: essays in maritime business history in honour of Professor Peter Neville Davies* (St. Johns: International Maritime Economic History Association, 1992) and his "The state under pressure: the West Indies mail contract, 1905" in *Business History* XI (1969).

⁸⁵ Goto Shin, *A History of the Peninsular and Oriental Steam Navigation Company 1840-1914* (Tokyo: Keiso Shobo, 2001) (in Japanese).

period of its operation. Gordon Boyce presented the best analysis of this issue by economic theory so far.⁸⁶ From the perspective of the history of economic thought, James MacQueen, who later promoted the Royal Mail Steamship Company, might be one of the first British to argue the importance of mail communication.⁸⁷

There was criticism at the time that the subsidies caused unfair competition. There were debates on three levels about subsidies. One concerned the difference between British firms that received subsidies and those that did not. The second concerned the benefits of the subsidies to the state. In the early twentieth century, the policy of subsidies in the UK came under debate and there was much material produced on this topic.⁸⁸ The minutes of evidence of the Select Committee on Steamship Subsidies in 1901 and 1902 are the sources of various contemporary opinions concerning this issue. In their conclusion, the Committee did not recommend the policy of subsidies and they wondered whether the Admiralty would really reduce its expenditures by use of subsidies rather than building new war vessels.⁸⁹ The Committee had reflected upon this matter from its history since the first mail contract had been given to the Cunard Line in 1839.

⁸⁶ Gordon Boyce, *Information, Mediation and Institutional Development* (Manchester: Manchester University Press, 1995).

⁸⁷ James MacQueen, *A General Plan for a Mail Communication by Steam between Great Britain and the Eastern and Western Parts of the World* (London: B. Fellowes, 1838).

⁸⁸ For a contemporary international survey see Grosvenor M. Jones, *Government Aid to Merchant Shipping* (USA Department of Commerce, Bureau of Foreign and Domestic Commerce, Special Agents Series no.119) (Washington, D.C.: GPO, 1925).

⁸⁹ For a summary of the conclusion, see "The Steamship Subsidies Committee's Report" in *The Statist*, 20 October 1902, pp.1131-1132.

There were many shipping companies that did not receive the subsidies, who claimed that unfair competition would follow this policy. As early as in 1842, the Great Western Steamship Co. in Bristol had claimed the British government had treated them unfairly due to the subsidies to the Cunard Line.⁹⁰ In 1877, Alfred Holt claimed that generous subsidies promoted monopolies.⁹¹ In 1907, Walter Runciman thought that subsidies would give a particular shipping company the advantage, in comparison with the others.⁹² I shall discuss the role of subsidies in the British shipping business in this thesis. The third debate concerned the British firms versus foreign firms receiving subsidies. In the early twentieth century, it is quite obvious that the subsidies that the British shipping companies received were not equal in comparison to the companies in other countries, especially the Japanese companies. From 1900 to 1909, 'the net earnings of the main Japanese shipping companies amounted to 114 million Yen, of which 63 million Yen were derived from subsidies.'⁹³ In this thesis, the case of Japanese firms will be emphasised.

Alongside this discussion of the merits of subsidies, there have, since the late nineteenth century, been many debates about the strong shipping rings harming the trading of British manufacturers. This was a source of conflict between the British shipping industry and all the other British industries.

⁹⁰ John R. Stevens, 'An examination of the factors which link Bristol dock policy with the development of the tramp shipping of the Port 1840-1890' (M.A. thesis, Bristol, n.d.) p.33.

⁹¹ Alfred Holt, "Review of the progress of steam shipping during the last quarter of a century" in *Institute of Civil Engineers, Minutes of Proceedings* vol. 51 (1877) pp.9-10.

⁹² Memo by Walter Runciman, in May 1907 in WR 19&20.(thereafter WR).

⁹³ Sturmev (1962) p.19.

The repeal of the Navigation Acts had removed the protection of the British shipping industry. However, the subsidies were still a kind of protection for particular shipping firms, as we can see in the following chapters.⁹⁴ Also, on some routes, some shipping firms organised shipping conferences to maintain freight rates. The nature and effect of conference systems were a matter of debate for many years.

According to a document published by the United Nations in 1970, which contained much information on the shipping conferences, the definition of the shipping conference is 'groups of lines operating on routes with basic agreements to charge uniform rates'.⁹⁵

The shipping conferences set freight rates and fixed the share of trading of each member. If these arrangements could not be stabilised, the over-tonnage still disturbed the freight market. For the further rationalisation of tonnage, the shipping companies might organise a pool and reach a pooling agreement fixing the share of cargo allocated to each member, and stipulating that the revenues from extra cargo should go to the conference as compensation to members whose cargo share had been infringed. The freight market was strictly difficult to penetrate if the pools were working well because the outsiders or the newcomers had to quote lower rates to attract a limited amount of cargo and sometimes it would not be profitable.

⁹⁴ This concept is extended from the argument by Sturmev (1962) p.28.

⁹⁵ The Liner Conference System (New York: United Nations, 1970) para.8.

In modern times, there are many different types of shipping conferences worldwide. The basic distinction is between open conferences, closed conferences and outsiders. Most shipping conferences are closed conferences. Most open shipping conferences are in the United States because the laws in the United States require that membership of a conference be open to any vessel willing to operate. The companies operating their vessels on a route without joining the conference are called outsiders.⁹⁶ However, the container can operate without joining the shipping conferences. Nowadays it seems that outsiders have superseded the vessels in the shipping conferences in the international shipping business.

The first modern international shipping conference was the UK-Calcutta Conference in 1879, founded by John Samuel Swire and the other main shipping firms on this route, but it was not stable until 1885.⁹⁷ There were many rate agreements formed before 1879 for different routes, including the North Atlantic Steam Traffic Conference in 1867, which I will discuss in Chapter Three. However, the Calcutta Shipping Conference could be seen as the first international agreement that established a formal administrative structure and that publicised their rates of freight and other information to its members.⁹⁸

⁹⁶ Martin Stopford *Maritime Economics* (London: Unwin Hyman, 1988) pp.179-181.

⁹⁷ Through their extensive archive surveys, Marriner and Hyde (1967), in chapters 8 & 9, offered the best research on the origins and operation of the pre-1900 UK-Calcutta Shipping Conference. See also Hyde (1973) pp.26-32.

⁹⁸ K. A. Moore, *The Early History of Freight Conferences: background and main developments until around 1900* (Maritime Monographs and Reports, no.51) (Greenwich: National Maritime Museum, 1981) p.23. This is a good pre-history of the

The shipping conference might be an oligopoly rather a monopoly because it is a 'flexible instrument' and 'there is considerable scope for individual negotiation both as to rates and as to cargoes carried, provided always that the rest of the Conference members agree to the special terms'.⁹⁹ The Report of the Royal Commission on Shipping Rings in 1909 could be seen as one of the most important documents to examine the argument in the UK up to 1909. Daniel Marx Jr.'s *International shipping cartels: a study of industrial self-regulation by shipping conferences* is a good summary of pre-1950 official documents published in the USA and the UK, and is also a good introduction to the economic principles and economic surveys.¹⁰⁰ The general history and development of the main shipping conferences in the Orient, including India, the Far East and Australia, can be found in chapter two of *Shipping Conferences: a study of their origins, development and economic practices*.¹⁰¹

Subsidies can constitute partial net revenues of the shipping companies whilst shipping conferences can help the members secure profits and fight outside competition. Loyalty agreements, mostly using the deferred rebate

modern shipping conferences.

⁹⁹ Hyde (1973) pp.28-9.

¹⁰⁰ Daniel Marx Jr., *International shipping cartels: a study of industrial self-regulation by shipping conferences* (Princeton: Princeton University Press, 1953).

¹⁰¹ B. M. Deakin, *Shipping Conferences: a study of their origins, development and economic practices* in collaboration with T. Seward, (Occasional papers/University of Cambridge. Department of Applied Economics, no.37) (Cambridge: Cambridge University Press, 1973).

system, are another fighting tactic of the shipping companies against competition. These seek to secure their regular cargo by giving the discounts on freight rates; shippers are thus induced to promise to send all of their cargo by conference ships for an agreed period. This means the conference members could secure continuous cargo, and shippers secure regular a supply of tonnage. The discounts were effectuated by a system of deferred rebates. In the opinion of the Royal Commission on Shipping Rings in 1909, the deferred rebate system could apply to all shippers and secure the regularity of service; therefore, they did not recommend outlawing it. However, by the Shipping Act of 1916 in the United States, following the recommendation of the Alexander Committee in 1914, the deferred rebate system was prohibited. As a result, the dual rate contract, by offering a direct discount on freight rates instead of waiting until the end of deferment period, had in effect been imposed in the United States.¹⁰²

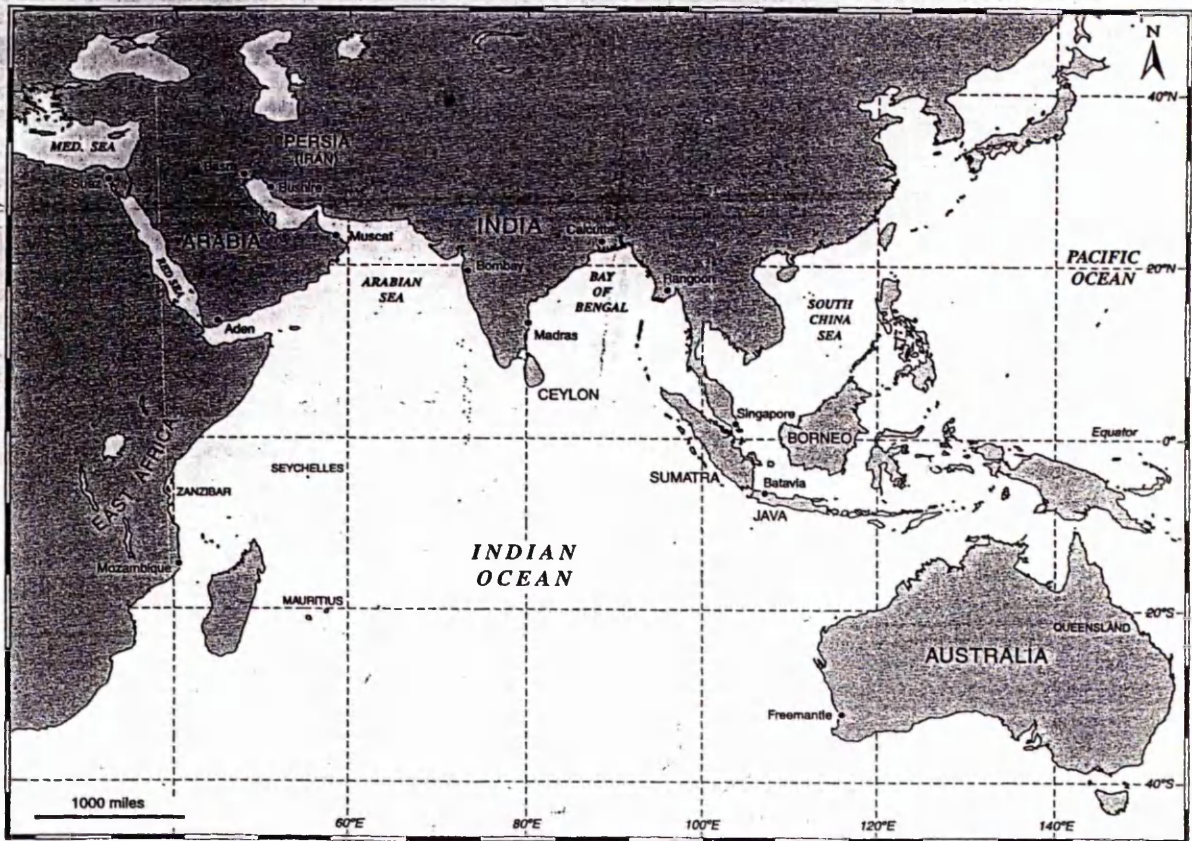
It could be argued that only shippers who relied on the regular service would tie themselves to the conferences. This regularity was exactly the advantage of shipping conferences. The shippers that did not require the regular service might charter a vessel occasionally and for this outside competitors might meet their demand. This might explain the inactivity of shipping conferences after the appearance of container in the 1970s.

¹⁰² Herman Amos, *Shipping Conferences* (Deventer, Netherlands: Kluwer Law and Taxation Publishers, 1983) Ch.4.

Structure of thesis

By studying some examples, the thesis aims to identify the effects of subsidies, one kind of protectionism operating within the government-business relations, upon the international shipping rivalries and the organisation of shipping conferences. In Chapter Two, in addition to the discussion of the traditional route operated by the P&O, I will discuss Britain's alternatives to the original mail service to the Far East: namely, the trans-Canada, trans-Pacific route and the trans-Siberian Railway. I will discuss the influence of politics over the choice of routes. In Chapter Three, I will discuss the development of the mail service to North America, especially with the growth of the Cunard Line, and the trial of the 'dynamic mail contract'. In Chapter Four, I shall write about the development of the (subsidized) Japanese shipping industry in terms of its rivalry with British shipping in the Far East. In Chapter Five, I will present a case study of this in relation to the international shipping competition in the China Market. On the shipping business in China, the discussion in Chapter Four of my thesis stops in 1927. This is because the foreign companies had to negotiate with the Nationalist Government from that time. It was a quite different situation in comparison to that under the central government in Peking before 1927. In my conclusion, I will suggest a reconsideration of the sources of the British maritime supremacy and the difference between the commercial approaches of the established British shipping lines and the 'newcomer' Japanese lines. I also will discuss the

effect of subsidies upon the stability of the Shipping Conference system.



Map 1. The Indian Ocean in the late nineteenth century (source: Munro, J. Forbes, *Maritime enterprise and empire: Sir William Mackinnon and his business network, 1823-93* (Woodbridge: Boydell Press, 2003) p.11.

Chapter Two

Carrying British Mail to the Far East

The carrying of British mail abroad has been an issue ever since the overseas trade became significant. The British marine industry was not so strong even in the early nineteenth century, in comparison to its supremacy later on. It could be argued that without subsidies the British shipping services would have been delayed in their development until a period when shipping costs had become much more economical.

In 1815, an act gave the Post Office power to utilise ships to carry mail whenever it was necessary and this service became one of the choices that the merchants could use for sending their mail.¹ Ability to maintain an efficient and regular mail service was always amongst merchants' concerns. On the side of the British government, the Treasury had to manage the cost and tried to minimise the expenditure. However, the political pressure made the situation complicated. Also, the improvement of technology continuously created new alternatives.

In this chapter, which will contribute towards the discussion of the issues identified in Chapter One, I shall use the mail service to the Far East as a case

¹ A. C. Wardle, 'The Post Office Packets' in C. Northcote Parkinson (ed.) *The Trade Winds* (London: George Allen & Unwin, 1948) p.288. Before then, it was typical that the passengers and the crews, including captains, brought private letters to their destinations.

study to reveal the problems that the British government faced and the consequences of their solutions. The British Government's problem can be seen as an example of the general problem of monitoring private provision of public services, but also of using state contracts in such a way as to further wider state aims which might include military, encouragement of trade, cementing of the empire. Then the Admiralty's interest in the mail contract will be examined. On the other hand, the companies' problem was their profit maximisation in the long term, which could include possibly using the state contract to ease various market difficulties in the business such as slumps in trade.

The principle of mail contracts

The Post Office had managed Britain's overseas mail service since the act of 1815. Due to the unsatisfactory financial record, at that time the British government favoured privatisation of the mail service.² A committee of Parliament in 1836 concluded that the mail packets managed by the Post Office should be replaced by contracts with private ships. In addition, the Admiralty would take over the remaining operation because the Government thought this service could serve military purposes as well.³ The Admiralty took over the packet service on 16 January 1837 and Sir William Edward Parry was appointed as the Comptroller of Steam Machinery and Packet

² Ann Parry, *Parry of the Arctic* (London: Chatto & Windus, 1963) p.191 & p.193.

³ Letter from the Treasury to the Post Office, 10 January 1860, in POST51/92.

Service on 19 April 1837, though his knowledge of steam was quite limited.⁴ He held the opinion that the British shipping could achieve an advantage on the ocean and the British government could assist by offering mail contracts.

In 1837, this policy was implemented. The Admiralty asked for the first tender for the Liverpool – Dublin service.⁵ In 1839, the Cunard Line was the first long-distance shipping company to have a contract with the Admiralty. More contracts followed this example; the Admiralty was very anxious to impose the policy of converting merchant steamers into warships in the 1840s and the Admiralty began to build up a naval reserve in the commercial marine.⁶

Of all the mail routes, the Far Eastern Route via the Isthmus of Suez was the longest. This route was used regularly soon afterwards and the Peninsular Steam Navigation Co. carried mail for the Admiralty via this route since 1840 when the Peninsular & Oriental Steam Navigation Co. (hereafter the P&O) was incorporated with a Royal Charter. In 1845, after private negotiations with the Admiralty, the P&O got the contract for carrying mail to Calcutta and China from Southampton.⁷ After a shipwreck in 1853, Charles Wood, the

⁴ Kay Grant, *Samuel Cunard* (London: Abelard-Schuman, 1967) p.88 and A. G. E. Jones, 'Rear Admiral Sir William Edward Parry' in *Musk-Ox* no.21 (1978) p.8. For a description on Parry's activities in this position, see Parry (1963) pp.189-196.

⁵ Actually, the first packet section that the Admiralty took over was Falmouth in 1823, see Jean Farrugia and Tony Gammons (1980). The first contract was in 1837 see Philip Bagwell, 'The Post Office Steam Packets 1821-1836 and the Development of Shipping on the Irish Sea' in *Maritime History* 1:1 (1971) pp.20-1.

⁶ C. J. Bartlett, *Great Britain and Sea Power 1815-1853* (Oxford: the Clarendon Press, 1963) pp.236-7.

⁷ Forbes (1996) p.67. The P&O did not call at Southampton after they set up in London in 1881. See Temple Patterson, *A History of Southampton III* (Southampton: Southampton University Press, 1975) p.10. The role of Southampton port rose after the First World War.

President of the Board of Control, made the Indian Navy abandon the existing mail service and transferred the service, from Bombay to Aden, to the P&O in 1855.⁸ Under the Indian Navy's control, the Post Office did not need to pay for the carriage of mail.⁹ From that time, the Post Office began to contribute half the payment to the P&O on this route.¹⁰

However, some changes affected the packet service during the 1850s. In 1853, in the Committee on Postal Contract (the Canning Committee), the Admiralty rejected iron as a material for construction of their fighting vessels. The Committee adopted this position in their recommendation. According to this principle, they suggested that the clauses relevant to the war service would be removed from all mail contracts if the mail steamers used iron as construction material. The Admiralty did not adopt the steel steamers extensively until 1875.¹¹ It could be suggested that this conservative attitude discouraged, as a former P&O chairman admitted, some shipping companies from adopting the new technology: the P&O claimed that their new order for iron steamers during the 1850s was delayed due to the mail contract.¹² The influence of the

The Cunard Line transferred the mail service from Liverpool to Southampton in 1919. See Hyde (1975), p.174. In 1925, the Southampton calling of the P&O was resumed, see Alan Leonard and Rodney Baker, *A Maritime History of Southampton* (Southampton: Ensign, 1989) p.88.

⁸ Letter from Charles Wood to the Court, dated 31 August 1853, in IOR F/2/18. James Douglas, *Glimpses of Old Bombay* (1900) pp.137-8. S. M. Edwardes, *The Rise of Bombay* (Bombay: The Times of India Press, 1902) p.263.

⁹ *The Post Office: an historical summary* (London: HMSO, 1911) p.60.

¹⁰ Ellis to Charles Wood 22 September 1853 in IOR L/MAR/2/271.

¹¹ J. F. Clarke & F. Storr, 'The introduction of mild steel into the shipbuilding and marine engine industries' *Occasional Papers in the History of Science and Technology* no.1 (Newcastle: Newcastle upon Tyne Polytechnic, 1985) pp.49-53.

¹² N. Barnaby, 'On the fighting power of the merchant ship in naval warfare' in *TINA* XVIII (1877) pp.1-7. See also Lord Brassey, 'Mercantile Auxiliaries' in *TINA* XLIII (1901) pp.223-231. See J. P. Baxter, *The Introduction of the Ironclad Warship* (Cambridge, MA: Harvard University Press, 1933) p.39. See also Cable (1937) p.135. Robinson (1964) p.218.

Admiralty weakened after 1860. Due to the fiscal limits, the British colonial armed forces abroad were reduced after a select committee's recommendation and the subsequent Parliamentary resolution.¹³ At the same time, the management of mail packets was returned to the Post Office in 1860, after the Select Committee on Packet and Telegraphic Contracts adopted the Treasury's opinion. The Treasury thought that the packet mail service had become a purely civilian matter and brought about the creation of the Marine Department of the Board of Trade, which could assist the Post Office on the nautical questions.¹⁴ Therefore, the Treasury suggested that the Admiralty should surrender this work.

During the period of Admiralty control of mail contracts, the decision largely turned on the issue of how to use the mail contracts in wartime. This was why the naval subsidies were larger than the postal costs and the size of the private

Donald F. Anderson, the chairman of the P&O during 1960s, claimed that the Admiralty was inefficient in the 1850s, in comparison to the Post Office's progress in seeking faster delivery of mail. See Donald F. Anderson, 'Development and Organization of the P&O Steam Navigation Co.' in *Studies in Business Organisation* eds. by Ronald S. Edwards & Harry Townsend (London: Macmillan, 1961) p.100. For more detailed narratives see D. K. Brown, *Before the Ironclad* (1990, Conway Maritime Press) esp. ch.7 & 8. Howard J. Fuller emphasised how 'Cobdenism', peace, international co-operation and free trade, as well as Gladstone's little Englander policy, discouraged the use of ironclad. See 'Seagoing purposes indispensable to the defence of this country': policy pitfalls of Great Britain's early ironclads' in *Northern Mariner* XIII (2003) pp.19-36.

¹³ 'Report of the Committee on Expense of Military Defences in the Colonies' *BPP* (1860) XLI (282); 'Report from the Select Committee on Colonial Military Expenditure' *BPP* (1861) XIII (423). For details, see D. C. Gordon, *The Dominion Partnership in Imperial Defence 1870-1914* (1965) ch.1. In this Committee, there was not even an Admiralty representative. See C. C. Eldridge, 'Forgotten Centenary': the defence review of the 1860s' in *Trivium* (Lampeter) 5 (1970) p.88.

¹⁴ Letter from the Treasury to the Post Office, 10 January 1860, in POST51/92. On the creation of the Marine Department see Jane H. Wilde, 'The Creation of the Marine Department of the Board of Trade' in *JTH* 2:4 (November, 1956) pp.193-206. Since the 1840s, the Board of Trade took over the control of mercantile marine from the Admiralty. See Leo Barnes, *Evolution and Scope of Mercantile Marine Laws relating to Seamen in*

vessels they contracted was much larger than the postal use required. However, the Post Office, who thought the subsidy should equal postal costs, had not worked in harmony with the Admiralty.¹⁵ In addition, under the Admiralty's control, the tender for the contract was not an open competition. As early as in 1851, the Select Committee on Steam Communication with India noticed the P&O monopoly in the Far Eastern service and suggested that the creation of "wholesome competition" could produce a better service.¹⁶ Some merchants on this committee criticised the P&O's service as inefficient and expensive.¹⁷ The concept of "contract sectionalisation", dividing the route into various contracts, appeared for the first time,¹⁸ but in actual fact, few shipping companies could manage long distance operations at that time. The P&O renewed its contract in 1852. The P&O did not agree with the opposition; they did not think the subsidy benefited their business. In contrast, the P&O argued that the subsidy was necessary to maintain regular sailing.¹⁹ However, the P&O admitted that the mail contract had saved them from ruin several times'.²⁰ It might be argued that the subsidies did benefit their business, but by transforming a potential loss into a profit, rather than conferring very large profits.

India (New Delhi: Maritime Law Association of India, 1983) p.29.

¹⁵ Robinson (1953) pp.184-185.

¹⁶ Second Report from the Select Committee on Steam Communications with India, &c. (1851) in POST71/45. p.ix. (thereafter the Committee of 1851).

¹⁷ See various evidence in the Committee of 1851.

¹⁸ Second Report, the Committee of 1851.

¹⁹ Daunton (1985) p.177. On the mail subsidy, Harcourt (1988) offered a very general outline. Her 'The P&O Company: Flagships of Imperialism' in S. Palmer and G. Williams (eds.) *Chartered and Uncharted Waters* (Greenwich: National Maritime Museum, 1981) offered an opinion about the expansion of British shipping imperialism. In addition to her emphasis that the P&O could handle the mail contracts by their closer relationship with the City and the Government, she emphasised that the P&O made profits by carrying opium and specie.

²⁰ Cable (1937) p.23 & 37.

Under the management of the Post Office from 1860, it was evident that the Post Office thought punctuality was the most important factor of all in the determination of mail contracts. Therefore, they wished to subsidise the shipping companies so as to maintain regular operation.²¹ In relation to the Far Eastern mail service in the early twentieth century, the Postmaster General admitted that the postal costs were actually very small in comparison to the huge subsidies.²² In 1903, Forman Buxton agreed that speed was not the most important factor that concerned the Post Office in relation to the large number of vessels and their services receiving postal subsidies.²³

This opinion was in accordance with the P&O's claim, but, in addition to this initial function of ensuring regular sailing, it could be argued that the subsidies provided more advantages for the shipping companies that received them, as Gordon Boyce has stated in his explanation of the function of subsidy from the perspective of economics:

“When subsidies were used to encourage the provision of services ahead of demand, recipients gained first mover advantages in assimilating route-specific knowledge. Government aid reduced initial financial risk while learning effects took hold and traffic was attracted by regular sailings.”²⁴

²¹ Buxton Forman's evidence in Select Committee on Steamship Subsidies, Minutes of Evidence (1901) Q736.

²² Robinson (1948) p.392.

²³ Minutes of two meeting held at the Colonial Office, 12 June 1903, enclosed in POST29/817 file XXII.

In 1860, the Post Office proposed the following principles of the mail contract for the Treasury's approval:²⁵

1. To deal with the responsible parties only.
2. For the conveyance of mail, the Post Office would monitor the speed, regularity and the savings only.
3. The tenders would be open to competition and the mail contract would be terminable if unsatisfactory.

However, the Treasury did not agree completely with the Post Office's opinion and they replied that the Treasury should give the final sanction. The Treasury also gave the following revised principles:²⁶

1. The Government would prefer to sign contracts with experienced shipping companies.
2. It would be the Post Office's responsibility to investigate ships.
3. It would be quite likely that few companies would bid and that they would probably ask for large subsidies in the next contract. Therefore, it would be better to get a longer-term contract and leave the competition to different independent shipping companies on one route.

The Post Office's proposal was in fact drawn from the recommendations of the Canning Committee of 1853.²⁷ Thereafter, with the Treasury's

²⁴ Gordon Boyce (1995) pp.115-6.

²⁵ Letter from the Post Office to the Treasury, 25 January 1860, in POST51/92.

²⁶ Treasury minutes dated 16 April 1860 in POST51/92.

²⁷ See 'Report of the Committee on Contract Packets' enclosed in POST29/94 Pkt 447L/1860, esp. pp.6-7.

authorisation, the Post Office could manage the mail contract and a new policy of subsidy was formed after 1860, following the Treasury's principles. In general, the Treasury maintained the opinion that the contract should be made with trustworthy experienced firms and that a regular and safe service was most important; therefore, the lowest cost was not always necessary.²⁸ During the 1860s, the subsidies to shipping companies were reduced. In the case of the Far Eastern route, in the new contract with the P&O in 1867, the annual subsidy was reduced from 500,000 Pounds to 400,000 Pounds. However, the Post Office agreed to increase the payment to 500,000 Pounds if the P&O dividends fell below 6%. In contrast, the Government would reap 25% of the excess in the dividend fund if the dividend rose above 8%.²⁹

The challenge to the old route and the problem of imperial defence

This section discusses the competition to the Suez route for mail to the Far East that arose from the emergent possibility of a North Atlantic – Canada – Pacific route to the Far East.

About the time that control of the contract was transferred from the Admiralty to the Post Office, the improvement of navigation technology made the Far Eastern service faster. Thomas Waghorn proved the route across Egypt to the Red Sea to be promising in 1837. In 1858, the rail link between Alexandria and Suez was completed. Although the Suez Canal was completed in 1869,

²⁸ POST29/94 447L/1860.

²⁹ Perry (1992) p.238.

the Post Office insisted that the mail cross Egypt by the overland route, otherwise there would be a reduction of subsidies by 30,000 Pounds a year. In 1871, the delivery became faster when a new railway allowed the diversion of the mail from Marseilles to Brindisi in Italy directly and the P&O vessels carried the mail to and from there.³⁰ In 1874, the new contract allowed the P&O to carry mail via the Suez Canal by reducing the subsidies by 20,000 Pounds a year.³¹ The Liverpool Steamship Owners' Association had protested to the Government against the contract with the P&O in 1874. In their opinion, the P&O received excessive subsidies and benefited from this in their competition with the other companies.³²

In the immediate period after the Admiralty lost control of the mail contracts, the influence of contemporary naval situation on the mail contracts diminished. From 1868 to 1874, Gladstone reduced naval expenditure. Although the opposition argued that the Navy had to obtain more fast cruisers to protect the British commerce abroad, the cruisers' sea endurance was insufficient at that time. More coaling stations abroad were necessary and this needed more money.³³

However, the situation regarding sea defence changed after the Franco-German war scare of 1875; the Admiralty realised that many coaling

³⁰ *The Post Office: a historical summary* (London: HMSO, 1911) pp.61-2.

³¹ Cable (1937) pp.164-6. In respect of the effect of the Suez Canal upon the 1874 contract, Goto (2001) ch.6 contains a detailed analysis.

³² Annual Report 1874 pp.7-8 in the Liverpool Steamship Owner Association D/SS/2/1, Minute Book, 30 July 1874 D/SS/1/1. See also Hyde (1956) pp.41-43.

³³ Bryan Ranft, 'Parliament debate, economic vulnerability and British naval expansion 1860-1905' in Lawrence Freedman, Paul Hayes and Robert O'Neill (eds.) *War, Strategy and International Politics* (Oxford: The Clarendon Press, 1992) pp.79-81.

stations would be undefended during war.³⁴ Moreover, they argued that the enemy would attack merchant shipping, instead of the Navy, to disturb the food supply to Britain. In 1874, Lord Alexander Miles had suggested that the Admiralty would have to charter fifty to sixty vessels to protect the commerce abroad during wartime because few plans were prepared.³⁵ In 1875, the Disraeli Cabinet began to increase the naval expenditures.³⁶ Some shipping companies, which also received postal subsidies, supported this policy. In December 1876, the Admiralty informed the principal shipping companies that a list of ships to fulfil certain criteria would be produced and asked for their co-operation.³⁷

In 1877, Lord Barnaby warned that the war vessels for trade protection were insufficient.³⁸ In 1878, due to fear of the potential threat from Russia after the outbreak of the Russo-Turkish War, the Admiralty were considering whether to resume their subsidies to merchant shipping, for use during wartime. However, it seems the shipbuilding technology failed to support the idea at that time. William Denny, a Scottish shipbuilder, warned in 1876 that the fast vessels could not carry heavy guns due to their narrow margin of stability.³⁹ For wartime purposes, there were over nine hundred ships reported to the

³⁴ D. M. Schurman, 'Esquimalt: defence problem 1865-1887' in *BCHQ* XIX no.1-2 (1955) p.59.

³⁵ ADM116/866B. The Protection of Ocean Trade in War Time 1905 (N.I.D. meeting 31 April 1905).

³⁶ Bryan Ranft (1992) pp.79-81.

³⁷ Adm116/400.

³⁸ N. Barnaby, 'On the fighting power of the merchant ship in naval warfare' in *TINA* XVIII (1877) pp.1-7. See also Lord Brassey, 'Mercantile Auxiliaries' in *TINA* XLIII (1901) pp.223-231.

³⁹ William Denny's statement in T. Brassey's 'On unarmoured vessels' in *TINA* XVII (1876) pp.22-23.

Admiralty and two hundred and nine listed up to June 1881, in comparison to fewer than thirty ships recorded in 1876. There were also a further seventy ships being built that would be listed.⁴⁰ The problem of colonial defence was under review at that time as well. In 1877, John Colomb warned that the British naval power in the Pacific was weak.⁴¹ In 1879, the Carnarvon Committee was formed to consider the question of colonial defence. In their confidential report, the Committee strongly recommended a greater naval force to protect British commerce abroad.⁴²

Possibly due to the naval considerations, the Post Office was not always in effective control of the awarding of contracts, as Forbes argued.⁴³ The contract offered in 1878 is a good example. In this bidding contest, the Post Office preferred to accept Holt's bid, which asked for smaller subsidies than the P&O, but a cabinet committee overruled and decided to accept the P&O's bid.⁴⁴ In 1880, despite Alfred Holt's strong objection, the P&O got an eight-year contract for an annual subsidy of 370,000 Pounds.⁴⁵ Thereafter, the P&O carried all the mail via France and Italy. All mail to India and China was

⁴⁰ Adm116/400.

⁴¹ J. C. B. Colomb, 'Russian development and our naval and military position in the North Pacific' in *JRUSI*, XXI (1877) pp.677-8. He thought that Canada should defend itself.

⁴² For more details, see D. M. Schurman *Imperial Defence* (London: Frank Cass, 2000) esp. Ch.4-5.

⁴³ Forbes (1997) pp.43-4.

⁴⁴ Holt had planned to get the mail contract since 1875 for the colonial service from New South Wales to San Francisco. See his correspondence with John Swire, 15 March 1875, in the Archives of John Swire & Sons Ltd. (thereafter JSS) XI 1/1. In 1879, Holt planned to make more stops to carry more cargo in his offer for the Eastern postal contract. See the correspondence 24 May 1879 in JSS XI 1/1.

⁴⁵ POST29/272-4. Goto and Forbes used the archives to organise good narratives about this case. *The Economist* criticised this contract as expensive. See *The Economist*, 28 June 1879 pp.734-5.

carried via Bombay and the previous Calcutta call was discontinued.⁴⁶

Shortly afterward, the policy of armed merchant cruisers began to supplement the mail contract, including on the Far Eastern route. This policy was put into practice for the first time in the Egyptian expedition from 1883 to 1885, but some of the vessels that the Admiralty took up had not been on the list. In his evidence to the Select Committee on Steamship Subsidies in 1902, John Colomb criticised the Admiralty for having wasted money on this project.⁴⁷ The policy was improved and put into practice in 1885 when the Penjdeh incident broke out and again Britain was under the shadow of a potential war with Russia after Russian military action in Afghanistan.⁴⁸ The Admiralty claimed that they spent 500,000 Pounds in 1885 to employ the vessels, some of which were contracted with the Post Office; presumably they were needed as armed cruisers. However, what was the most important of all in the Admiralty's opinion was to obtain the prior right of purchase and use during wartime, which was not an option at that time.⁴⁹ In 1886, the Admiralty began to negotiate with some shipping companies, including the P&O, the White Star Line and the Cunard Line, for a new shipbuilding subvention to armed cruisers during wartime.

In 1887 the Admiralty's principles regarding the conditions of armed merchant cruisers subventions were set out in an agreement with Cunard Line

⁴⁶ Robinson (1964), p.237.

⁴⁷ Select Committee on Steamship Subsidies, Minutes of Evidence (1902) Q2090.

⁴⁸ Demetrius Boulger, 'The P&O Company' in *The Asiatic Quarterly Review* (April 1889) p.257.

⁴⁹ Letter from the Admiralty to the Post Office, 11 September 1886, and letter from the Admiralty to the Treasury, 2 February 1887, both in POST29/476.

and White Star Line:⁵⁰

1. The vessels would be of a high speed
2. The Admiralty could purchase the vessels at a stated price at any time during the agreement.
3. The price named for each vessel varied at particular dates to allow for depreciation.
4. Specified rates of hire based on gross registered tonnage of ship.
5. The Admiralty could use certain other ships for war that did not receive the subsidies.
6. The ships that received subsidies would be strong enough to carry guns.

These principles became relevant to P&O in the same year. In 1887 it obtained a mail contract for the following ten years. This contract reduced the subsidies to 285,000 Pounds a year, on the grounds that all mail would go via the Suez Canal, where a night service was already entirely established. These reduced subsidies forced the P&O to reduce their costs by 170,000 Pounds for this route.⁵¹ The P&O realised it would be difficult to pursue business success in this situation.⁵² Therefore, the P&O turned to the Admiralty in connexion with the provision of armed cruisers.⁵³ The Admiralty put three vessels of the P&O on the list and paid about 10,000 Pounds every year.⁵⁴

⁵⁰ For the subvention to the Cunard Line and the White Star Line see 'Copies of correspondence respecting subvention of merchant steamers for state purposes' in *BPP* 1887 LII c.5006.

⁵¹ See Cable (1937) pp.181-2.

⁵² *The Times*, 7 December 1887, p.10 v-vi.

⁵³ See P&O 69-2 in the National Maritime Museum in Greenwich.

⁵⁴ *The Times*, 7 December 1887, p.10 v-vi.

Whilst Admiralty merchant-cruiser policy served in this sense to strengthen the position of P&O, another development at the same time, also with strategic implications, tended to weaken it.

The complete construction of the Canadian Pacific Railway (thereafter CPR), managed by a Canadian company under British registry, offered overland transport across British North America. This overland route via Canada became a potential route for carrying British mail to the Far East. The CPR was initially seen as a political investment, as well as a commercial venture, and received many subsidies for continental railway construction. For political reasons, this route offered a way of imperial communications; for military purposes, the trans-Canadian route might have become very important because the British always worried that their control over the Suez Canal would fail if war in the Middle East broke out.⁵⁵

In 1879, John A. MacDonald, the Canadian Premier, had argued that Canadian defence, including that of British Columbia, was a British responsibility.⁵⁶ This opinion might have influenced the British government's subsequent policy on subsidies to the CPR. In 1884, Macdonald alluded to the fact that Mitsubishi, a Japanese shipping company, would like to operate a transpacific service. He asked Stephen, the President of the CPR, whether the CPR wished to go into this business. The CPR did not give a definite reply, but began to contact the British Government, following Macdonald's advice, with bids for the mail contract to the Far East. Macdonald also promised he

⁵⁵ D. A. Farnie, *East and West of Suez* (Oxford: Clarendon Press, 1969) pp.334-5. See also Bush (1973) p. 486.

⁵⁶ Alice R. Stewart, 'Sir John A. MacDonald and the Imperial Defence Committee of 1879' in *CHR XXXV* (1954) pp.119-139.

would try to persuade the Canadian Parliament to authorise the additional subsidies.⁵⁷

According to a letter from the CPR to the High Commission for Canada in London in 1887 and the Treasury minutes of 1889, the first British tender for the Vancouver – Hong Kong service was asked for in 1885. Initially the Blue Funnel Line was the only bidder who offered an 11-knot service with a subsidy of 108000 Pounds every year. It is not clear why the British Government did not consider this offer. Maybe it was too expensive.

In 1885, in order to prevent the Russian expansion to the East, the Canadian Government was keen to ask for more British assistance in the defence of British Columbia.⁵⁸ In October 1885, the CPR offered a fortnightly service with a subsidy of 100,000 Pounds per year.⁵⁹ In December, John A. Macdonald gave Lord Salisbury the CPR's three-weekly service plan.⁶⁰ The Post Office favoured the CPR because they asked for smaller subsidies. However, the Treasury rejected this scheme because they thought the P&O mail service would not be diverted even after another route was established. The scheme was also postponed following the General Election of 1885.⁶¹

⁵⁷ Musk (1981) p.11. Heather Gilbert, *Awakening Continent* (Aberdeen: Aberdeen University Press, 1976) p.164&p.191.

⁵⁸ Reginald H. Roy, 'The early militia and defence of British Columbia 1871- 1885' in *BCHQ* XVIII no.1-2 (1954), p.27. In 1877-8 Canada had asked for assistance from Britain. See p.13, pp.18-9.

⁵⁹ Musk (1981), p.12.

⁶⁰ Minutes dated 7 January 1886 in CO42/786.

⁶¹ A letter from CPR to the High Commission for Canada in London, 27 July 1887. See also Treasury Minutes 18 July 1889, both in POST29/915. In his memo, dated 7 March 1904, G. H. Murray also claimed another reason to reject the CPR tender of 1885 was that the subsidies of 100,000 Pounds were not justified. See 'History of the Canadian Pacific Mail

In 1886, the CPR began its maritime business service, mainly carrying silk and tea from the Far East by chartered vessels. At the same time, Charles Tupper, the High Commissioner, tried to ask Frederick Stanley, the Colonial Secretary, for help.⁶² In 1886, a committee was established to re-consider the request of the Canadian Government for the establishment of a trans-Pacific mail route. In a memo to the High Commission for Canada in January, the CPR argued that their 15-knot service to China and Japan used specially designed ships. They asked for a subsidy of 100,000 Pounds per year. The CPR claimed they could give a faster service than the P&O.⁶³

In March 1886, the CPR modified the plan, proposing instead a fortnightly service. The Post Office estimated whether the CPR proposal would be economical. In their opinion, 55,000 Pounds out of a subsidy of 360,000 Pounds for the P&O was for the part of the service from the Straits Settlements to China. The CPR service to China would replace this Straits Settlements – Hong Kong service. However, they doubted whether the P&O would agree a reduction of their overall subsidies if they were not carrying mail from the Straits Settlements to Hong Kong. This meant that the British Government would have to largely increase their expenditure if they introduced subsidies to the CPR. Until in 1885 the Post Office did not support this scheme for a postal point of view.⁶⁴ In June 1886, in their report, the Committee on the Proposal of the CPR for the Establishment of a Line of

Contract' by G. H. Murray, 7 March 1906, in POST29/917 file XXXIII.

⁶² CO807/45.

⁶³ POST29/915 file I.

Steamers in the Pacific agreed with the opinion of the Post Office and they admitted that the new route would involve the governments in high subsidies. However, they pointed out that naval and military interests could support this scheme: the Admiralty required 17-knot or 18-knot vessels during wartime but they would not pay subsidies solely for this purpose. Earlier in April, actually, Major-General A. Clarke, Inspector-General of Fortifications had claimed, in a memo he submitted, that the Government could use the CPR transport in the Far East if the war broke out with Russia: he did not think the Suez route would be safe during wartime. Therefore, he suggested that the Government should be anxious to get an alternative route. In the report, the Committee agreed with this opinion: they even admitted this route was useless during peacetime and some military officers thought that maintaining the Canadian overland route would be too expensive.⁶⁵ On the other hand, some London businessmen stressed that they thought the CPR service would be profitable to the expansion of their trade.⁶⁶

And the Canadian Government was also very keen to establish a direct and regular mail service with Britain because at that time they normally had to

⁶⁴ POST29/915 file I.

⁶⁵ *The Report of the Committee on the Proposal of the CPR for the Establishment of a Line of Steamers in the Pacific*, June 1886 in POST29/915 file II and Enclosure (h) Memo by Major-General A. Clarke, 16 April 1886; Enclosure (i) Memo by Arthur Haliburton, Director of Supplies and Transports 16 April 1886. See also a later memo by G. H. Duckworth from December 1902, enclosed in POST29/917 file XXXI. In this memo, Duckworth mentioned the double trans-shipment and the terminal change in Canada caused the high operation cost of the CPR service. He regarded this decision as having been made for the military purpose of buying a 'war insurance'.

⁶⁶ Letter from the London Chamber of Commerce to Colonial Office, 20 March 1886, in POST29/915.

receive mail from the UK via the USA, since the Allan Line had ceased to call at Halifax after 1880.⁶⁷ For geographical reasons, the shipping service from New York to Britain dominated most of the business on the Atlantic route. On 29 January 1886, Stephen told Macdonald that they had held talks with the Allan Line about co-operation on the Atlantic section of the route. The CPR was able to persuade the Allan Line to co-operate. Stephen asked MacDonald to press Charles Tupper to give this plan his attention. However, in October, Stephen of CPR told MacDonald that they would not proceed of this operation without subsidies.⁶⁸ On 23 November 1886, the Canadian Government asked for tenders for a faster mail service between Britain and Canada but the three tenders received, including the Allan Line's tender, were all rejected.⁶⁹

In March 1887, Stephen cabled MacDonald and claimed the CPR agreed to accept a reduced subsidy for the Pacific service, to 60,000 Pounds.⁷⁰ In July 1887, the CPR submitted a more comprehensive scheme including a continental overland carriage, and which included a time limit for the overland carriage as well as the sea service.⁷¹ In addition, the mail steamers would also call at Shanghai. The Post Office thought this contract was better

⁶⁷ The subject of a direct UK-Canada mail route receives further treatment in Chapter Three.

⁶⁸ Musk (1981), p.19. (Musk's reference was in the archives in Canada, which I was unable to access).

⁶⁹ POST29/916 file XVII, the Post Office memo.

⁷⁰ Letter from John MacDonald to the Marquess of Lansdowne, 15 March 1887, in Joseph Pope (ed.) *Correspondence of Sir John MacDonal*d (Oxford: Oxford University Press, 1921) p.395.

⁷¹ POST51/94 Memo by H. Buxton Forman on the proposed CPR contract between China and Japan, 13 November 1887.

because the stop at Shanghai meant this service could replace the existing German and French packet service.⁷² They still did not think this contract was good enough in terms of the postal service, but they recommended this proposal to the Treasury for the “imperial point of view”.⁷³ Meanwhile, the Post Office learned that the Canadian Government had pushed the CPR to increase the speed of their vessels.⁷⁴ Some evidence revealed that this policy was a political consideration to conciliate public opinion in Canada, decided by the Cabinet and Charles Tupper, the High Commissioner for Canada. Tupper warned the British government that the failure of compliance with the CPR would encourage the commercial union between Canada and the USA.⁷⁵

It seems the Post Office did not trust the CPR service. S. Arthur Blackwood, the Secretary, held the opinion, which he declared in a memo, that the P&O service worked very well and he did not think the CPR could compete with it. He suggested the Postmaster General should keep the CPR contract shorter, even as short as several months, than the P&O’s ten-year contract, up until 1888.⁷⁶ The next day, the Postmaster General wrote to the P&O to warn that the CPR’s proposal might threaten the P&O’s service.⁷⁷

⁷² Since 1886, the Post Office had mail contracts with some foreign companies, including on this route. See POST29/1016.

⁷³ A letter to the Treasury, dated 2 September 1887, in POST29/915.file IV.

⁷⁴ A letter from the Post Office to the Treasury, 9 November 1887, in POST29/915 file V. The draft of this letter, dated 3 November, noted that Charles Tupper hoped the CPR could make a 16-knot service.

⁷⁵ See ‘History of the Canadian Pacific Mail Contract’ by G. H. Murray, 7 March 1906, in POST29/917 file XXXIII. Here Murray refers to two letters: Charles Tupper to Lord Goschen on 28 July 1887 and Lord Goschen to Charles Tupper on 19 September 1887.

⁷⁶ Memo by S. Arthur Blackwood, 7 November 1887, in POST29/915 file V.

⁷⁷ P&O 1/113 meeting 11 November 1887.

Following the Post Office's advice, on 21 November 1887 the Treasury authorised the Post Office to negotiate with the CPR. The desirable conditions included: 1. the length of contract should not exceed that of the P&O contract; 2. the British Government wished to be exempt from paying for the continental overland route.⁷⁸ Under these conditions, the British government agreed to subsidise the CPR, alongside the Canadian Government. For the trans-Pacific service, an annual payment of 60,000 Pounds - of which Canada paid 15,000 Pounds - was for the trans-Canada rail service and the trans-Pacific mail service between Vancouver, Hong Kong and Yokohama. The CPR was anxious to get the contract as early as it could: during the negotiations, the Post Office informed the Treasury that the CPR would accept reduced subsidies from 600,000 Pounds to 400,000 Pounds in exchange for being able to operate the service one year earlier than the British government suggested. However, the British Government rejected this request and insisted that the CPR should begin the mail service in 1889.⁷⁹

The proposal for this new service was a topic of debate in the British House of Commons: John Colomb criticised this service as money overspent. The Admiralty defended this policy and Forwood, the Secretary to the Admiralty, claimed that the proposal benefited the Government because it saved expenditure upon the Naval Reserve. Also, the subventions could ensure that the Admiralty would get vessels during wartime, as well as the speed, the strategic routes and the equipment. Meanwhile, it prevented the ships,

⁷⁸ Letter from the Treasury to the Post Office, 21 November 1887, in POST29/915 file VI.

⁷⁹ Letter from the Post Office to the Treasury, 5 January 1888, in POST29/915 file VII.

including the CPR's, being resold to enemies.⁸⁰ The British Parliament shortly afterwards passed legislation authorising a mail contract under which from 1889, the CPR began to carry mail for the UK to the Far East. Their three 16-knot ships were built to meet the British Admiralty's requirements for the carrying of arms during wartime.⁸¹ From 1892, the Admiralty paid 7312 Pounds every year for the three ships they subsidised, which was the only joint contract of both the Post Office and the Admiralty.⁸²

However, in 1902, John Colomb's criticism was that, of the total of sixteen ships on the list, only one had joined the service, yet the Admiralty had spent 535,000 Pounds. The only benefit that this policy secured was the prevention of vessels being transferred to a foreign power, in his opinion.⁸³ Nevertheless, it seems this policy benefited the shipping companies, too. In 1902, Professor Biles of the University of Glasgow, pointed out that the shipping companies which received subsidies from the Admiralty might use those updated vessels to carry mail for the Post Office, and they could secure the contracts with those high-speed vessels.⁸⁴ Including the vessels of CPR, by 1902, there were twenty-seven vessels that the Admiralty paid subsidies to that also received subsidies from the Post Office.⁸⁵

⁸⁰ *Hansard's* 7 September 1887 John Colomb's speech; see pp.1579-1589; Forwood's defence; see pp.1589-1597.

⁸¹ Turner (1981) pp.21-2.

⁸² Correspondences between the Post Office, the Treasury and the Admiralty January 1891 – August 1892 in POST29/543 Pkt.281S/1892.

⁸³ Select Committee on Steamship Subsidies, Minutes of Evidence (1902) Q2090.

⁸⁴ Professor Biles's additional remarks in the Report of the Committee on Mercantile Cruisers, Cd.1379 (1902).

⁸⁵ Adm 1/8383/174.

The problem of maintaining the regular mail service to Canada

The Post Office were adamant that the establishment of a fast Atlantic service to Canada would be the key to the success of the whole progress for an overland mail route via Canada to the Far East.⁸⁶ The Treasury and the Canadian Government expected to sort out the problem of the slow Atlantic service as soon as possible.⁸⁷ After some discussion, the Canadian Government promised to improve the Canada-Britain service without further subsidy.⁸⁸ Lord Goschen, the Chancellor of the Exchequer, had tried to persuade the CPR to operate the trans-Atlantic service but the company declined because they did not own sufficient vessels on the Atlantic. However, they had decided to back a company which was interested in this business.⁸⁹

The direct mail service from UK to Canada had become a problem as the Alline Line ceased to call at Halifax in 1880. From 1889, the Canadian Government had begun negotiations for a fast Atlantic service both with the Allan Line and with Messrs Anderson & Co.. The Canadian Government thought the subsidies that the Allan Line asked for were too high.⁹⁰ On 6 July

⁸⁶ Correspondence between the Post Office and the Treasury in 1888, in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904.

⁸⁷ Letter from the Treasury to the Post Office, 13 July 1888, in POST29/915 file VIII.

⁸⁸ Correspondence between Charles Tupper and Lord Goschen in June 1888, in POST29/915 file VIII. See also letter from the Treasury to the Colonial Office, 27 April 1897, in CO42/850.

⁸⁹ Gilbert (1976) pp.198-9, 231-2.

⁹⁰ POST29/526 Pkt441/R91. File I; Memo 'The History of Canadian Mail service' dated 8

1889, the Canadian Government contracted Messrs Anderson & Co., which was actually backed by the CPR. Within ten days, the CPR was contracted by the British Government for the transpacific mail conveyance. However, the Atlantic section did not operate because the CPR failed to sort out the problem of delay in overland transportation to Halifax, which occurred because the CPR had to transship into different carriages under the regulations of the inter-colonial railway in Montreal.⁹¹ In October 1889, the CPR admitted that they had failed to establish the connection to Halifax.⁹² The Canadian Government began to contact Archibald Bryce Douglas, the managing director of Armaments & Co. of Barrow-in-Furness, for establishing this trans-Atlantic service but he died on 5 April 1891, before he could organise the service.⁹³ At the same time, the Post Office asked the Treasury to press Canada about its pledge to improve the Atlantic service. Goschen informed the Postmaster General, in private, that he had communicated with Charles Tupper about this issue.⁹⁴

August 1895 from the Allan Line to Joseph Chamberlain in POST29/795 Pkt 12E/1904. File III.

⁹¹ POST29/916 file XVII, the Post Office memo. See Musk (1981) p.21. *The Times*, 18 May 1890.

⁹² Messrs. Anderson & Co's letter to *The Times*, 19 April 1890 & *The Times* 15 & 18 May 1890. They claimed that the CPR declined this plan on 8 October 1889 and they informed John Macdonald, the Premier on 12 October 1889; on the difficulties of railway connections see a press cutting from 29 October 1889 in POST29/916 file XVII. See Musk (1981), p.21.

⁹³ See *Montreal Gazette*, 6 April 1891 & Bowen (1928), p.50. See also *The Times*, 11 August 1894, p.10 and 14 August 1894, p.14; Appleton (1974) pp.143-144. The Allan Line claimed that Douglas tried to ask for assistance from the Allan Line. See memo 'The History of Canadian Mail service' dated 8 August 1895 correspondence from the Allan Line to Joseph Chamberlain in POST29/795 Pkt 12E/1904. File III.

⁹⁴ Correspondence between the Post Office and the Treasury in October-December 1889, in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904.

At the same time, the Canadian Post Office's contract with the Allan Line expired and the renewal failed because the Canadian Post Office refused to increase the subsidies.⁹⁵ The Allan Line contacted the British Post Office to see whether they could get a contract with the British Government.⁹⁶ The Post Office found out they could reduce expenditures by chartering the Allan Line vessels, instead of using the White Star Line via New York.⁹⁷ Therefore, they gave the Allan Line a positive reply. However, the Canadian Post Office refused to let the Allan Line carry all mail to Canada. Therefore, in addition to the contract with the Allan Line, the British Post Office decided to keep the contract with the White Star Line to carry mail to Canada via New York.⁹⁸ The Post Office advised the Treasury to arrange a provisional contract for one summer season. In October 1891, the Post Office terminated the contract with White Star Line.⁹⁹ Then the Post Office asked the Colonial Office to press Canada on the same issue again.¹⁰⁰ In reply to the Colonial Office's inquiry, the Canadian Government claimed that the expenditures which the Canadian Parliament authorised, were not sufficient. Therefore, they asked for British contributions to the subsidies, but the Government refused.¹⁰¹ In December,

⁹⁵ Telegraph from the Canadian Post Office, 13 April 1891 and letter dated 18 April 1891 enclosed in POST29/526 Pkt 441/R91. File V; *The Times*, 18 April 1891.

⁹⁶ Letter from the Allan Line to the Post Office, 14 May 1891, in POST29/526 Pkt441/R91. File VI.

⁹⁷ From the Receiver and Accountant General to the Secretary, 27 May 1891, in POST29/526 Pkt441/R91. File VI.

⁹⁸ POST29/526 Pkt441/R91. File VII.

⁹⁹ POST29/526 Pkt441/R91. File VIII & X.

¹⁰⁰ Cited from 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904.

¹⁰¹ CO42/813 and see letter from the Colonial Office to the Post Office, 2 January 1892 summarised in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904.

the Canadian Post Office resumed the contract with the Allan Line, with a subsidy of 126,000 Canadian Dollars a year, on the condition that the Allan Line would not discriminate against Canadian ports in freight rates.¹⁰²

Meanwhile, another question was raised about the terminus and middle stop. Charles Tupper alluded to the fact that the proposed shipping company might call at a French-speaking community in Quebec in summer and also that it might terminate at Plymouth in UK.¹⁰³ In the Post Office's opinion, this would be a disadvantage to the mail service for the English-speaking community in Canada. Meanwhile, the Irish might remonstrate because the terminus would not be in Ireland.¹⁰⁴

In 1892, the Allan Line, under pressure from the Canadian Government, offered a 20-knot scheme, in addition to their favourite 16-knot scheme. However, Furness, Withy & Co. won the contract because they asked for smaller subsidies. The 20-knot scheme failed to work because Furness, Withy & Co. insisted on a 4% guarantee on capital of a million and a quarter Pounds.¹⁰⁵ In 1893, another scheme, offered by Robert Napier & Sons, also failed to work.¹⁰⁶ The direct mail service to Canada remained a complicated problem for the British government.

¹⁰² *The Daily News*, 17 December 1891. See also letter from the Canadian Post Office to the British Post Office, dated 27 March 1890 in POST29/526 Pkt441/R91 File III.

¹⁰³ Interview with Charles Tupper in *The Daily Graphic*, 1 December 1891.

¹⁰⁴ Letter from the Post Office to the Colonial Office, 6 February 1892, cited from summarised in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904. In November, Charles Tupper alluded that the CPR might call at a port in the French community. See *The Times*, 3 November 1892.

¹⁰⁵ Bowen (1928) p.50.

¹⁰⁶ Appleton (1974), p.144.

'The All-Red Route' and the new contract of the P&O

The concept of fast steamships for connecting various parts of the empire, i.e. 'the All-Red Route', gained more political support in the 1890s as it could be an alternative route to the Far East from UK.¹⁰⁷ This would involve a Canada-Australia service, but the Post Office reminded the Treasury that a fast Atlantic service must be established for connecting such a service to the UK.¹⁰⁸ Canada advocated the concept of the "All Red Route" at the Imperial Conference in Ottawa in 1894.¹⁰⁹ For postal purposes, Forman Buxton, in his memo to Lord Jersey in the Colonial Conference of 1894, advised that a 20-knot service would be necessary for the UK- Canada service, to compete successfully with the UK- New York service. He suggested reducing the payment to the other shipping companies, including the White Star Line, the Cunard Line and the P&O to give more subsidies to the proposed service.¹¹⁰

In the Colonial Conference of 1894, the Canadian Government was anxious to get a fast, 20-knot service. In the same year, James Huddart, a British

¹⁰⁷ On the topic of the 'All Red Route', Hamilton (1956) is the best general survey.

¹⁰⁸ The Secretary's memo to the Postmaster General, on 22 July 1893 and the letter to the Treasury on 27 November 1893, summarised in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904.

¹⁰⁹ Richard Jebb, *Imperial Conference* (London: Longman, 1911) I p.163 and Maurice Olivier ed. *The Colonial and Imperial Conference 1887-1937* (Ottawa: E. Cloutier, Queen's printer, 1954) I, p.322. The CPR did not think the idea of the 'All Red Route' was commercially feasible. See Richard Jebb, *The Imperial Conference II* (London: Longman, 1911), p.353.

¹¹⁰ Buxton Forman's memo for Lord Jersey at Ottawa Conference 12 June 1894, summarised in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904.

businessman, claimed he could develop the All Red Route, including a 20-knot service on the Atlantic. Before the Colonial Conference he reached a provisional contract with the Canadian Government, and further negotiations with the British Government followed for the additional capital needed, but in February he failed to get the subsidies from the British government for his Australia-Canada service.¹¹¹ Later, he could not persuade the Government, especially Joseph Chamberlain, the new Secretary for the Colonial Office, to accept his tender for the transatlantic service, as Chamberlain insisted on calling for other tenders.¹¹² This decision might be due to the recommendation of the Eastern and Australian Mail Services Committee in 1894 (the Jackson Committee), which I will discuss in detail below.¹¹³ Following the resolution of the Colonial Conference in 1894, the Jackson Committee recommended that the Government should assist the establishment of the Atlantic service. One of the conditions was that the tenders should be an open competition.¹¹⁴

Meanwhile, the owners of the Allan Line, in a letter to *the Times*, warned that a 20-knot service in the St. Lawrence area would be dangerous due to the navigation conditions, so that Huddart would be unable to continue with his plan, and Quebec would be the terminus in summer.¹¹⁵ Later, in addition to emphasising the danger of the St. Lawrence area service, the Allan Line wrote to the Post Office to ask whether the Government would change their mind

¹¹¹ POST29/763 File II.

¹¹² CO/828 minutes, dated 12 November 1894.

¹¹³ See pp.84-5.

¹¹⁴ 'Memorandum on the late Mr. Huddart's scheme for a fast Atlantic service' by Buxton Forman in 1901 enclosed in POST29/796 Pkt 12E/1904 file XXI.

¹¹⁵ This had already an issue earlier in this century. See Chapter 3. See also *The Times*, 11 August 1894, p.10 and 14 August 1894, p.14. R. A. Shields, 'Canada, Britain and the fast Atlantic service, 1892-1906' in *Bulletin of Canadian Studies* 7(1983) pp.43-44.

and contribute towards the subsidies along with the Canadian Government.¹¹⁶ In April 1895, Huddart was still lobbying Charles Tupper about his fast Atlantic service.¹¹⁷ In July, George E. Foster, the Minister of Trade and Finance, informed the Allan Line that the Canadian Government would consider subsidising the Allan Line if Huddart failed to persuade the British Government.¹¹⁸

After Canada gave British imports preferential tariffs in 1895, the British Government conceded the subsidies. But on 11 October 1895, the Treasury informed the Colonial Office that the Government did not see the All-Red Route being able to compete with the existing service. Moreover, this proposal would benefit Canada and other colonies more than the UK. The Treasury refused to contribute 75,000 Pounds, as Canada had requested. However, the Treasury said it would be happy to contribute towards the Atlantic service, which was the key to making the All-Red Route successful. The details were pending until the new tender was decided.¹¹⁹ On 21 November 1895, Joseph Chamberlain wrote to the Governor General, Lord Aberdeen, to discuss the fast ship plan proposed in the Colonial Conference. Joseph Chamberlain claimed that the Government would assist if the

¹¹⁶ Letter from the Allan Line to the Postmaster General 24 August 1894, summarised in 'Abstract of references to improved Atlantic service promised by Canada' in POST29/795 Pkt 12E/1904. However, the most dangerous season of navigation in the St. Lawrence River is winter. Therefore, it could be argued that it might be safer if sailing in summer.

¹¹⁷ Letters from Huddart to Charles Tupper, 27 & 30 April 1895, both in POST29/763 File IX.

¹¹⁸ A copy of letter from George E. Foster to the Allan Line, 26 July 1895, enclosed in POST29/795 Pkt 12E/1904. File III.

¹¹⁹ Letter from the Treasury to the Colonial Office, 11 October 1895, in PO29/763, File X.

Canadian Government could speed up the transcontinental railway.¹²⁰ After Huddart's failure, the Canadian Government asked for tenders again. This time the Allan Line's tender was the lowest. With the endorsement of Charles Tupper and Joseph Chamberlain, the Canadian Commons approved subsidies of 750,000 Canadian Dollars and the UK Government agreed to pay 375,000 Canadian Dollars.¹²¹ But in June 1896, the Liberal Party won the election in Canada and Lord Aberdeen, the Governor General, refused to agree to these subsidies. He argued that approval by the new Commons was necessary. Before leaving office, Charles Tupper, the defeated premier, was unable to persuade Wilfrid Laurier, the new Premier, and Laurier decided to ask for another tender.¹²² In 1903, Frederick W. Borden, the Minister of Militia and Defence, claimed that the reason Laurier rejected the Allan Line was that they were unable to maintain the schedule.¹²³

¹²⁰ Letter from Chamberlain to Lord Aberdeen, 21 November 1895, enclosed in POST29/795 Pkt 12E/1904 File XII. Appleton (1974), p.146.

¹²¹ *The Times*, 27 & 29 June 1896; *The Globe* (Toronto), 16 July 1896, p.2. See also the interview with Tupper in 'The All Red Route', *The Morning Post* 7 September 1907.

¹²² Telegraph from Lord Aberdeen to the Colonial Office, dated 7 July 1896, in POST29/795. Pkt 12E/1904 File IX. On 10 of July, Chamberlain wrote to Lord Aberdeen to say he could do nothing about the Allan contract at that moment. One copy of this letter is enclosed in POST29/795 File IX. See also 'The All Red Route' *The Morning Post*, 7 September 1907. After the death of John MacDonalld in 1891, the ruling Conservative Party of Canada became disunited. Some earlier research had confirmed that the Governor General, Lord Aberdeen, and his wife who did not like Tupper, were very influential in the policy-making and had a preference for Laurier. Their attitude toward Tupper may have caused Lord Aberdeen's refusal of the Tupper cabinet's policy. See John T. Saywell, 'The Crown and the politicians: the Canadian succession question, 1891-1896' in *CHR* 37(1956) pp.309-337, esp.p.330.

¹²³ See Bush (1973), p.489. Another reason might be the Allan Line planned to call at Portland in winter, which left the scheme of the All-Red Route. See *The Times*, 4 October 1897, p.5.

On 25 September 1896, on behalf of Laurier, Richard Cartwright had a confidential talk with Joseph Chamberlain in Danvers, Massachusetts in the USA. He claimed that Laurier wished to learn Chamberlain's opinion before making the decisions, including that on the fast Atlantic service. Cartwright asked Chamberlain whether the British Government would contribute towards an 18-knot service. Chamberlain did not give a definite reply. He emphasised that the British Government would only subsidise the service if it was efficient. In his opinion, when allocating the subsidies, the Post Office would take into consideration whether the subsidised company would be able to operate the high-speed service they desired.¹²⁴ However, later, Chamberlain told Lord Aberdeen that he supported a 20-knot service, not the 18-knot service, which the Canadian Government proposed.¹²⁵

For the tender of 1897, Richard Reid Dobell, an imperial federalist in the Laurier Cabinet, was in charge, but he had no experience in the shipping business.¹²⁶ He had visited Britain to inquire how much the Government would contribute.¹²⁷ Messrs. Petersen, Tate & Co., backed by Richard Cartwright, the new Minister of Trade and Commerce tried to offer a 21-knot service with a subsidy of 750,000 Canadian Dollars a year, while the British Government, after Chamberlain's recommendation, would bear one-third, i.e. 250,000 Canadian Dollars.¹²⁸ Nevertheless, this company failed to secure a

¹²⁴ Joseph Chamberlain Papers JC9/2/1F/1 (thereafter JC).

¹²⁵ Letter from Joseph Chamberlain to Lord Aberdeen, 8 December 1896, enclosed in JC15/39.

¹²⁶ Memo 'The Canadian Mail Service' by Nathaniel Dunlop of the Allan Line, (c. April 1897) enclosed in POST29/795 File XIII.

¹²⁷ *The Times*, 5 April 1897, p.8.

¹²⁸ Letter from the Treasury to the Colonial Office, 27 April 1897, in CO42/850. See also *Newcastle Daily Leader*, 26 May 1897.

deal, due to an investigation revealing that the St. Lawrence area was not suitable for high-speed sailing; the company was also unable to raise sufficient capital.¹²⁹ In any case, the direct mail service to Canada could not be maintained.¹³⁰ In March 1899, Dobell brought another proposal to the UK and he wished to see how much exactly the Government would contribute, but the Government disagreed with the proposal and the Colonial Office refused to answer the enquiry.¹³¹ On 16 December, the Colonial Office informed the Treasury that the Canadian Government was distressed because it was difficult to form the contract without definite information about the British contribution. The Canadian Government wished to see how much the Government would contribute and whether a slower service than 20 knots would be acceptable. On 10 January 1900, the Post Office advised the Treasury that speed would be the top priority of all for postal purposes. To compete with the New York service, this service needed to perform at a speed of 18 knots. In reply to the Colonial Office, the Treasury claimed that the Government would contribute 35,000 Pounds per year towards an 18-knot service. In their opinion, this contribution would bear the same proportion to the cost of the service as a contribution of 62,000 Pounds for a 20 knots speed.¹³²

While the British government was supporting the mail service to the Far East via 'the All-Red Route', it was also using the expiry of P&O's ten year

¹²⁹ *Monetary Times* (Toronto), 1 July 1898, pp.14-15; Bush (1973), p.489.

¹³⁰ Letter from H. Buxton Forman to the Cunard Line, 27 November 1899, in the Cunard Archives D42/Ca41. Then the Cunard Line carried Canadian mail to New York.

¹³¹ POST29/796 Pkt 12E/1904 File XIX.

¹³² See 'History of the Canadian Pacific Mail Contract' by G. H. Murray, 7 March 1906, in POST29/917 file XXXIII. See also POST29/796 Pkt 12E/1904 File XX.

contract in 1898 to effect improvements in that service. In 1894, W. L. Jackson, MP, had organised a meeting of the Eastern and Australian Mail Services Committee with the Treasury, Colonial Office, India Office and Post Office. The Committee had recommended a move to “sectionalise” the mail route. In the tender of 1897 for the Far East Mail Service, in April 1896, the Post Office followed the recommendation of the Jackson Committee to “sectionalise” the mail route as follows:

1. A weekly service from UK to Australia, or a fortnightly service by alternative routes.
2. A weekly service from UK to Bombay;
3. A weekly service in each direction between Aden and Bombay;
4. A weekly service in each direction between Aden and Karachi;
5. A fortnightly service in each direction, between Colombo and Shanghai, calling at Penang, Singapore, and Hong Kong.

The Post Office received the following tenders:

1. Two all-inclusive tenders from the P&O for a weekly service to and from Bombay, and fortnightly services, via Colombo, to and from Shanghai and Australia. One tender naming Marseilles and the other Brindisi as the European port of departure and arrival, the subsidy asked being 310,000 Pounds a year for the service via Marseilles, and 330,000 Pounds a year for the service via Brindisi.
2. A tender from the Orient SN Co. for a fortnightly service to and from Australia, via Colombo, in alternation with a fortnightly service of some other contractor for the subsidy of 85,000 Pounds a year.

3. A tender from the Ocean Steamship Co. of Liverpool following closely the lines of the Postmaster General's advertisement, and offering a number of alternative services between Brindisi and Shanghai, together with extensions of these services to other ports.
4. A tender from the China Navigation Co. for a service between Calcutta and Shanghai.

The P&O was the only bidder who offered a comprehensive service. Despite the previous recommendation about sectionalisation, the Post Office claimed that the offer of the P&O was the only satisfactory one for the whole service and made a seven-year contract with them. In this tender, the Blue Funnel Line, the strongest competitor, proposed a newly designed ship that was small and fast, but the Committee rejected it. Meanwhile, the Blue Funnel Line was criticised because they could not offer the Australian service. Additionally, the Committee was not satisfied with the need of a further subsidy to the Blue Funnel Line for the parcel service connection.¹³³

In a statement to the Committee regarding the Blue Funnel Line, Alfred Holt strongly argued that the existing subsidies to particular shipping companies injured the British shipping industry because the subsidised companies could acquire stronger capacities.¹³⁴ Meanwhile, he argued his "specialised ship"

¹³³ Treasury Minutes, dated 29 May 1897, enclosed in POST29/895. Goto (2001) pp.282-294.

¹³⁴ As early as in the 1870s, Alfred Holt had voiced this opinion, as had John Swire. See Hyde (1956) pp.41-43. In the Committee of 1896, J. S. Swire had also made a similar statement. See a memo by Arthur C. Ferard, dated 22 June 1903, enclosed in POST29/817 file E. The high freight rates and high port charges were a topic of much debate since the late 19th century. However, the Select Committee on Steamship Subsidies in 1902 claimed

would be economical because the cost of construction would only be 10% of that which was paid on the P&O subsidy. In addition, these smaller ships would employ fewer crews and use less coal.¹³⁵

At the same time the P&O had planned to transfer their calling port from Brindisi to Marseilles for business purposes. However, the Post Office insisted on the Brindisi connection because a longer mail transit (by more than 18 hours) to India would follow the change to Marseilles. The P&O had no choice but to renew the contract for the existing Brindisi connection.¹³⁶ The P&O employed two small ferryships from 1898 between Port Said and Brindisi when the now bigger P&O vessels began to call at Marseilles.¹³⁷ From this perspective, the Committee's rejection of Holt's new ship proposal was not very reasonable. In 1903, a similar proposal by the Blue Funnel Line was discussed again by the Evelyn Cecil Committee and rejected. The Admiralty claimed this kind of small boat would be useless for naval purposes. The Post Office claimed they would never consider this proposal. Even the Board of Trade did not favour this boat because it excluded the possibility of commercial use.¹³⁸

the restricted subsidies would be of little influence upon the determination of freight rate.

¹³⁵ Sutherland's evidence on 23 July 1876 enclosed in POST51/102. See also the Fourth Report of Committee on Eastern and Australian Mail Services, 7 August 1896, enclosed in POST29/770 file VII.

¹³⁶ Treasury Minutes, dated, 29 May 1897, enclosed in POST29/895.

¹³⁷ POST29/817 file A, memo by Buxton Forman, 17 March 1903. See also Anon 'P&O's Brindisi-Port Said shuttle service' in *The Bulletin – The Liverpool Nautical Research Society*, 41:3 (Winter, 1997) pp.84-85.

¹³⁸ Minutes of 3 meeting held at the Colonial Office, 19 June 1903, enclosed in POST29/817 file XXIII.

It seems the recommendation of the Jackson Committee for 'sectionalisation' did not succeed in the tender of 1897. The rule that the British government applied was the "cost-saving" principle. According to their calculations, the new contract could save the Government 23550 Pounds every year.¹³⁹ In 1904, the Treasury expressed their opinion regarding tender "sectionalisation". The Treasury told the Post Office that they did not think the Jackson Committee recommendation would be useful in practice.¹⁴⁰ Buxton Forman also admitted that sectionalisation might not increase the numbers of tenders received per section. Moreover, the Post Office was cynical because it thought the shipping company could determine the conditions of the contract due to there being very few competitors.¹⁴¹ In the same year, the Chancellor of the Exchequer claimed that these subsidies for the All-Red Route were the most inefficient way to respond to the Canadian preferential tariff.¹⁴² Joseph Chamberlain was expected to promote his idea of 'imperial preference' in the Atlantic service.¹⁴³ As well as the failure of 'sectionalisation', in the case of the Atlantic service, it might be argued that almost none of companies could meet the requirement of fast speed and the huge capital involved.

¹³⁹ Treasury Minutes, dated 29 May 1897, enclosed in POST29/895.

¹⁴⁰ Letter dated 4 June 1904, enclosed in POST29/895 file II.

¹⁴¹ POST29/1118 file xix.

¹⁴² See 'History of the Canadian Pacific Mail Contract' by G. H. Murray, 7 March 1906 in POST29/917 file XXXIII. See also letter from the Treasury to the Colonial Office, 27 April 1897, to approve the expenditure enclosed in CO42/850.

¹⁴³ Such as in the case of the West Indies mail contract see Greenhill (1969) pp.120-7 & (1992) pp.73-96.

International Rivalry and the British fiscal crises

After 1900, the British government was more concerned with the shipping industry as a whole than the past. In 1902, the Select Committee on Steamship Subsidies concluded that free competition would be better than a state-subsidised shipping system, but at the Colonial Conference in the same year, they passed a resolution that only the British shipping companies should carry the British mail. They also decided that the Admiralty should be able to hire the ships under the mail contract during wartime. They passed another resolution to prevent the problem of “excessive” freight charges.¹⁴⁴ The Post Office disagreed with the last resolution, arguing that they thought it would be neither economical nor efficient. In a letter to the Colonial Office, the Post Office claimed it would be difficult to define what “excessive” freight charges were because there were so many and various interests involved.¹⁴⁵ However, the Colonial Office insisted on the resolution.¹⁴⁶

In respect of the international naval rivalry, though, the UK had maintained the strongest naval force in the world for many years. Under the subvention policy of the Admiralty, by 1900, there were seven shipping companies that the Admiralty subsidised, i.e. the Cunard Line, the White Star Line, the P&O, the Orient Line, the Pacific Steam Navigation Co., the CPR, and the Royal

¹⁴⁴POST29/822 file I.

¹⁴⁵POST29/822 file II.

¹⁴⁶POST29/822 file III. Chamberlain did try to intervene in the problem of the high charges of the shipping conference in South Africa but failed. See Robert V. Kubicek, *The Administration of Imperialism: Joseph Chamberlain at the Colonial Office* (Durham, N.C.: Duke University Press, 1969) pp.122-125.

Mail. The vessels had to meet the following conditions:¹⁴⁷

1. The highest continuous speed at load draught;
2. A minimum of 50 days' coal endurance at 10 knots;
3. Twin screws;
4. Ample subdivision into water-tight compartments;
5. Coal protection for boilers and machinery above water;
6. Approval of designs before construction, if practicable;
7. In war, the Admiralty could use certain other ships, which did not receive subsidies;
8. Convenience of trade so that vessels may be engaged for prompt use in emergencies;
9. A reasonable fixed surrender value.

In regards to the subventions, Lord Inverclyde, the chairman of the Cunard Line, gave evidence in the Committee on Mercantile Cruisers in 1902. In his opinion, the subsidy that the Government contributed to the shipping company made up for the difference of earnings between slower and faster vessels, 'at the rate at which a commercial undertaking of good credit could raise the money'.¹⁴⁸ In the report, the Committee also concluded that the Admiralty should guarantee a part of the initial cost of each ship, which a

¹⁴⁷ The conditions were cited from ADM1/8383/174. See Also 'Regulations for the subvention of Merchant Vessels that may be employed as Armed Cruisers' Admiralty on 9 October 1891, S.10340/91 enclosed in POST29/543 Pkt.281S/1892.

¹⁴⁸ Report from the Committee on Mercantile Cruisers, Proceedings of the Committee, Minutes of Evidence (1902) pp.28-32. On this point, see also p.274.

ship-owner would otherwise have to pay.¹⁴⁹ Comparing this with Gordon Boyce's definition of subsidies of mail contracts, as mentioned earlier, this made a certain difference: the subsidies of mail contracts secured the regular sailing and the routes; while on the other hand, the subvention of the Admiralty secured the cost of shipbuilding.

Nonetheless, Germany had tried to rival the UK by establishing a naval force, especially after the Naval Law was passed in April 1898. The British government had taken the rise of the German Navy very seriously from the early 1900s.¹⁵⁰ Moreover, Prince Louis of Battenberg, in 1902, had designed a scheme aimed at providing armed merchant cruisers and ensuring trade protection.¹⁵¹ According to this secret plan, the Admiralty wanted to obtain information about the route, equipment and cargo that they carried, for steamers that might be suitable as armed merchant cruisers. There is evidence that the Admiralty did contact the ship owners for this information.¹⁵² Later, the Admiralty entered into a contract with the Cunard Line for two fast ships with a minimum speed of no less than 24.5 knots in moderate weather.¹⁵³ The main reason that the Admiralty gave for this, was that the building of modern fighting ships would be very expensive, therefore, the subsidies for fast

¹⁴⁹ Report from the Committee on Mercantile Cruisers (1902) p.iii.

¹⁵⁰ John C. Lambelet, 'The Anglo-German Dreadnought Race' in *The Papers of the Peace Science Society (International)* XXII (1974) p.2.

¹⁵¹ 'Commerce protection in war right of merchant ships to resist capture in time of war and to carry arms for this purpose' (1902) in Mountbatten Papers MB1/T3(20).

¹⁵² The Correspondences between Mountbatten and Thomas Sutherland in 1903 in P&O11-30. Due to the large amount of British merchant vessels, Sutherland thought the few subsidised vessels would not affect the shipping capacity if they were used for naval purposes during wartime.

¹⁵³ See Adm1/8383/174. See also Charles E. Lee, *The Blue Riband* (London: Sampson Low, Marston & Co.) pp.187-189.

mercantile marine vessels was still a good idea for the Navy.¹⁵⁴

On the other hand, the Navy gradually changed their opinion about the convoy system. They did not think it was possible to convoy a large amount of vessels in all locations during war. They thought attacking the enemy's fleets should be the main goal in war.¹⁵⁵ Nevertheless, the Admiralty considered keeping the top fifty ships on the list, but not more, due to the high maintenance costs and adopted the revised strategies for reduced subsidies to fast mercantile marine vessels. The Admiralty did not wish to withdraw all the ships because they were worried about the situation of the sea trade when war arrived.¹⁵⁶ In addition to offering subsidies, the Admiralty was anxious to get more Royal Navy ships.

However, the source of funding was a problem. Since the late nineteenth century, the Government was finding it more and more difficult to deal with its financial problems. Expenditure increased in all departments, including the Post Office and the Admiralty. In 1902, the Admiralty found out it would be difficult to raise more funds, but even then they were still anxious to build more war vessels.¹⁵⁷ In early 1903, Ritchie, the Chancellor of the Exchequer,

¹⁵⁴ T. Brassey (1876) pp.13-18. Lord Brassey, 'Merchant Cruisers and Steamship Subsidies' in *TINA* XLVI (1904) p.33.

¹⁵⁵ CAB17/3. The Admiralty's memo to the Report of the Royal Commission on public supply of food and raw material in time of war in 1905 (the memo was dated 1903). Keith Neilson, 'The British Empire floats on the British Navy' in B. J. C. Mckercher (ed.) *Arms Limitation and Disarmament* (Westport, Conn: Praeger, 1992) pp.24-5.

¹⁵⁶ 'A note on the use of the armed merchant cruiser for the defence of trade' (n.d.) in Selborne Papers, MS. Selborne 146.

¹⁵⁷ Letter from Selborne to Curzon on 4 January 1903 in Curzon Collection MSS, Eur F111/229 (British Library, India Office Collection). This letter contains the updated information on the situation of British naval policy during 1902.

claimed that the Government revenue would not be able to cope with the increasing expenditure. In his opinion, the Government had to cut its expenditure in 1903-4.¹⁵⁸ Ritchie stepped down early, in September and Austen Chamberlain, the succeeding chancellor, decided to raise tax to respond to the crisis, in addition to cutting expenditure.

Under circumstance of a complete reorganisation of the military system, the Cabinet nevertheless approved a new battleship construction plan, but the Admiralty would have to reduce some of its other expenditures.¹⁵⁹ The Admiralty, who were determined to avoid conflict with the United States after the Alaska crisis in 1902, began to reduce its naval forces in North America, the West Indies and the Pacific in 1904,¹⁶⁰ and so reduced the garrisons and naval squadrons in the West Indies and Halifax.¹⁶¹ The Admiralty expected that Japan would assist in the defence of the Far East and they promoted a second Anglo-Japanese Alliance in 1902.¹⁶² To cope with the German threat, the Admiralty also strengthened the Home fleet, following the Selborne memorandum in December 1904. The fiscal crisis forced the Conservative cabinet to cut naval expenditure before the General Election in 1906, and the Admiralty decided to withdraw some convoy ships abroad, following the

¹⁵⁸ 'Our Financial Position', 21 February 1903 in T168/52.

¹⁵⁹ Jon Tetsuro Sumida, *In Defence of Naval Supremacy* (London: Allen & Unwin, 1988) p.24.

¹⁶⁰ See Kenneth Bourne, *Britain and the Balance of Power in North America 1815-1908* (London: Longmans, 1967) ch.10; C. P. Stacey, *Canada and the Age of Conflict I* (Toronto, Macmillan, 1977) pp.100-1, 125-6.

¹⁶¹ Samuel F. Wells Jr., 'British strategic withdrawal from the Western Hemisphere 1904-1906' in *CHR XLIX* (1968) pp.335-356.

¹⁶² See Ian Nish, 'Naval Thinking and the Anglo-Japanese Alliance 1900-1904' in *Hogaku Kenkyu* 56:3 (March 1983) pp.1-14.

Cawdor memorandum in 1905.¹⁶³

During this fiscal crisis, the Admiralty faced pressure from Parliament as well. On 2 July, 1903, after Gibson Bowles MP questioned whether the subsidies of merchant cruisers were useful and proposed to reduce the estimates to 28,000 Pounds, Arnold-Forster, the Secretary to the Admiralty, announced that the Admiralty would subsidise high-speed merchant cruisers, i.e. over 22 knots, for particular military purposes.¹⁶⁴ Actually, as already mentioned, the Admiralty had decided adopt the recommendation of the Select Committee on Steamship Subsidies in 1902, which had recommended that fewer vessels should be subsidised.¹⁶⁵ Therefore, following Lord Cawdor's suggestion, in July 1903 the Admiralty decided to stop giving subsidies to the vessels of the CPR - whose speeds were below 22 knots - on the Pacific route after the contract terminated in 1906.¹⁶⁶ Meanwhile, the Admiralty set the subvention for P&O at 16,495 Pounds as the final amount.¹⁶⁷

The Admiralty realised a conflict might occur in wartime because the Admiralty might purchase a vessel that also had to be used by the postal service. After the Admiralty's announcement in Parliament about the reduced

¹⁶³ See E. V. F. R. Dugmore, 'What is the influence of oversea commerce on the operations of war?' in *JRUSI* LVII no.424(June, 1913) p.763; E. L. Woodward *Great Britain and the German Navy* (Oxford: Oxford University Press, 1935) pp.84-5, 97-9.

¹⁶⁴ *Shipping Gazette and Lloyd's List*, 3 July 1903, which contained more detailed statements than the authorized edition, *the Hansard* 4 ser. 1241-1242.

¹⁶⁵ POST29/850 file XVI. Report of the Eastern Mail Service Committee of 1904, paragraph 18. Letter from the Admiralty to GPO and the Treasury, 7 July 1903 in POST29/773 file IX.

¹⁶⁶ H.O. Arnold-Forster Papers(thereafter AF) Add Mss 50295. S.21541/03. See also Adm1/8383/174 & Adm116/1226 and a letter from the Post Office to the Treasury, dated 5 July 1904, in POST29/917 file XXXII.

¹⁶⁷ Diviner (1960) pp.178-9.

subsidies on 2 July 1903, they tried to contact the Post Office about the prior right of purchase or hire for vessels in war. The Post Office questioned why the Admiralty had not consulted with the department before the announcement. The Post Office decided that they were willing to cooperate but they definitely would not allow any other departments to claim priority over the Post Office's interests. In reply, the Admiralty claimed that they had had no choice because Bowles had raised the question of large subsidies suddenly when the vote on the estimates came. The Admiralty was unable to continue granting large subsidies after the decision had been made.¹⁶⁸ About the same time as the Admiralty reduced the subvention, the Commons also, on 8 July 1903, criticised the postal expenditure on the ground of there being too many mail contracts for mail conveyance to the Far East.¹⁶⁹

The potential conflict between the Admiralty and the Post Office over wartime use of merchant vessels had emerged as a result of the Admiralty's policy of 1887 for the vessels. The Admiralty chose or designed the vessels on the route according to their strategy.¹⁷⁰ However, the Post Office did not subsidise the *vessels*. The Post Office only subsidised the shipping companies *for the carriage of mail*. In contrast to the Admiralty, the Post Office did not care about which vessels the companies used. The shipbuilding industry had also followed the Admiralty's policy, and some contemporary sources had pointed out that the shipbuilding industry shifted their production to meet the

¹⁶⁸ Correspondence between the Post Office and the Admiralty, July–August 1903 in POST29/773 file IX. For the summary of the recommendation, see 'The Steamship Subsidies Committee's Report' in *The Statist*, 20 December 1902, pp.1131-2.

¹⁶⁹ *Commons Debates* 8 June 1903.

¹⁷⁰ AF Add Mss 50295 paper, dated 7 February 1901.

Admiralty's requirements.¹⁷¹ As early as in 1886, the Post Office had realised the Admiralty's subvention policy would bring conflict with the Post Office's mail contracts. The Post Office tried to negotiate with the Admiralty for a joint contracts.¹⁷² However, only the CPR contract of 1891 became a joint one.

The renewal of the P&O contract in 1904

This general Admiralty policy had effects on the Far Eastern mail contract. In 1901, Thomas Sutherland, the Chairman of the P&O, admitted that the P&O derived huge benefits from the Admiralty's subventions.¹⁷³ In the early 1900s, even though the technology had improved very much, for many shipping companies, including the P&O, the speed was not their first concern. For business purposes, 14 knots was fast enough in the 1900s.¹⁷⁴ In 1903, none of the vessels on the Eastern route, including the P&O's, were over 22 knots.¹⁷⁵ The revised subvention policy meant that the Admiralty supported some particular companies to build some steamers capable of speeds that were not necessary for business purposes.

For the mail contract which was due to expire in 1904, the P&O promised to improve sailing speeds if the Government would offer a marginally increased subsidy.¹⁷⁶ Certainly the P&O could improve the speeds because they had got

¹⁷¹ David Pollock, *The Shipbuilding Industry* (London: Methuen, 1905) p.55.

¹⁷² Correspondences enclosed in POST29/476.

¹⁷³ See his evidence in Select Committee on Steamship Subsidies, minutes of evidence (1901) Q4625.

¹⁷⁴ Divine (1960) pp.153-4.

¹⁷⁵ POST29/850 file XVI. Report of the Eastern Mail Service Committee of 1904, paragraph 18.

¹⁷⁶ See P&O 30/78 Forman Buxton's talk, 18 March 1903.

the Admiralty subvention for the new vessels. Perhaps the P&O's promise reflected their anxiety to win increased subsidies from the Post Office for this contract. In his evidence to the Eastern Mail Service Committee (Evelyn Cecil Committee), Sutherland admitted that the P&O had made a loss recently.¹⁷⁷ The Governments of Ceylon, the Straits Settlements and Hong Kong supported the extension if it ensured speed acceleration.¹⁷⁸ The representatives for India insisted on a deal which would ensure acceleration and make the journey faster by 24 hours to and from Bombay if the Government intended to extend the contract; otherwise, the Indian Government would prefer to negotiate a new contract.¹⁷⁹ Probably due to the fiscal pressure, the Treasury remained firm in their decision that the Government would decrease the subsidies. Therefore India would have to pay 10,000 Pounds, in addition to their initial share, if they wished to get the acceleration.¹⁸⁰

In August, the Post Office informed the P&O regarding the conditions for the contract extension, i.e.

¹⁷⁷ POST29/817 file N.

¹⁷⁸ Correspondence with the Post Office in December 1902, enclosed in POST29/804 file IV.

¹⁷⁹ Letter from the Indian Office to the Post Office, 29 December 1902, enclosed in POST29/804 file X. and POST29/850 file II. The minutes of the Inter-departmental Committee (Evelyn Cecil Committee) 29 July 1903. See also minutes of the 10 meeting held at the Colonial Office, 21 July 1903, enclosed in POST29/818 file XXXIII. The Government of India and the Chamber of Commerce for India pressed for this action.

¹⁸⁰ POST29/850 file VI letter from Treasury, 12 August 1903. At that time, India had to pay 25% of the subsidies. See Forbes (1997) Ch.5 'Colonial Financial Contributions towards the Mail Service'.

1. Acceleration of speed ensuring reduction in journey time of 24 hours between Brindisi and Bombay.
2. Reduction in subsidy of 15,000 Pounds a year.

The P&O immediately objected, claiming that the operation would be difficult to maintain under the decreasing subsidies; also, that the condition of acceleration would increase the costs. To sort out this dilemma, the Post Office suggested that the penalty for service delay could be relaxed if the Government wanted to maintain the speed requirement. In addition to the official negotiations, some private meetings occurred between Thomas Sutherland and Forman Buxton, the Controller of the Packet Service. Privately,¹⁸¹ the P&O presented the following four proposals:¹⁸²

1. To extend the present service at a reduced subsidy of 10,000 Pounds a year
2. To accelerate the arrival of outward mail to Bombay by 24 hours, the remainder of the service to continue as at present, for the current payment of 330,000 Pounds, with a reduction of 10,000 Pounds a year if extended by 3 to 5 years.
3. To continue the present annual payment with a reduction of 15,000 Pounds a year if extended by 3 to 5 years, and to reduce the journey time by 24 hours for the mail to and from Bombay and Shanghai. The Company would have the option to carry Australia and China's mail via Bombay, and the homeward voyage not to be subject to penalty unless the present scheduled time is exceeded.

¹⁸¹ POST29/850 file III.

¹⁸² POST29/850 file V.

4. To make Marseilles the port of arrival and departure, with an increased time allowance of one day to and from Australia, for the same subsidy as at present if extended to 3 years, and allowing a reduction of 25,000 Pounds if extended for 5 years.

The first two proposals were in response to the earlier official discussion inside the Government. Sutherland admitted that the speed might not be improved, due to the problems caused by the International Sanitary Board's regulations in Suez. In addition, Sutherland drew Forman Buxton's attention to the P&O's favourite proposals; the third and fourth. Under the third proposal, the service to China could be faster but Sutherland admitted that the homeward calling at the colonies in South Asia might delay efforts to extend this faster service to China during the southwest monsoon season.¹⁸³ Under the fourth proposal, the P&O would abandon calling at Italy and turn instead to France. Sutherland argued that the Government could save a large amount of money this way but he admitted the political consequences should be taken into consideration because Britain would not make payment to Italy for the mail transit by rail if the calling was abandoned. During the talk, Sutherland suggested there would have to be a choice between either a faster service or smaller subsidies. From the viewpoint of both the commercial purpose and the public demand, it would have to be decided which was the more important. It was concluded that some investigation should be done to see whether the faster speed was really desirable.¹⁸⁴

¹⁸³ Monsoon is a periodic wind, especially in the Indian Ocean and Southern Asia. The season of southwest monsoon, approximately from May to September, in India and adjacent areas, is characterized by very heavy rainfall.

¹⁸⁴ POST29/850 file VI, memo dated 19 August 1903 on the negotiation with P&O of 10

In their decision, the General Post Office did not consider the fourth proposal because it would be such a big change.¹⁸⁵ However, the conflict of interests among the colonies made the situation more complicated: in November, the General Post Office learned that the Indian Government only wanted to accept the third proposal because it meant that they could get a faster service. However Ceylon and the Straits Settlements were in favour of the first proposal, along with the Post Office.¹⁸⁶ Both Ceylon and the Straits Settlements disagreed with the third proposal because they did not want to get a slower service. Therefore, in support of the Straits Settlements and Ceylon, the General Post Office negotiated with the P&O for a penalty clause if the service failed to make the required acceleration over the whole service in both directions.¹⁸⁷ The P&O argued that they would have to employ faster ships to meet this revised target. They preferred to operate a faster service to India and China and to relax the penalty for the homeward service. In late November, the P&O submitted an alternative fifth proposal: the P&O would continue the service under the present rate of payment, with a decrease in journey time to 24 hours on the Bombay line, 48 hours on the China line, and 30 hours on the Australian line, but with the stipulation that the penalties for delays on the homeward routes should not be enforced unless the present contract time

August 1903. In 1892, the Post Office had also considered the use of Marseilles, but the P&O advised that the transit period to the Orient would be longer. Therefore, the Post Office postponed this idea. See the correspondence between the Post Office and the P&O in 1892, enclosed in POST29/550 Pkt 400S/1892.

¹⁸⁵ POST29/850 file VI, memo dated 19 August 1903.

¹⁸⁶ POST29/817 file R.

¹⁸⁷ POST29/850 file IX letter to the P&O, 18 November 1903.

limits were exceeded.¹⁸⁸

The Post Office was not satisfied with this revision; instead they proposed another revision: the offer would be modified subject to the present penalty clauses operating in both directions and without any increase in the time allowance during the southwest monsoon. The Post Office asked what the conditions were that the P&O desired for it to renew the contract.¹⁸⁹ According to the fleet list of the P&O, both the fastest ships "Arabia" and "India" had been designed to achieve a maximum speed of 18 knots.¹⁹⁰ However, Buxton Forman noticed that the P&O ships, "Persia", "Arabia" and "India", had failed to maintain a speed of 13 knots during the last southwest monsoon season and the P&O directors claimed that they needed to achieve an 18-knot speed if they wished to reduce the journey time by 24 hours during the southwest monsoon. However, they could not promise this speed and they could not predict how much additional cost they would have to bear. In this predicament, the P&O pressed the Post Office for a 36-hour southwest monsoon allowance (an additional 12 hours in comparison to the existing clause).¹⁹¹

In addition to negotiating the postponement of the penalty and the monsoon allowance, the P&O urged the General Post Office for an extended contract; they claimed they would accept a reduced annual subsidy with a contract of

¹⁸⁸ POST29/850 file X letter to the General Post Office, 25 November 1903.

¹⁸⁹ POST29/850 file X. Letter to the P&O, 8 December 1903.

¹⁹⁰ *P&O: a fleet history*, ed. by Stephen Rabson & Kevin O'Donoghue (Kendal: The World Ship Society & the P&O, 1988).

¹⁹¹ POST29/817 file S. Memo by Buxton Forman, 10 December 1903.

up to five or seven years.¹⁹² Finally, both parties reached a revised proposal: proposal number six was a service on the lines of the present arrangement, but the whole journey would be faster by 24 hours. The acceleration was to be guaranteed in both directions by the present penalty clauses, but with an allowance of 36 hours for the monsoon season. It was to be for 3 years at 340,000 Pounds a year, that sum being reducible to the present rate of 330,000 Pounds a year for the whole term if it were decided to prolong the contract to 5 years and 315,000 Pounds a year for the whole term if it was prolonged to 7 years. The Admiralty had calculated that the P&O would have to bear the loss of another 30,000 Pounds as the cost of extra speed for joining this scheme.¹⁹³

In their report, the majority of the Eastern Mail Service Committee, including the India Office, Colonial Office, Admiralty and Board of Trade, recommended the adoption of the sixth proposal. The General Post Office and the chairman Evelyn Cecil MP, supported a minority recommendation in favour of the first proposal because they did not think acceleration was necessary for postal purposes. The first proposal could also save the British government 10,000 Pounds every year.¹⁹⁴ However, this minority did not want to waste time objecting and decided to compromise.¹⁹⁵ After the General Post Office's confirmation of the sixth proposal, the Colonial Office informed the Treasury that the Eastern Colonies would pay the additional contributions

¹⁹² POST29/850 file X. Letter to the General Post Office, 11 December 1903.

¹⁹³ POST29/850 file XVII. Letter from the General Post Office to the Treasury, 12 January 1904.

¹⁹⁴ POST29/850 file XVII. Letter from the Treasury to the Post Office dated 5 February 1904.

¹⁹⁵ POST29/850 file XVII. Letter from the General Post Office to the Treasury, 12 January 1904.

proportionally.¹⁹⁶ In 1904, the Eastern Mail Service Committee recommended extending the P&O contract for another three years to 1908, for more time to let the competition develop for this service.

In the tender of 1907, the P&O offered the only bid and they asked for 305,000 Pounds every year for the contract.¹⁹⁷ The Post Office concluded a seven-year contract from 1908.¹⁹⁸ It seems that the P&O controlled the process of the negotiation.¹⁹⁹ In 1903, Forman Buxton told the P&O that if the Eastern Colonies and India disagreed with the Post Office's proposal about the reduction of mail subsidies, as mentioned above, then the Post Office would prefer to extend the present contract.²⁰⁰ The P&O thought the Post Office's proposal would be rejected and they decided to take this opportunity to negotiate a long-term contract.²⁰¹ In 1907, the Post Office was anxious to settle the new contract. When the P&O declined the Admiralty clause, that the ships receiving subsidies had to get consensus with the British government before any sales, the Post Office asked the Admiralty to compromise.²⁰² The P&O made it their target to reach a revised seven-year contract.

The struggle of the UK-Canada direct mail service and the rise of the

¹⁹⁶ POST29/850 file XVII. Letter from the Colonial Office to the Treasury, 18 February 1904. The apportionment of huge subsidies had been a fiscal problem for many years. Previously, the British government had paid half the costs and India had paid the other half, but then the mail route was diverted and so from 1867 more eastern colonies were asked to pay. See POST43/28 'Notes on the history of the division of the cost of the Eastern mail service'. For a modern narrative, see Forbes (1997) Ch.5 'Colonial Financial Contributions towards the Mail Service'.

¹⁹⁷ P&O 1/117, 1 August 1906.

¹⁹⁸ P&O 1/117, 26 June 1907.

¹⁹⁹ Goto (2001) pp.294-308.

²⁰⁰ See P&O 30/78 Forman Buxton's talk, 18 March 1903 and See P&O 30-79.

²⁰¹ See P&O 30-79.

²⁰² See correspondence between the Post Office, the Admiralty and the P&O from June -

trans-Siberian railway

After 1900, the trans-Canada mail service lost their initial advantages due to the irregular mail service on the Atlantic. P&O also improved their service by using some faster vessels. And the trans-Siberian railway also had become a new way to carry mail to the Far East from UK.

In January 1900, in a letter to the Treasury regarding the CPR contract terminating in April 1901, the Post Office claimed they were unsatisfied with the slow and irregular Atlantic service, which the Canadian Government was unable to improve. In comparison to the improved P&O service, the CPR no longer had an advantage. However, the Post Office knew the CPR would be the only feasible company to offer the trans-Pacific service if the British Government wished to maintain this service.²⁰³

In August 1900, the Canadian Government informed the Colonial Office that they would like to pay more than their existing contribution (25%) towards the subsidies for maintaining the CPR service. They wished to extend the present contract for another three years and to find out whether the CPR could get new steamers for a more frequent service.²⁰⁴ In October, the Post Office told the Treasury that they hoped the new contract would include the *transpacific* mail conveyance only and that the overland conveyance would be left to the Canadian Government. Furthermore, the Post Office suggested

July 1907 in POST29/935 file XIII.

²⁰³Letter to the Treasury, 23 January 1900 in POST29/916 file XIX.

²⁰⁴Letter from the High Commission for Canada to the Colonial Office, 9 August 1900 in POST29/916 file XX.

abandoning the overland route via Canada, using instead the Cunard Line or the White Star Line to carry the mail to New York, where the US Post Office would carry British mail to the western coast. According to their estimates, it would save two days in comparison to the Liverpool – Canada route. After their calculation, the annual subsidies could also save 250 Pounds in comparison to the hired German and French packet services to China. Again, the Post Office claimed that the CPR service was not good enough for postal purposes. They argued that other departments should share the expenditure.²⁰⁵ In reply, Joseph Chamberlain suggested using part of the Colonial Office Vote and disagreed with the proposal, insisting on a combined sea and land contract.²⁰⁶ He kept confidence with the CPR and was under the impression that the Canadian Government was working to improve the Atlantic service. The Post Office objected strongly after they learned of Chamberlain's preference for the CPR.²⁰⁷

In favour of renewing the CPR contract, the Canadian Government claimed that the CPR still possessed advantages, in comparison to the P&O service via Suez to Japan, but they admitted that the CPR service to China was slower.²⁰⁸

²⁰⁵Letter to the Treasury, 23 October 1900 in POST29/917 file XXI.

²⁰⁶However, later the Colonial Office refused to contribute. See 'History of the Canadian Pacific Mail Contract' by Sir G. H. Murray, 7 March 1906 in POST29/917 file XXXIII. In this Murray claimed the Government had intended to create an 'Imperial Communication Vote' but gave up because they were worried there would be too many claims.

²⁰⁷Correspondence between the Treasury and the Post Office in December 1900 in POST29/917 file XXII.

²⁰⁸Extract from a Report of the Committee of the Honourable the Privy Council, 29 November 1900. Enclosed is a letter from the Colonial Office to the Post Office, 31 December 1900 in POST29/917 file XXIII. Sir Thomas Sutherland admitted that the service via the North American route to Japan could be faster than through the Suez. See his evidence in Select Committee on Steamship Subsidies, minutes of evidence (1901) Q4518.

Moreover, the CPR admitted that the demand for the transpacific service was not high enough and the higher freight rates, in comparison to the Suez route, discouraged business. In their view, the high speed, which the Government desired and would subsidise, was not necessary for commercial purposes. For the transatlantic service, the CPR claimed that they would establish a fast Atlantic service, for postal purposes, in the next 2-3 years and hoped to reduce the subsidies afterwards.²⁰⁹ Despite this promise, the Post Office doubted whether the CPR could establish a fast Atlantic service. They also pointed out that the P&O took 29 days to arrive at Hong Kong and the CPR took 40 days, meaning that the CPR had to save more than 10 days in the whole service; otherwise they would not be able to compete with the P&O.²¹⁰

The Treasury admitted that the CPR service was not satisfactory, but they still authorised the maintenance of the CPR service for another five years, in order to see if the CPR could establish a faster Atlantic service. The Treasury would not increase the subsidies because they did not think the British Government gained from this service. The Treasury decided that the Post Office should pay the greater part of the cost. Meanwhile, the contract would include the combined land and sea service, due to the fact that “efficient competition” was absent.²¹¹

²⁰⁹ A letter from Lord Strathcona to the Colonial Office, 2 January 1901, enclosed in letter from the Colonial Office to the Post Office, 5 January 1901 in POST29/917 file XXIII.

²¹⁰ Letter to the Treasury, 10 January 1901 in POST29/917 file XXIII.

²¹¹ Letter to the Post Office, 18 January 1901 in POST29/917 file XXIV. See also a letter from the Department of Trade and Commerce in Ottawa to the High Commissioner of Canada, 4 March 1901, which referred to a letter from the Colonial Office to the Governor, 18 January 1901 in POST29/917 file XXV.

The Post Office was unhappy with the decision; Sir G. H. Murray, the Secretary, argued that the Post Office would pay 5,000 Pounds maximum.²¹² The Treasury maintained its initial decision and the Post Office's objection followed.²¹³ The Post Office argued that more departments in the Government, e.g. the Board of Trade, the Colonial Office and the War Office, should contribute towards the payment.²¹⁴ It seems the Post Office was very unsatisfied with the CPR service; they always took every opportunity to advise the Treasury to terminate the contract. In 1904, when the Admiralty informed the Post Office that they would abandon the CPR subsidies when the contract terminated in 1906, the Post Office told the Treasury that even the Government would save money if the CPR contract terminated earlier in 1905.²¹⁵ In reply, the Treasury claimed they would not wish to renew the contract in 1906 but they rejected the idea to terminate it earlier.²¹⁶

In March 1906, the CPR wished to renew the contract for another five years and they promised to accelerate, making the journey time decrease by twenty-four hours.²¹⁷ What followed was an attempt by the Colonial Office to put pressure on the Treasury to accept the CPR's request. In their letter to the Treasury, the Colonial Office claimed the subsidies would remain the same

²¹²Letter to the Treasury, dated 26 January 1901. Murray stated his opinion in the draft to the Postmaster General, 24 January 1901. Both are in POST29/917 file XXIV.

²¹³Correspondence between the Treasury and the Post Office in February 1901, in POST29/917 file XXIV.

²¹⁴Memo by G. H. Duckworth, December 1902 in POST29/917 file XXXI.

²¹⁵Letter to the Treasury, 5 July 1904 in POST29/917 file XXXII. The Government would be fined 7500 Pounds if they terminated the contract any earlier. In comparison with the annual contribution, it would not be a great loss.

²¹⁶Letter to the Post Office, 20 July 1904 in POST29/917 file XXXII.

²¹⁷Letter from the CPR to the High Commission for Canada, 22 March 1906 in POST29/917 file XXXVIII.

and that the CPR would accelerate the journey to reduce its duration by twenty-four hours. They also reported that the CPR would establish a fast Atlantic service in a few months and more Continental mail might choose this route, therefore the British Post Office might increase its revenue. Eventually, the Colonial Office claimed the suspension of this service would leave Canadians disappointed and Britain would lose an alternative route to the East.²¹⁸ The Post Office conceded to agree a new contract with “a point of view that to improve the communication of a British route rather than of the value of a service measured by cost against receipts.” The Post Office also set two more conditions: 1. The regular performance of the service. 2. The subsidies should include the prerequisite that the CPR’s Atlantic service and the transatlantic service contracted by the Canadian Government would carry British mail free of charge. According to this scheme, the British Post Office could save 1700 Pounds a year. The representative of the CPR claimed their President would make the decision.²¹⁹ Later, in his private correspondence with the High Commissioner for Canada, the Postmaster General, Sydney Buxton, urged that the Canadian Government should offer free sea transit for the British mail, and the Post Office would lower the postage to Canada in return. In his opinion, this policy would bring Britain and Canada closer.²²⁰

Sydney Buxton thought the lower postage paid by the public from Canada to the USA would promote a good relationship between Canada and USA;

²¹⁸Letter from the Colonial Office to the Treasury, 27 March 1906 File XXXVIII.

²¹⁹Letter from the Post Office to the Treasury, 29 March 1906 File XXXVIII. See also letter from the Post Office to the Colonial Office, 16 March 1906 in POST29/917 file XXXVII.

²²⁰Letter from Sydney Buxton to Lord Strathcona, 26 April 1906, in Ripon Papers MSS Add 43555 IXV ff.249-251.

therefore, the postage paid by the public from Britain should be the same as that for the US. Actually, in 1897, William Mullock, the Postmaster General of Canada, had mentioned the point that a lower postage to the USA would make Canadians favour the American market. Later, Chamberlain pushed for the reduction of postage to Canada, but the Postages to and from the USA were reduced in 1899 and remained lower than the Postages to Britain.²²¹ The Colonial Conference of 1902 suggested a further reduction of the postage between Canada and Great Britain. Later, the Canadian Post Office proposed to apply the Canadian domestic postal rate to the whole British Empire, but the Post Office refused. The Post Office claimed that the inland postal rate would be higher than the imperial postal rate if this policy was put in place. In February 1905, the Canadian Commons passed a resolution applying the imperial postal rate to periodicals, to prevent the expansion of US publications in Canada. However, Lord Stanley, the Postmaster General, refused.²²² It might be suggested that the British government tried to promote the larger circulation of mail between Britain and Canada, in which case the transatlantic shipping business might ask for further subsidies and thus for further support for the regular shipping services.

The proposal of Sidney Buxton, which was a modified version of an earlier Canadian proposal, was put in place on 1 May 1907. The postal rate for printed matter from Britain to Canada was reduced from 4d to 1d per Pound. Meanwhile, the Post Office insisted that Canada had to increase the postal rate

²²¹ See Robert M. Pike, 'National interest and imperial yearnings: Empire communications and Canada's role in establishing the Imperial Penny Post' in *JICH* 26:1 (January 1998) p.29. 38.

²²² John S. Ewart, *The Kingdom of Canada* (Toronto: Morang & Co., 1908) pp.290-6.

between Canada and the USA to 8d per pound. After this revision, Canada began to pay the ocean transit rate on behalf of Britain.²²³ According to this CPR contract, which began in 1906, the British Government were not charged for transatlantic mail conveyance. The Canadian Post Office paid for all the CPR services on the Atlantic, but the British Post Office had to pay the Canadian Post Office, on a basis of weight, for the Allan Line service.²²⁴ In August, the Treasury informed the Post Office that it would have to pay the additional subsidies which the Admiralty had ceased to pay.²²⁵

The CPR began the transatlantic service in 1903 by buying up the Beaver Line from the Elder Dempster & Co.²²⁶ Furthermore, the CPR ordered new ships for this service in December 1904. Finally, the Canadian Government had contracted the Allan Line in March 1906 for a transatlantic mail service of an 18-knots speed. However, the Allan Line did not possess a sufficient amount of ships and they had a sub-contract with the CPR to share the service.²²⁷ In June, *Empress of Ireland* was the first CPR mail steamer on the Atlantic.

During the revision of the postage, the negotiations for the transpacific mail contract were delayed and the CPR failed to get the contract renewed when it expired in April 1906. In that period, new technology had made more routes for mail carrying to the Far East feasible (e.g. the trans-Siberian Railway) and

²²³ POST29/952 Pkt254H/07 File III. See also R. Lemieux, 'Magazine Post to Canada' in *Britannia*, December 1908, pp.352-3.

²²⁴ See POST29/1180 file I, II.

²²⁵ Letter from the Treasury to the Post Office, 31 August 1906 in POST29/917 file XXXIX.

²²⁶ Laurence Chalmers Tombs, *The Port of Montreal* (Montreal: McGill University Press, 1926) p.40.

²²⁷ Musk(1981) p.27.

more innovations were put in place to increase sailing speed. UK letters and postcards could be sent via Siberia to the Far East since October 1903.²²⁸ Later, this route became even more important because it was faster than the CPR and the P&O service.²²⁹ However, it was quite an expensive route to take because the Russian Post Office claimed that the Chinese Eastern Railway, in Manchuria, was a private company in a territory outside the scope of the Postal Union.²³⁰ In 1903, the Russian authorities raised the charges in response to excessive demand.²³¹ The British Post Office tried to divert the mails sent via Marseilles.²³² Despite this, the Post Office still thought the railway service via Siberia could replace the CPR service. Therefore, they did not think the CPR service was profitable for the postal service and they thought that the trans-Siberian Railway might be able to carry more mail in the near future.

In April 1906, the Treasury informed the Colonial Office that they had decided to end the CPR service because the Admiralty would not contribute towards the subsidies. Moreover, the route had lost its military purpose and the Canadian route, which benefited Canada more than the UK, could not compete with the Suez route. For postal purposes, the Suez route was good enough. Finally, the Treasury pointed out that the Select Committee on

²²⁸POST29/778.

²²⁹In 1903, it took 20-21 days to carry mail from London to Port Arthur in Manchuria, it took another 4 days to Nagasaki, another 4 days to Shanghai and another 4 days to Hong Kong from Shanghai. This faster service was in contrast to 32-33 days from England to Hong Kong by the Suez route and 32-33 days from England to Japan by the CPR service. See the memo by Arthur C. Ferard, 10 June 1903, enclosed in POST29/817 file C.

²³⁰*The Post Office: an historical summary* (1911) p.63. I find out little information on the P & O's view about the prospect of competition from the All-Red or the Trans-Siberian route.

²³¹POST29/778.

²³²POST29/876.

Steamship Subsidies of 1902 had claimed that "a general system of subsidies other than for services rendered is costly and inexpedient". There were two existing subsidies allocated in the Colonial Service Vote - the Canada-West Indies and the UK-Jamaica services - and the Treasury would not be willing to grant anymore.²³³ After a talk between Lord Elgin, the Colonial Secretary, and Reginald McKenna, Secretary to the Treasury in May 1906, the Treasury reconsidered and agreed an extension of two years to see whether the CPR could improve the service.²³⁴ The Treasury claimed they were reconsidering due to the question having been discussed during the Colonial Conference.²³⁵

In 1907, Clifford Sifton, the Canadian Minister of the Interior visited Britain unofficially. Lord Strathcona, the High Commissioner of Canada, asked him to promote the scheme of the "All Red Route" again and to influence the Premier, Laurier. Laurier was very interested in this scheme and supported it strongly in the Colonial Conference. According to this scheme, the British Empire would establish a transport network between Britain, Ireland and Canada.²³⁶ Canada would pay half of the subsidies for a 24-knot Atlantic service, but the Pacific service would maintain no less than an 18-knot speed.²³⁷ Since 1904, the Allan Line had not called at Ireland in their sailings

²³³Letter from the Treasury to the Colonial Office, 7 April 1906 in POST29/917 file XXXVI.

²³⁴Letter from the Colonial Office to the Treasury, 10 May 1906 in POST29/917 file XXXIX. The CPR promised H. Babington Smith the improved service. See letter from the Post Office to the Treasury, 31 May 1906 in POST29/917 file XXXIX.

²³⁵Letter from the Treasury to the Colonial Office, 29 May 1906 in POST29/917 file XXXIX.

²³⁶For more details, see *The Montreal Daily Witness*, 18 January 1907, p.1&8 & *The Canadian Annual Review of Public Affairs*, 1907, pp.341-347.

²³⁷Olivier ed. 1954 I, p.351. See also *The Globe* (Toronto) 12 August 1907 p.3. Minutes of 'All-British Route Committee', 3 July 1907, in the Board of Trade in the papers of Walter

from Liverpool to Canada.²³⁸ Therefore, the Irish wished the All-Red Route to begin at Blacksod Bay in Ireland and they lobbied the Canadian Government; however, Laurier insisted that this was an economic question, not a political question.²³⁹ Some Irish politicians warned that the Irish party in Parliament would refuse to grant this subsidy if the vessels did not call at an Irish port.²⁴⁰ From a business point of view, the sailing departing from Blacksod Bay was the shortest route from Ireland to Canada. However, it was not a natural port and huge investment would be necessary.²⁴¹

The British government appointed a committee to enquire about the prospects of this service. According to the incomplete minutes enclosed in the Papers of Runciman, the Committee was held in London from June 1907 to May 1908. There were four schemes sent to the Committee. Sir Thomas Troubridge, an Irish peer, offered a 25-knot service from Ireland to Canada. A firm in Newfoundland offered a service from Canada to the UK via Newfoundland. The CPR offered a 21-knot service. Finally, as some research has pointed out, Lord Strathcona, supported by Laurier, promoted a fast steamship service on the Atlantic for his own interests.²⁴² Laurier claimed this new company could begin a weekly service from Canada to the UK with three steamers of at least 24 knots, and asked for an annual subsidy of 450,000 Pounds for ten years.²⁴³

Runciman WR 20-1.

²³⁸ POST29/426 Pkt 94N/1887.

²³⁹ Jebb II (1911) pp.352-3.

²⁴⁰ *The Times*, 19 December 1907, p.3.

²⁴¹ Letter from D. Jones of Elder Dempster & Co. to Alfred Jones, 15 June 1907, in WR 20-1. See also J. J. E., 'Another 'All-Red' Mail Liner in *The Investors' Review* 29 June 1907, pp.789-790.

²⁴² D. J. Hall, *Clifford Sifton* (Vancouver: University of British Columbia Press, 1985) II pp.193-4.

²⁴³ Minutes of the 'All-British Route Committee', 3 July 1907 in the Board of Trade, letter

The Committee found that the CPR was the only experienced firm. However, the scheme was very costly. The Committee concluded the Atlantic Portion must be set up well before discussing the whole 'All British Route' Plan.²⁴⁴

Many members in the Committee remained pessimistic about this service. Walter Runciman argued the bad weather would prevent the steamships from keeping a fast speed. Norman Hill argued this service would find it difficult to compete with the service to New York, because comparatively few passengers would travel to Canada. Even the Allan Line admitted that the demand for this business was actually quite limited.²⁴⁵ After the Committee, Lloyd George, as President of the Board of Trade, opposed any further expenditure for the 'All Red Route' because he thought the trans-Pacific service was not fast enough - he expected a 20-knot speed.²⁴⁶ Meanwhile, the General Post Office and some British ship owners were opposed to the whole plan because the British government had subsidised the P&O and the Cunard Line already. Public opinion also expressed its doubts about this plan.²⁴⁷ In defence of their business, the CPR claimed the 24-knot ships were too expensive and it would be impossible to sail at full speed in winter. Also, faster steamers would carry fewer passengers owing to the space occupied by coal. They also claimed their service could be faster than the service to the USA because Halifax was the nearest port in North America to the UK.²⁴⁸ The Government was not

from Laurier to Henry Campbell Bannerman, 4 July 1907, in WR 20-1.

²⁴⁴ Memo n.d., in WR 20-2.

²⁴⁵ Minutes of the 'All-Red Route Committee', 14 June 1907 in the Commons in WR 20-1.

²⁴⁶ Letter from Lloyd George to Laurier, 8 July 1907, in WR 20-1.

²⁴⁷ *The Times*, 26 December 1907, p.5. See also John C. B. Colomb's letter to *the Times*, 25 December 1907, p.12.

²⁴⁸ Hall (1985) II pp.197. Evidence of Sir Thomas Shaughnessy in the sixth meeting of the

willing to pay the huge subsidies, therefore this scheme failed.

After discussing with the Colonial Office, the Post Office compromised. The subsidies were modified to 60,000 Pounds. The Secretary of the Post Office, H. Babington Smith, subsequently proposed to pay 30,000 Pounds, i.e. 50% of subsidies for a temporary three-year contract from 1908, but the Treasury only wished to pay 20,000 Pounds. The Post Office objected, claiming the expenditure of 30,000 Pounds was not a waste because according to the contract, the British government was entitled to the free use of all CPR steamers sailing on the Atlantic service and consequently entitled to obtain, without further payment, the conveyance across the Atlantic.²⁴⁹

The Treasury explained to the Post Office, the Colonial Office and the Canadian Government why they wished to reduce the subsidies: Britain had several routes to carry mail to the Far East. In addition, the Canadian Government had announced that it would increase its subsidies to the CPR from 15,000 to 25,000 Pounds. Meanwhile, the Prime Minister had announced in Parliament that the British Government would not pay more than an "absolute equivalent" for this service rendered and they could not ask Parliament to vote for more than 20,000 Pounds a year.²⁵⁰

In March 1908, the British government informed Canada that they would pay the CPR just 20,000 Pounds annually and Canada had to make up the rest.²⁵¹

All British Route Committee, 19 March 1908 in WR 20-2.

²⁴⁹ POST29/1206 file I.

²⁵⁰ The correspondence enclosed in POST29/1206 file II a, III.

²⁵¹ Bush (1973) p. 496.

The Post Office realised that the subsidies would be reduced to 20,000 Pounds; therefore they worked with the CPR to arrange a revised timetable to meet the reduced subsidies. According to this revision, the CPR would operate a service, which would be slower but more frequent in summer. The P&O had improved their speed; this meant that the CPR route had become very disadvantageous.

In an unofficial meeting, the CPR claimed they wished to order new ships for the mail service, but the faster ships (over 20 knots) would not be profitable on the Pacific route because the passengers were few and the coal would occupy a large space on the ships. From a business perspective, ships with 19-20 knots would be a better option.²⁵² The British Government reached a contract with the CPR in April 1908. Subsequently the Post Office found out that this contract, with reduced subsidies, was not as profitable as they had expected.²⁵³ In 1909, the Canadian Post Office requested that all the receipts for transit services via Canada, on both land and sea, should be shared between Canada and Britain in a proportion of 5:4, according to the existing proportion of subsidies. This should be contrasting with the previous agreement, in which the Post Office paid 75% of the subsidies and retained the sea postage upon mail originating outside Canada, while Canada paid 25% of the remaining subsidies to receive land transit postage from the foreign and colonial administrations. The Post Office found out they would lose revenue under the new arrangement, so they initially objected but surrendered under the decision of the Treasury. The Treasury agreed to discuss this topic when the contract

²⁵²Memo by H. Babington Smith, 15 April 1908 in POST29/1206 file VII.

²⁵³POST29/1206 file XV.

terminated.²⁵⁴

The CPR route began to suffer further losses. The non-confidential British diplomatic bags were sent via Siberia from 1908.²⁵⁵ The parcel service via Siberia was established in 1908 as well.²⁵⁶ This situation made the CPR service disadvantageous. The Post Office proposed, in late 1910, that the next CPR contract should be for a one-year period.²⁵⁷ The CPR immediately informed the British Government that they wished to put two new fast ships on the Pacific route and that they would accelerate the speed on the Atlantic route to 22-22.5 knots. The CPR subsequently asked for a two-year contract, but the Post Office learned that the CPR was sub-contracted with the Allan Line, which was contracted by the Canadian Government for the Atlantic service. The Allan Line was anxious to get the subsidies from the British Government as well and they gave the same promise as the CPR: an acceleration to 22-22.5 knots.²⁵⁸

The Post Office had seen that both the CPR and the Allan Line services were not satisfactory and was doubtful whether the proposed improvements would make their services more advantageous.²⁵⁹ To ensure that they obtained the next Atlantic mail contract, the CPR tried to lobby the Postmaster General in

²⁵⁴ See correspondence between the Post Office, the Treasury and the Canadian Post Office December 1908 – October 1909 in POST29/1206 file X.

²⁵⁵ POST29/1157 Pkt 48/13 file XLI. & POST29/1189 File XXV.

²⁵⁶ POST29/992.

²⁵⁷ POST29/1206 file XI.

²⁵⁸ Memo, 21 October 1910 in POST29/1180 file I. See also memo by Matthew Nathan 31 January 1911 in WR 20-2.

²⁵⁹ PO29/1206 file XII. & PO29/1180 file III. 'All Red Route' Memo by Matthew Nathan 22 February 1911 (Dominions No.36 Confidential) in WR 20-2.

private, as well as through official communication.²⁶⁰ After the CPR had promised to improve the service, in April 1911 the Post Office agreed to extend the existing contract for the next two years. Nevertheless, the CPR did not get the subsidies from the Post Office for the Atlantic Service.²⁶¹

In 1911, Richard Durning Holt MP had questioned McKinnon Wood, the Financial Secretary to the Treasury, about the reason for persisting with this slow service. In his opinion, the whole service was two different contracts put together and the Liverpool-Canada service was what Britain really needed. Holt questioned why the Government had instead supported the Canada-Far East service, which was the responsibility of the Canadian government. Wood replied that the Siberian route was too expensive to carry parcels and printed materials, therefore the Pacific service should be maintained in addition to the Suez route.²⁶² The heavy charges were the reason why the Post Office was unwilling to adopt the trans-Siberian railway as a main route to carry mails to the Far East,²⁶³ but more and more Britons marked their letters to be sent via this route. Finally, from August 1913, all letters and postcards, except those specially marked, were sent this way, as well as parcels from October 1913.²⁶⁴ The Trans-Siberia Railway was not always a safe route to use; during 1912-3 the General Post Office received reports about Russians and Japanese in Manchuria tampering with the British official mail there.²⁶⁵ As a result, the

²⁶⁰ Memo from Kersey to Sir Nathan, 6 February 1911 in POST29/1180 file II.

²⁶¹ POST29/1206 file XII.

²⁶² Hanzard 5 ser. 14 December 1911, 2667-2669.

²⁶³ R. D. Holt of the Blue Funnel Line had questioned the Postmaster General about this in early 1913. See POST29/1188 file IV.

²⁶⁴ POST29/1157 Pkt 48/13 file XLI. & POST29/1189 File XXXII.

²⁶⁵ POST29/1190 File XLI.

P&O carried the official documents containing confidential matters to the Eastern Colonies and China for the British government.²⁶⁶ The CPR carried the British diplomatic bags to Japan.²⁶⁷ In 1913, when the Post Office admitted that the CPR route had become redundant as a route to carry letters from Britain to the Far East,²⁶⁸ it might have been political reasons that kept both the CPR and the P&O operating their mail carrying services.²⁶⁹

In February 1913, in respect of the CPR contract expiring in the following April, although the CPR was still unable to improve the service, the Post Office saw profitable opportunities in the contract because they received more postage than the subsidies that they paid. According to the figures for 1907, the Post Office received 32,000 Pounds together as the postage of the letters and parcels to the Far East and Canada. Meanwhile, they paid 20,000 Pounds to CPR for the subsidies. Moreover, by this contract the British Government could control the CPR fleets on the Atlantic, therefore the Post Office decided to extend it for another two years to 1915. Then the Government would consider the general policy regarding the Eastern mail service as the P&O contract would also expire at that time.²⁷⁰ In March, the CPR applied for renewal of the contract and they claimed they had just completed two 18-knot steamers, *Empress of Russia* and *Empress of Asia*, which would be used on

²⁶⁶ See the correspondence between the General Post Office and Colonial Office in 1910 in POST29/1169.

²⁶⁷ See the memo of the Foreign Office in 1913, in POST33/1042, file VI. In 1908, the Post Office found out that the CPR carried mail for the Japanese Government as well. See POST29/1206 file IX.

²⁶⁸ Letter from the Post Office to the CPR, 17 March 1913 in POST29/1207 file XVI.

²⁶⁹ In a meeting held on 13 January 1914, the Postmaster General told one CPR manager that the mail carrying of both the P&O and the CPR were 'insignificant'. See POST29/1207 file XXII.

²⁷⁰ Memo, 6 February 1913, and letter to the Colonial Office 8 February 1913 in POST29/1206 file XV.

the transpacific route with the existing *Empress of India* and *Empress of Japan*.²⁷¹ With this acceleration, the CPR claimed their vessels could arrive at Yokohama in 11 days and at Hong Kong in 19 days, instead of the usual 14 and 22 days respectively.²⁷² The CPR intended to revise some clauses in the contract; they proposed to reserve the right to call at Honolulu in winter, as well as the right to separate negotiations with the Canadian and the US Post Offices, and they also suggested calculating the subsidies of mail carriage on a basis of weight rather than per item.²⁷³ Later, the Post Office learned that the Canadian Government would cease to offer the free carriage of British mail by the Atlantic conveyance in the next CPR contract.²⁷⁴ The Post Office decided to increase the postage for newspapers to Canada.²⁷⁵

The Canadian Government's contract with the Allan Line since 1906 expired in 1912, and was then extended to March 1913.²⁷⁶ In February, the owners of the Allan Line claimed that they would not apply for a new contract with the Canadian Government. They contacted the Post Office to enquire whether the British Government would like to subsidise the Allan Line on a basis of weight.²⁷⁷ During the period of previous contracts, the lack of ships forced the Canadian Post Office to send some mail via New York. Therefore, in April, the Canadian Post Office decided to secure a new Atlantic mail contract

²⁷¹Letter from the CPR to the Post Office, 14 March 1913 in POST29/1207 file XVI. One of the initial three Empress steamers 'Empress of China' had been sunk in July 1911. For the details of the investigation, see POST29/1104.

²⁷²Letters to the Colonial Office and the Post Office in POST29/1207 file XVI.

²⁷³Letter from the CPR to the Post Office, 14 March 1913 in POST29/1207 file XVI.

²⁷⁴Memo, 12 April 1913 in POST29/1207 file XVII.

²⁷⁵*The Times*, 23 May 1914, p.7.

²⁷⁶See letter from the Post Office to the Colonial Office, 19 February 1913 in POST29/1180 file V.

²⁷⁷Memo, 19 February 1913 in POST29/1180 file V.

involving more steamships.²⁷⁸ Therefore, the Canadian Government reached an agreement with the CPR, the White Star Line, the Dominion Line and the Allan Line for the Atlantic mail conveyance, to replace the expiring sole contract with the Allan Line. The Canadian Government would pay 576,900 Canadian Dollars for the service in summer and 423,100 Canadian Dollars for the service in winter, a total of 1,000,000 Canadian Dollars for both directions each year. According to this scheme, the Canadian Post Office would establish a direct mail service to the UK and no mail would be sent via the USA. Nevertheless, the Cunard and the White Star Line still carried the British mail to Canada.²⁷⁹ In May, Sir Alexander F. King, the Secretary of the Post Office, thought that the CPR contract was of little importance for postal services and it was uncertain how much foreign mail would be diverted from the route via the USA, and sent instead via Canada, after the CPR's acceleration. Therefore, he proposed to postpone the decision and left all the negotiating with the CPR to the Canadian Government.²⁸⁰ The CPR operated a provisional arrangement to carry British mail to the Far East.

In June, the Post Office informed the Colonial Office about its decision: the Post Office would not subsidise the Atlantic mail conveyance to Canada. Therefore, the British Post Office would not share the foreign postage with the Canadian Post Office. The British mail would be carried under the agreement between the Canadian Government and the shipping companies. For the

²⁷⁸ *Canada Commons Debates*, session 1912-3 IV 07 April 1913 p.7205. See also *The Syren and Shipping*, 9 April 1913, p.35.

²⁷⁹ See letter from the Post Office to the Treasury, 15 August 1913 in POST29/1180 file V, VII & VIII.

²⁸⁰ Memo to the Postmaster General, 31 May 1913 in POST29/1207 file XVIII.

service via Canada, the Canadian Government would receive the payment via Universal Postal Union, except the parcel conveyance to Japan via Liverpool, which had a special rate under a special agreement.²⁸¹

In December 1913, Canada claimed that the issue of the Atlantic route was an "imperial" concern, but the Post Office regarded the issue as a postal matter after they learned the views of the Admiralty and the Colonial Office.²⁸² In his visit to Canada, the Postmaster General had a meeting with Pelletier, the Postmaster General of Canada, and Foster, the Minister of Trade and Commerce. He repeated the opinion that the Pacific route was not important to Great Britain and that the provisional arrangement put in place since April should be terminated at the end of 1913.²⁸³ The Treasury supported the decision of the Post Office and they added that the Commons would not agree with any more expenditure.²⁸⁴

The CPR still wished to get subsidies from the British Government. In January 1914, they kept lobbying the Post Office. Ultimately, the Post Office's main concern was the Atlantic service. For the transpacific service, what the Post Office wished to do was to pay at cost. In addition, the CPR lobbied the Colonial Office for an acceleration scheme in the transpacific service. According to the scheme, they would operate 19-knot steamers and the trial maximum speed could be 20.5 knots. They reset the focus to draw the

²⁸¹ Letter to the Colonial Office, 4 June 1913 in POST29/1207 file XVIII.

²⁸² Memo, December 1913 in POST29/1207 file XIX.

²⁸³ Letter from the Post Office to the Canadian Post Office, 22 December 1913 of the official announcement. See also letter from the Post Office to the Colonial Office, 31 December 1913 both in POST29/1207 file XX.

²⁸⁴ Letter from the Treasury to the Post Office, 1 January 1914 in POST29/1207 file XX.

Government's attention to heavy parcels: the CPR claimed that the heavy parcels were not suitable to be carried by the trans-Siberian railway, by which most letters were to be sent, and that the CPR would be willing to carry the heavy items to the Far East. Meanwhile, they expected that the Admiralty would resume the subsidies.²⁸⁵

The CPR's new strategy did not really work. The Post Office agreed that shipping was a better way to carry some fine goods and bags, but they insisted the P&O and trans-Siberian rail worked well enough. The CPR was of little importance to Britain.²⁸⁶ Meanwhile, the private talks between Major H. Maitland Kersey of CPR and E. W. Farnall, an assistant secretary in the Post Office, continued, as well as the official negotiations. From a private memo, it seemed as though the CPR were representing the Canadian Government. Furthermore, the CPR wished to move the Post Office aside and persuade the British Government to work with the Canadian Government to subsidise the CPR.²⁸⁷ The CPR did not get the contract with the British Government in the end. In July, the Canadian Government contracted the CPR for a three-year mail service for the transpacific conveyance, for which the Canadian Government would pay a subsidy of 375,000 Canadian Dollars per year. In 1917 this contracts was extended to 1919.²⁸⁸

For Canada, in addition to the advancement of imperial communication, they

²⁸⁵Minutes and Correspondences between the CPR, the Post Office and the Colonial Office, January - February 1914 in POST29/1207 file XXII.

²⁸⁶Memo, 6 March 1914 in POST29/1207 file XXII.

²⁸⁷Private memo between Major H. Maitland Kersey and E. W. Farnall, March 1914 in POST29/1207 file XXII.

²⁸⁸POST29/1207 file XXIV.

initially expected the trans-Pacific shipping would promote their trade with the Far East, especially with Japan, but, after a few years, they thought on the contrary the mail conveyance was crowding out commercial freight. For example, in 1908, Preston, the Canadian commercial agent in Japan, told Laurier that the freight rate from Canada to Japan was kept high because the CPR was more interested in carrying the imperial mail. For this reason, the space for other cargo became limited.²⁸⁹ It seems that CPR was working for the British interests rather than the Canadian. When the First World War broke out, the Canadians found out that the CPR's homeport, St. John, was busier than the Canadian government's homeport, Halifax. It could be argued that this was one of the reasons why the Canadian Government began to establish the Canadian Government Merchant Marine, and to abandon the Britain-influenced CPR, in 1917.²⁹⁰

The Aftermath

During the war, many Continental railways were suspended and the sea routes were disturbed as well. The trans-Siberian Railway was suspended in early 1917.²⁹¹ The P&O offered the only regular mail service to the Far East from Britain. In 1916, its contract was extended for one year. In 1917, the contract with the P&O was extended again to 1919.²⁹² After the war, the British

²⁸⁹ See Robert Joseph Gowen, 'Canada and the Japan Market 1896-1911' in *Pacific Historical Review* 39 (1970) p.80.

²⁹⁰ Kenneth S. Mackenzie, 'C. C. Ballantyne and the Canadian Government Merchant Marine, 1917-1921' in *NM* 2:1 (January 1992), p.4. During the First World War, all the munitions supplied by Canada, on behalf of the Admiralty, were carried by the CPR. See Tombs (1926) p.40.

²⁹¹ POST33/815.

²⁹² Memo, dated 22 January 1913 and letter from Alexander King to Sutherland, 3 March 1916 in P&O 30/4. See also POST33/214.

government reset the policy. Finally, the Post Office and the P&O agreed this contract would be terminated in 1924 and the notice should be given in 1922.²⁹³ The trans-Siberian railway mail service was resumed in 1924, but occasionally the Post Office chartered the Blue Funnel Line vessels during the 1920s for an additional mail service.²⁹⁴ In the Post Office's opinion, the Blue Funnel Line could not replace the P&O, because the Holt's vessels were sometimes delayed.²⁹⁵

The experience during the First World War proved the idea of armed merchant ships was a misjudgement and that they did not work well.²⁹⁶ However, the Admiralty continued to give subventions for armed merchant cruisers after the First World War despite the shipowners' lack of support.²⁹⁷ The Admiralty limited the arming of merchant ships to fifty vessels and negotiated with the P&O, the White Star Line and Houlders in 1920, but the Treasury wished to spend no more than 20,000 Pounds over ten years after the 1920-1 budget, and thought the Admiralty's proposal was not practical.²⁹⁸ In 1923, when the British Ships (transfer restriction) Acts were due to come to an end in 1924, the Royal Mail and the P&O promised that they would not transfer the armed merchant cruisers to a foreign flag, without

²⁹³ POST33/215A file XVI.

²⁹⁴ POST33/206.

²⁹⁵ POST33/1108. See also *The Times*, 12 December 1922 & *The Manchester Guardian Commercial*, 7 December 1922. The Chamber of Commerce of Hong Kong was unhappy about the delay as well, see *The Morning Post* (Hong Kong) 20 January 1923, p.8.

²⁹⁶ See Sir Kenneth Anderson, 'A report on shipping control during the war' I Part I p.21, in Sir Kenneth Anderson Papers (thereafter KA) COLL MISC 513/1. Sturmev (1962) pp.30-31; Frank C. Bowen, *Ships for All* (London: Ward, Lock & Co, 1923) p.149 & Bowen (1932) pp.28-9. See also CAB 4/28 C.I.D. 400-B (1938).

²⁹⁷ The Liverpool Steam Ship Owners Association did not support the proposal of the Admiralty in June 1919. See the letter from the Cunard Line to the Naval Architect, 8 July 1919 in the Cunard Archives (thereafter CA) B/Cum/3/9/8.

²⁹⁸ Adm.116/3976. For details about the negotiations with the Cunard Line, see the Cunard Archive B/Cum/3/9/8.

consulting the Admiralty.²⁹⁹ Later, the Admiralty still encouraged this plan but they expected the shipping companies to pay for the construction costs. By 1937, only two ships and two tankers in the scheme survived.³⁰⁰

On the Atlantic route, The British and Canadian Post Office had raised the postage from 1915.³⁰¹ In June 1919, the Canadian Post Office claimed they had to pay more due to the rising freight rate on mail delivery. Furthermore, the British Government controlled 70% of the cargo space during wartime, which made the conveyance difficult to maintain. In respect of the Atlantic service, the Canadian Post Office decided that they would subsidise the mail carrying from Canada to Britain only. For the other direction, from Britain to Canada, they asked the Post Office to negotiate with the shipping companies. The CPR also refused to carry mail at the current rates, which were charged according to the different categories of weights.³⁰²

After the First World War, the marginalisation of the CPR route continued. The Canadian government reduced the subsidies to the CPR because they had established the national shipping company, the Canadian Government Merchant Marine. The Post Office also tried to reduce the cost: they diverted the letters by using the Cunard Line and the White Star Line via New York. They also negotiated with the shipping companies to reduce the charges. In December 1919 the British Post Office reached an agreement about the UK-

²⁹⁹ Letter from the Admiralty to Sir Thomas Royden (the Cunard Line), 7 November 1923 in the Cunard Archives D42/C2/155. The Royal Mail and the P&O gave their promises in writing. The Cunard Line refused to do this and instead promised orally.

³⁰⁰ Adm 116/3978. Report of Sub-Committee on DEMS, 31 July 1937.

³⁰¹ In 1915, the Canadian Post Office had put in place a special tax. In 1920, the postage to Canada had been raised as well. See POST29/1416 Pkt.72/90 file I & A. W. Currie, 'The Post Office since 1867' in *Canadian Journal of Economics and Political Science* XXIV, no.2 (May, 1958) p.244.

Canada route with the CPR and the White Star Line. The parcels were charged according to the space occupied, and in comparison to the pre-war expenditure, the cost increased.³⁰³ In 1921, after the contract expired in April, the same rule applied to the Canadian mail that went to Britain.

Canada reduced the subsidies to the CPR's Pacific service, making it equal to the amount paid for the Atlantic service from 1920. Therefore the CPR refused to carry the mail to the Far East, including the mail from Britain via Canada. The Canadian Post Office turned to chartering some slower vessels, mainly Japanese, for carrying the mail to Japan and China. Nevertheless, delays occurred because sometimes the departure and arrival times of trains and vessels did not coincide. Many businessmen sent mail to the Far East via Seattle because it was faster.³⁰⁴ In August 1921, the CPR service to the Far East was resumed; the arrangement of the contract was calculated on a weight basis, according to the international postal rates, regardless of nationality.³⁰⁵ The postage for parcels via Canada to Japan became very expensive: it was three times as much as the pre-1914 rate.³⁰⁶ The CPR still tried to restore the complete mail service from the UK to the Far East via Canada, but the British Post Office refused because the connections between train and vessel were not satisfactory. The British Post Office preferred to use the CPR's Pacific service

³⁰²POST29/1416 Pkt.72/90 file I.

³⁰³POST29/1416 Pkt.72/90 file I.

³⁰⁴ See letter, dated 13 September 1926, from the Department of External Affairs to Governor General's Secretary in Ottawa, in FO371/5366. See also *The Manchester Guardian Commercial*, 16 December 1920.

³⁰⁵ POST33/1293 Telegraph from Ottawa to General Post Office in London, dated 23 March 1921 &

Jones (1935) p.382.

³⁰⁶ POST33/816.

alone.³⁰⁷

In February 1925, the Canadian Post Office informed London that they had to raise the postage for parcels again, due to the more expensive land service in Canada and the limited space offered by the CPR vessels. The British Post Office tried to contact the US Postal Service for a parcel service to the Far East via the USA.³⁰⁸ Meanwhile, the Post Office negotiated with the CPR; the negotiations went into deadlock in August 1925 and the British mail to the Far East via Canada service continued to experience problems with the connections.³⁰⁹ In 1925, the British Government paid the CPR only 44,000 Pounds for the direct mail service to Canada, in proportion to the volume of mail they carried. The Canadian Government paid about 200,000 Canadian Dollars.³¹⁰

Conclusions

The British Post Office paid huge subsidies to secure a few individual shipping companies capable of carrying all the mail. The empirical material reveals that, in the case of the British mail routes to the Orient on both the routes discussed, the initial purpose and determination of subsidies were related to political or defence-oriented issues rather than for postal and

³⁰⁷ POST33/1293. The correspondence between the General Post Office and the CPR in early 1923.

³⁰⁸ POST33/817 file XC.

³⁰⁹ POST33/1293. The correspondence between the General Post Office and the CPR in early 1925.

³¹⁰ Jones (1925) p.307, 312.

business purposes. The considerations of efficiency or cost-saving were not the most important, especially during the period of Admiralty dominance, which promoted conservatism in the shipping business. Moreover, the contracts were arranged by private negotiation in the very early period. After the decision became a matter for the Post Office, punctuality became their main concern and the earlier proposal of 'wholesome competition' was again considered. However, safety and reliability remained the most important conditions after the Treasury's intervention. Since the 1860s, the Post Office successfully reduced mail subsidies and the shipping companies turned to lobbying the Admiralty as the naval demand rose again. The 'imperial purpose', especially the proposal of the 'All-Red Route' benefited the shipping companies that received subsidies and attracted more companies to the business as to this route. The CPR is a case of this in point and the Admiralty again was very influential. Transatlantic shipping was always a problem and the political pressure from Ireland made it more difficult to sort out. In the end, the Post Office found the idea of 'contract sectionalisation' or 'wholesome competition' was practically impossible and the giant companies like the P&O in the Far East route could press the Post Office to accept their terms.

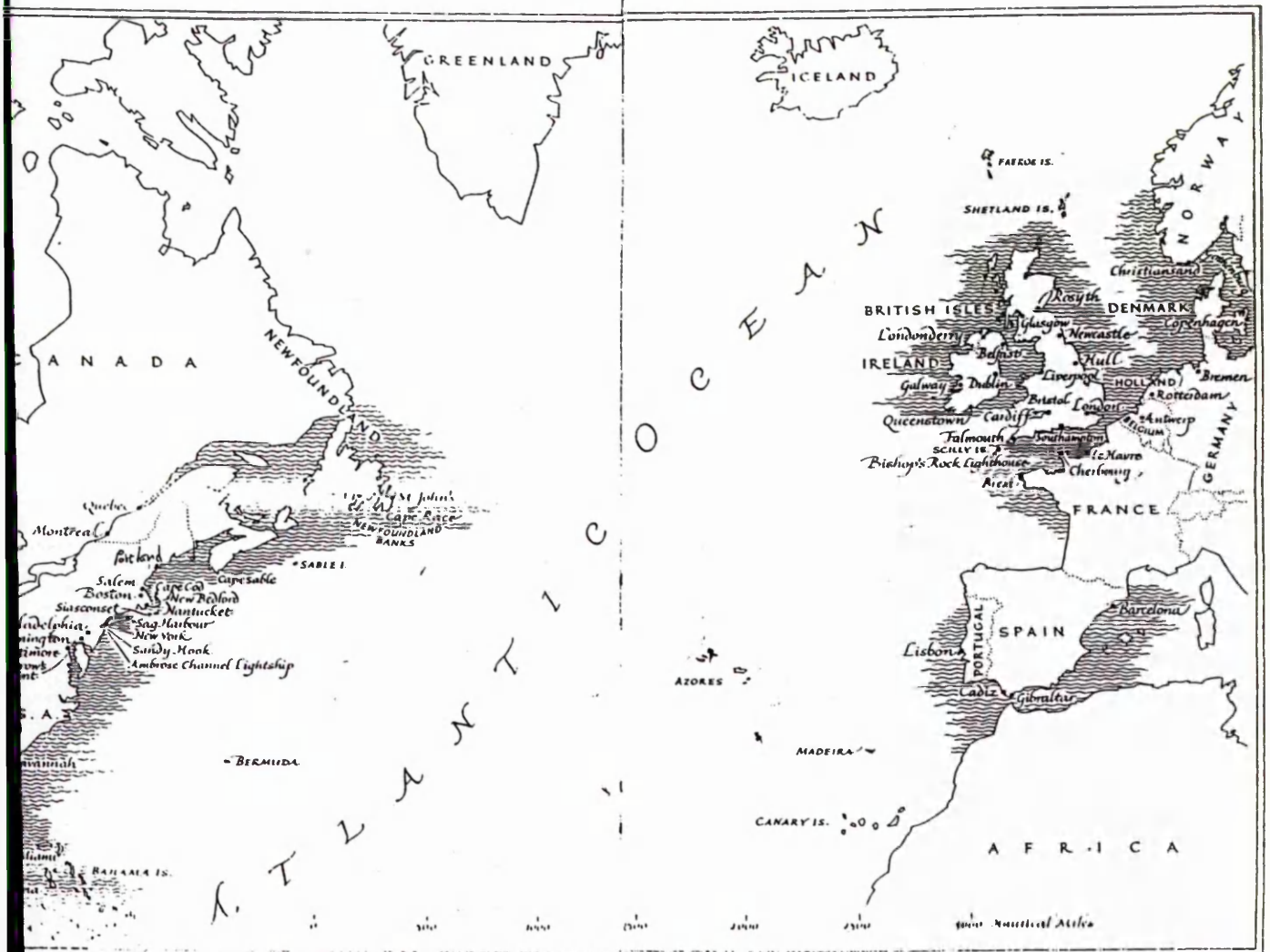
The Post Office and the Admiralty were both departments in the British Government close to the decision-making of mail contracts. However, they had different intentions about the mail contracts. The Post Office wished to hire the shipping companies to carry mail on time and the speed became more important later. Given these considerations, the Post Office wished to reduce their costs if possible. On the other hand, the Admiralty wished to secure some

particular vessels for their wartime purpose and they did not care how much money they spent in their strategic routes. From the evidence cited, the Admiralty supported some shipping companies, e.g. the P&O, against the Post Office's argument in the decision-making of mail contracts. On the subject of maximising the subsidies, the shipping companies in the case of the P&O did not always succeed, though they had some advantages as they had established long term reputations, which enabled them to get contracts more easily. It was the requirements of the mail contracts, in the initial period, it could be suggested, that made the shipping companies achieve the efficiency, regularity and reliability of shipping services and this promoted the growth of British liner shipping. However, not all companies were satisfactory, as in the case of the CPR. Later, the subsidies might promote the business conservatism.

The management of the mail contracts after the Colonial Office gained more influence under Joseph Chamberlain's leadership brought more political intervention. Pressure from the political side did not promote the potential for competition between various routes including Siberia, the Suez and the All-Red Route. Moreover because the Colonial Office promoted the policy of safeguarding 'imperial interests' the All-Red Route could be maintained. It could be argued that the British Government did not seriously consider cutting the cost of mail services, though the Post Office desired it. Meanwhile, the British Government found it difficult to monitor the cost of mail carrying by the various shipping companies.

Under the shadow of political intervention, the effects of the subsidies were

complicated. They increased the revenues of particular shipping companies but did not always make them successful in rivalries or slumps of trade as the case of the CPR shows. If the British Government had kept the postal issues as purely economical considerations, they would have had more business alternatives. But some routes, like the direct mail service to Canada, might have been unnecessary. The advantages of the P&O might have also been less if political intervention had been excluded. Some companies, such as the CPR and the P&O, secured profits by subsidies, but the British Government's control of the companies weakened as the companies became stronger. The political effects are most ambiguous. The Post Office might have reduced some costs but they failed to make a profit. The Admiralty spent huge amounts of money for many years on a plan that proved a failure in 1914. The situation of transatlantic shipping, discussed in the next chapter, is another similar example.



Map 2. The north Atlantic Ocean (source: Tute, Warren, *Atlantic Conquest* (Boston: Little Brown, 1962).

Chapter Three

The Establishment of the Dynamic Mail Contract in the North Atlantic and its Frustration

The North Atlantic route was one of the busiest routes for the British shipping business. It was quite short in comparison to the Far Eastern route and for many years more shipping companies had operated on it. In the nineteenth century, the UK began to worry that British North America would move closer to the USA, whilst the British immigrants in British North America wished to get more aid from their motherland to benefit their commerce. In this chapter, I will discuss the evolution of mail carrying on the North Atlantic route in the nineteenth century, especially to the USA. The British Post Office wished to reduce the cost through a concept which I call the 'dynamic mail contract',¹ but much political pressure from various departments in the British Government, and even from Ireland, interfered with the decision. The international situation and the combination of shipping companies made the basic task of mail carrying more complicated than it was initially.

The regular direct mail service to British North America as an imperial policy

¹ See p.178.

The question of a direct mail route from Britain to Canada has already entered the previous chapter as an adjunct to the discussion of the Far East mail route via Canada. Here it is discussed in the context of the North Atlantic mail service. In 1837, some politicians in Nova Scotia had contacted the British government, via the Colonial Office, to argue the importance and advantages of steam communication between Halifax and the UK.² Later, Joseph Howe, William Crane and Thomas Chandler Haliburton arrived in England to promote their proposal.³ It might be suggested that the British government was also anxious to establish a direct steam service to British North America as the communication with the UK was at that time mainly through New York. The uneasy Anglo-American relationship made the British government keen to obtain a communication line outside the USA.⁴ It was probably this potential conflict between Britain and the United States that encouraged the British government to strengthen British shipping on the North Atlantic.⁵ Moreover, the Canadian rebellion of 1837 was still a fresh memory and it was thought it might be quite necessary to secure the transport of troops there.⁶

In September 1838, the Treasury decided to establish a direct mail service to Halifax and informed the Admiralty that this service should be arranged by mail contract after an open competition.⁷ Parry, the Comptroller of the Steam

² Arnell (1986) pp.46-8. See also Arnell (1980) pp.1-92 for postal communications from the early eighteenth century to 1839.

³ Babcock (1931) p.34 & Staff (1956) p.69.

⁴ Robert Greenhalgh Albion, *Square-Riggers on Schedule* (Princeton: Princeton University Press, 1938) p.260.

⁵ For a brief account on the crisis, see Bourne (1967) pp.79-83.

⁶ Arnell (1986) p.49.

⁷ Arnell (1986) p.49.

Machinery and Packet Service made the arrangement, as his second contract after the Irish mail contract. On 7 November 1838, the Admiralty advertised in *The Times* to invite tenders to carry mail from Britain to Halifax and New York. There were two tenders received: the Great Western Steamship Co. on 13 December 1838, which asked for 45,000 Pounds annually for carrying mail from Bristol to Halifax. Two days later, the St. George Steam Packet Co. sent their tender, which asked for 45,000 Pounds annually to carry mail from Halifax to Cork in Ireland, where they used a feeder service to Liverpool.⁸ Otherwise, the St. George Steam Packet Co. asked for 65,000 Pounds to extend the mail carrying to New York. The Great Western Steamship Co. would not go to New York and the St. George Steam Packet Co. would terminate in Ireland. Perhaps this was the reason why the Admiralty was unsatisfied with both.

In February 1839 Samuel Cunard, a successful Canadian businessman in Nova Scotia, went to England.⁹ He had actually come up with similar ideas a few years before about the mail contract and had been in the business of carrying British mail to North America and the West Indies frequently.¹⁰ At

⁸ Geoffrey Body, *British Paddle Steamers* (Newton Abbot: David & Charles, 1971) pp.65-6. Hyde claimed Samuel Cunard received one copy of this tender in November 1868 in Nova Scotia. See Hyde (1975) p.5. It is amazing if it is true because he denied this in 1846. The source that Hyde used was probably Samuel Cunard's evidence in 1853, which was slightly different from what he had said in 1846. See the note below.

⁹ In 1846, Samuel Cunard told the Select Committee on Halifax and Boston Mails that he had not known about the advertisement of the tender until he arrived in England on February 1839. See his evidence Q158-9 & Q235-8. See 'The Select Committee on Halifax and Boston Mails' in *BPP* 1846 (563), also in POST71/36 Parliamentary Papers relating to the Post Office 1846-7 (thereafter *BPP* 1846 (563)).

¹⁰ J. C. Arnell *The Bermuda packet mails and the Halifax-Bermuda mail service 1806 to 1886* (Beckenham: Postal History Society, 1989) p. ix., Babcock (1931) p.33 & Hyde (1975)

first he met Joseph Howe and other fellow countrymen, who had previously discussed the service with the Great Western Steamship Co., and all the people from Nova Scotia decided to work together.¹¹ Samuel Cunard began to attend the parties in London's high society, seeking out more opportunities to present his plan regarding carrying the British mail to North America.¹² He persuaded Parry, his old friend, to accept his proposal, even though it was different from the Admiralty's initial plan.¹³ At first, Cunard met Charles Wood and then Baring (both influential politicians at that time) to persuade them by warning them that American shipping would become stronger and threaten the British merchant shipping.¹⁴ Cunard asked for 85,000 Pounds for carrying mail to New York or 60,000 Pounds for carrying mail to Boston. In March, the Admiralty revised their plan, which required a larger boat between Liverpool and Halifax and a feeder service between Halifax and Boston for carrying American mail.¹⁵ Later, Henry Goulburn MP told Cunard that the British Treasury could not subsidise by more than 60,000 Pounds a year at that moment. Though he had no suitable vessels, Cunard got the contract on 4 May 1839 to use three boats for carrying mail from Liverpool to Halifax and Boston under the subsidies of 55,000 Pounds.¹⁶ After securing the contract,

p.2 Hyde suggested that Samuel Cunard had got the contract of 1839 because of his excellent previous performance.

¹¹ James A. Roy, *Joseph Howe* (Toronto: Macmillan, 1935) p.65 & Staff (1956) p.70

¹² Babcock (1931) pp.37-8 & Hyde (1975) pp.5-8.

¹³ Parry had known Cunard well during the 1810s when Parry was appointed in Nova Scotia. See Grant (1967) pp.93-4.

¹⁴ Before entering shipping business, Cunard had controlled the coal supply in Nova Scotia. See John Bassett, *Samuel Cunard* (Don Mills, Ont.: Fitzhenry & Whiteside Limited, 1976) pp.37-8. See also Grant (1967) p.104 & Hyde (1975) p.3.

¹⁵ Letter from Samuel Cunard to Charles Wood, 11 February 1839, in Adm 1/4497. Arnell (1986) p.51.

¹⁶ BPP1846 (563). Also in POST71/36 Parliamentary Papers relating to the Post Office, 1846-7 Samuel Cunard's evidence, Q198, 222, 249. The various select Parliament Committees were interested in the first Cunard Contract. Later, the Canning Committee

Cunard went to Glasgow to meet Robert Napier, an important shipbuilder. Then Samuel Cunard met George Burns and Charles McIver, two excellent shipowners active in the shipping business between Liverpool and Glasgow, through an introduction from Napier. Cunard, Burns and McIver became partners in business.¹⁷ Most subscribers of shares of the new company were from Glasgow.¹⁸ The new company chose Liverpool as their home port because it was closer to Glasgow than Bristol, Falmouth, Plymouth or Southampton, which were the four other ports that the Admiralty had chosen. Meanwhile, the railway connection between London and Liverpool had just been completed in 1838, which made the transport from the South of England faster.¹⁹

Initially, Samuel Cunard planned to make Halifax the terminal and to use a feeder service to Boston. However, the business community in Boston convinced Cunard to change his mind.²⁰ Some authors claimed that in the early days Cunard Line was unwilling to sail to New York owing to strong rivals there, including *The Great Western*.²¹ Also, Cunard vessels had sailed

specially inquired into this as well. Samuel Cunard had written to Viscount Canning, on 11 March 1853, to explain this matter. The letter on the first contract of 1839 has been reprinted in Staff (1956) pp.140-2.

¹⁷ Grant (1967) pp.93-9. Samuel Cunard failed to raise capital in Halifax and Boston, where the merchants were quite conservative. Even George Burns had refused this business from Parry before he met Cunard.

¹⁸ Michael Moss, 'The interest of the shipowner and shipbuilder must clash?' in Leo M. Akveld, Frits R. Looimeijer & Morten Hahn-Pedersen (eds.) *Financing the Maritime Sector: proceedings from the fifth North Sea History Conference in 1997* (Fiskeri- og Søfartsmuseet studieserie, nr. 13) p.153.

¹⁹ Grant (1967) p.99. In 1838, after this railway was completed, the British Post Office also began to send mail to Ireland from Liverpool. See H. A. Gilligan, *A History of the Port of Dublin* (Dublin: Gill and Macmillan, 1988) p.121.

²⁰ Grant (1967) p.99 & pp.104-5.

²¹ Babcock (1931) pp.42-3.

to Boston under a mail contract between Halifax and Boston since 1827.²² Two months later, the Cunard Line and the Admiralty agreed to revise the contract to use four boats and the Admiralty would pay 60,000 Pounds every year.²³ Soon Napier found the original boat was too small to meet the Admiralty's demands and the Admiralty revised the contract on 19 July 1840 for the next seven years. Samuel Cunard could also use bigger boats for Boston, where the merchants were not satisfied with the initial plan of a feeder service.²⁴ Meanwhile, the Treasury authorised the postage of mail carried by the Cunard to be 1s. per half-ounce to Halifax and 1s. 2d per half-ounce if sent anywhere other than Halifax.²⁵ This policy obviously discouraged the sending of mail to Canada via the USA. In addition, the Cunard Line could carry more mail than the other shipping companies, especially the American companies, owing to its cheaper rates.

Parry agreed to a reduction of the sailings in winter owing to the bad weather.²⁶ The contract was revised again on 28 August 1841 and the Cunard Line received 80,000 Pounds annually for five boats. It is worth noting, as a Post Office Secretary admitted later, that the subsidies to the Cunard Line, so far, were not only for mail carrying but also for shipbuilding as well.²⁷ The contemporary British government also admitted that the mail contract to

²² J. C. Arnell, *The Bermuda packet mails and the Halifax-Bermuda mail service 1806 to 1886* (Beckenham: Postal History Society, 1989) p.ix.

²³ There is a mysterious argument in Benstead's book, where he claims that the Admiralty was willing to pay 81,000 Pounds for the four boats. However, Samuel Cunard negotiated and asked for the removal of naval officers on board with the annual subsidy of 70,000 Pounds. See C. R. Benstead, *Atlantic Ferry* (London: Methuen & Co., 1936) p.54. I am unable to find any source to confirm this account. Besides, the Admiralty actually had authority over the contractors until 1860 and some naval officers were still on duty on the vessels of contractors later.

²⁴ Babcock (1931) pp.48-9.

²⁵ Staff (1956) p.77.

²⁶ To reduce costs, the ship that Napier designed was small and Parry was not satisfied. See Grant (1967) pp.95-6.

²⁷ Murray(1927) pp.57-8.

North America was not only in consideration of postal revenues.²⁸

Halifax was the nearest port in North America to the UK. However, in relation to carrying mail further westward, Halifax had much greater disadvantages than New York. Navigation on the St. Lawrence River was expensive and dangerous in winter.²⁹ In 1841, by private negotiation, Cunard contracted with the British Post Office to carry mail from Halifax to Quebec via Pictou on the St. Lawrence River at an annual subsidy of 1,550 pounds. Later in the same year, the provincial post office remained unsatisfied with this new service. In their opinion, the old coach service was good enough and cheaper. Despite the request from the British Post Office, the Post Office of British North America refused to pay half of the subsidies. Therefore, the Cunard Line reduced the service from three sailings on the St. Lawrence River every week to two sailings every month.³⁰ Owing to the business slump and rivalry with the Great Western Steamship Co., the Admiralty agreed to increase the subsidies to 90,000 every year from October 1843.³¹

The advantages of the mail route to the USA and the US mail contracts

In 1844, the railway from Albany to Buffalo was complete. The commercial

²⁸ The announcement in Parliament of Thomas Spring Rice, who was the Chancellor of the Exchequer in 1839. See Robinson (1948) p.187.

²⁹ Smith (1920) p.221.

³⁰ Grant (1967) p.118.

³¹ Adm 12 /411:21; the authorisation of the Treasury, 25 October 1843. *BPP*1846(563) Samuel Cunard's evidence, Q171. Frank Staff claimed that Samuel Cunard and William L. Maberly, the Secretary of British Post Office, persuaded the Postmaster General that it would be advantageous if the mail for Upper and Lower Canada could be sent via Boston. Samuel Cunard claimed this was an expensive service and obtained more subsidies. See Staff (1956) p.76.

function of Halifax declined. In the same year, the American Congress passed the Anglo-American Postal Convention to authorise the transit of European goods to Canada, which landed at Boston duty-free. The British could send the mail to Canada via the United States without examination or delay. Some research has pointed out that Samuel Cunard was helpful in promoting this postal convention.³² This convention act might have led the Cunard Line to abandon the mail service to Quebec on the St. Lawrence River in April 1845; therefore, the subsidies were reduced to 85,000 Pounds from then on. The Cunard Line signed a new 12-year contract in July 1846, which meant the Cunard Line began to carry mail to New York. The annual subsidies were 145,000 Pounds, of which 85,000 Pounds were for the service to Boston via Halifax and the other 60,000 Pounds were for the direct service to New York.³³ After June 1847, the American Post Office began to contract American vessels to carry mail to Britain and the Continent. The British Post Office realised that this situation would make their revenues decrease. Later, the negotiations broke up and the American Post Office refused to carry British mail to Canada via the USA. Moreover, the American government passed an act in June 1848 to place a high charge on the mail carried by the Cunard Line. After new negotiations, in December 1848, both governments signed a new postal convention.³⁴

³² Warren Tute, *Atlantic Conquest* (Boston: Little Brown, 1962) p.46 & Grant (1967) pp.125-6.

³³ Up to 1846, the copies of various tenders, contracts and relevant extracts of correspondence with the Cunard Line can be found in the appendix of the *BPP* 1846 (563).

³⁴ J. C. Arnell, *Transatlantic Mail to and from British North America from the early days to UPU* (Hamilton, Ont: J.C. Arnell, 1996) pp.71-74. See also de Righi (1990) ; Hargest (1975) pp.23-27.

In 1838, the Great Western Steamship Co. had found they were unable to construct new boats because the Admiralty asked that the bidder begin the mail service in a very short time. In December 1838, the Great Western Steamship Co. had written to the Admiralty on this matter.³⁵ Since 1839, the Great Western Steamship Co. had found difficulty competing with the Cunard Line because the latter received subsidies. In 1842, they had written to Robert Peel to complain about this unfair treatment.³⁶ In 1846, the Great Western Steamship Co. strongly objected to the new contract and stated they thought it was an unfair decision as it was decided by private negotiation.³⁷ Some Birmingham merchants also argued that they would benefit if the mail service departed from Bristol, where the Great Western Steamship Co. was based.³⁸

The British Parliament decided to open an inquiry about this mail contract. In the minutes of evidence, the representative of the Great Western Steamship Co. argued that the Admiralty paid the Cunard Line for their new shipbuilding. Moreover, he argued that the Admiralty initially asked for the service to New York via Halifax. The Great Western Steamship Co. had operated the direct service to New York at that time and was unwilling to call at Halifax because it would take a longer time to arrive at New York, which might cause them to lose business. Meanwhile, due to the preference the British government had given to Canada by sending mail to Halifax, they had concluded that the

³⁵ The letter is in the appendix of the *BPP* 1846 (563).

³⁶ Stevens, John R. 'An examination of the factors which link Bristol dock policy with the development of the tramp shipping of the Port 1840-1890' (M.A. thesis, University of Bristol, n.d.).

³⁷ Milner Gibson MP's question in the Commons, 15 June 1846, in *Hansard* LXXXVII pp.481-2.

³⁸ Appendix no.11, *BPP*1846 (563).

British were unwilling to carry mail to the United States. However, in the event the contract that the Admiralty had accepted was for the mail service to Boston, even if not New York.³⁹ But the Great Western Steamship Co. failed to persuade the Select Committee, which recommended that the Cunard Line was the best option for carrying mail to North America.

The contract of 1846 demanded weekly sailing in summer and fortnightly sailing in winter to North America. As already stated, under this contract, the Cunard Line began to carry mail to New York directly, though the mail service to Boston via Halifax was maintained. Actually, the main terminal of the Cunard Line was New York from then on.⁴⁰ In 1849, the completion of the canal system made the water transport between New York and Quebec less costly and more convenient.⁴¹ In 1851, the Canadian Post Office was established and they began to arrange their own mail packet service from Canada to the UK.⁴² During the earlier years, this encountered a series of misfortunes and financial losses.⁴³ However, the completion of the railway between Montreal and Portland, Maine, encouraged the trade between the USA and Canada.⁴⁴

In 1853, the Admiralty contract was revised and the Cunard Line operated weekly sailings all year and received annual subsidies of 173,000 Pounds. By

³⁹ BPP1846 (563) Captain C. Claxton's evidence, Q133-6 & Q138.

⁴⁰ Body (1971) p.68 & T. W. E. Roche, *Samuel Cunard and the North Atlantic* (London: MacDonald & Co., 1971) p.16.

⁴¹ Smith (1920) p.285.

⁴² POST29/52 Pkt1775Z/1849.

⁴³ Staff (1956) pp.96-7.

⁴⁴ James C. Bonar 'CPR Co. and its contributions towards the early development and to the continued progress of Canada' (1950) II p.32.

the recommendation of the Canning Committee, the British Post Office strongly objected to this decision.⁴⁵ The postage from the UK to Canada, carried by the Cunard Line, was reduced again in 1854: 6d. per letter via Halifax and 8d. for each letter via the USA. The British Post Office still tried to stop the mail to Canada being sent via the USA, though many sources pointed out that the American route had been advantageous. Also, the postage to the USA still remained 1s.; a high amount.⁴⁶ At the same time, the Canadian government began to subsidise the Allan Line, a Canadian shipping company, for the mail service. The British Post Office imposed a discriminative policy by regarding the steamers of the Canadian shipping companies as if they were American packets, even though they were controlled by the British or Canadians and sailed under the British flag.⁴⁷ Therefore, the mail carried by the Allan Line to Canada would pay 1s. compared to the 6d. paid for carriage by the Cunard Line. This advantaged the Cunard Line and this protectionist policy toward the Cunard Line applied to the other British shipping companies, for example: the Inman Line, as well. Later, the British Post Office asked the colonies, including the Canadian Post Office, to contribute the half of the expenditure for the mail subsidies. The Canadian Post Office refused because it meant the Canadians would be supporting the Cunard Line's service to the USA.⁴⁸

In August 1857, the American Congress decided to terminate the subsidies to

⁴⁵ Letter to the Treasury, 14 November 1857, enclosed in 'The Postal Communication with North America' in *BPP HC1859 Session I (230) XVII* (thereafter *BPP 1859 (230)*).

⁴⁶ Staff (1956) p.95.

⁴⁷ Smith (1920) p.287.

⁴⁸ Staff (1956) pp.97-8 & Smith (1920) pp.284-5.

the USA-owned Collins Line six months later. It was suspected that Samuel Cunard received this information and had wondered whether the British government would follow this revision of policy by the USA.⁴⁹ With the support of the Admiralty, Samuel Cunard urged the British Post Office to renew the contract.⁵⁰ In 1857, despite the secret agreement of fixed rates and pooling with the Collins Line, the Cunard Line had warned that the Collins Line, under the official subsidies of the United States Government, was a threat to British shipping.⁵¹ The Cunard Line asked for the renewal of their contract. In November, the British Post Office advised the Treasury, following the recommendation of the Canning Committee in 1853, that the mail contract should be decided by public competition. Meanwhile, the Post Office preferred a short-term contract. The Post Office thought the rapid technological improvements in shipbuilding might provide the Post Office with more options for vessels to carry mail.⁵² But a month later, the Admiralty pressed the Treasury to authorise the subsidies for 'the national interest'.⁵³

The Treasury thought it was too early and refused this application on 2 March 1858. The Cunard Line asked the Admiralty for help on 20 March 1858 and applied again two days later. There is evidence to reveal that the Admiralty

⁴⁹ In the Select Committee on Packet and Telegraph Contract of 1860, the members pressed Samuel Cunard to answer whether he had known the Collins Line would soon cease when he applied to renew the contract in 1858 and Samuel Cunard denied that he had.

⁵⁰ The letter from the Cunard Line to the General Post Office, 19 October 1857 and the letter from the Admiralty to the Treasury 26 October 1857, in Correspondence relating to the conveyance of mail (North America) British Parliamentary Papers 1859, POST71/63. (thereafter *BPP* 1859, POST 71/63).

⁵¹ Hyde (1975) pp.39-45. Hyde claimed that the Cunard Line benefited from this agreement with the Collins Line.

⁵² Letter to the Treasury, 14 November 1857, enclosed in the *BPP* 1859 (230).

⁵³ The letter from the Admiralty to the Treasury, 21 December 1857, in the *BPP* 1859, POST71/63.

pressed the Treasury to accept this application. In June, the Cunard Line renewed the contract for the next ten years to 1868.⁵⁴ This was a generous contract because the Cunard Line did not need to pay any penalty if they delayed in sending the British mail to North America.

The Grand Trunk Railway, connecting Portland, Maine, to Quebec, had been completed in 1859. From then, Portland had become the winter port of Canada and from 1857 the Allan Line had operated a weekly service there under huge subsidies from the Canadian Government.⁵⁵ The American Post Office agreed to forward the mail between Canada and the UK in Portland, where the Allan Line operated. However, Hargest claimed that the Allan Line carried little mail in Portland by checking the postal marking. Most mail to the UK was sent via New York or Boston.⁵⁶ Whatever the case, the Allan Line had experienced rivalry with the Cunard Line in the USA already: the Allan Line in Portland had taken some business from the Cunard Line in Boston and New York, especially goods exported from Canada. Canadian goods could be sent to the UK via the United States. Business in Halifax declined further.

⁵⁴ See the Treasury minutes, 2 March 1858 and the letter from the Cunard Line to the Admiralty 20 March 1858. The Admiralty pressed the Treasury again in the letter dated 29 March 1858. The Treasury minutes, 20 May 1858, revealed the authorisation was due to the recommendation of the Admiralty. All the above is enclosed in the *BPP* 1859, POST71/63. See also the Select Committee on Packet and Telegraph Contract Committee of 1860 (thereafter the Committee of 1860), G. A. Hamilton's evidence Q1269 & 1282. Letter, dated 21 October 1858, from G. A. Hamilton of the Treasury to J. O. Lever of the Galway Line, in *The Times* 23 October 1858.

⁵⁵ POST29/88 Pkt358K/1859.

⁵⁶ Canada and the United States reached an agreement in 1853 and the Canadian Railway was allowed to terminate in the United States. See Chalfant Robinson, *History of the Reciprocity Treaty of 1854 with Canada* (Senate Document USA 62 Congress 1 Session, no.17) (Washington, DC: GPO, 1911) p.16&p.38. The Canadian government paid the Allan Line 84,000 Pounds every year to maintain this service, including the building of new boats. See Hargest (1975) pp.134-5.

Under this situation, as well as the growing trade in the United States, some major shipping companies left the St. Lawrence River at this moment. The Cunard Line tried to abandon the Halifax service.⁵⁷ In 1861, the Anchor Line, based in Glasgow, abandoned the service to Quebec and Montreal and increased the sailings to New York.⁵⁸ In 1858, the British Post Office had considered using the Allan Line to carry mail from the USA to the UK, but the negotiations broke down on the matter of the division of postage among the three countries' postal authorities. Then the Cunard contract was renewed.⁵⁹

The Collins Line was unable to maintain business without subsidies and ceased its operation in February 1858. The Inman Line saw this as a potential opportunity to expand and was anxious to carry mail. They asked the British Post Office to be permitted to take over the Collins Line's share of mail carrying. However, the Cunard Line immediately used a rate-cutting strategy to compete with the Inman Line vessels.⁶⁰ William Inman made an informal agreement with Charles MacIver of the Cunard Line on 8 March 1858, which operated for the next 18 months. According to this memo, the Inman Line occupied the former Collins Line's sailing every Wednesday and the Inman Line could carry mail under the sea postage rate, without interfering with the Cunard Line's subsidies.⁶¹ In return, the Inman Line kept silent about the renewal of the Cunard Contract while William Inman strongly opposed the Galway Line mail contract, which would be ready to carry mail to North

⁵⁷ Babcock (1931) p.77 & 'The Cunard Company's Jubilee' in *Liverpool Daily Post*, 4 July 1890.

⁵⁸ *The Book of the Anchor Line* (London: Ed. J Burrow & Co. Ltd, 1932) p.17.

⁵⁹ Arnell (1986) pp.232-3.

⁶⁰ The Committee of 1860, William Inman's evidence Q2668.

⁶¹ The Committee of 1860, William Inman's evidence Q2723.

America from Ireland.⁶² The Inman Line did not get a mail contract with the British government but it began to carry mail for both the American and British Post Office under the traditional ocean postage rate (the ship letter rate).⁶³ At the same time, the British Post Office decided that the subsidies to the Cunard Line were too high.⁶⁴ Later, the Treasury promised the Inman Line that the next American mail service tender would be an open competition.⁶⁵

The origin of the dynamic mail contract in the UK and the Irish interest

In June 1858, the British Post Office advised the Treasury, again, that they did not think it was necessary to continue with a long-term contract after the American Collins Line collapsed. Nonetheless, the American congress refused to approve the further subsidies to the other shipping companies, and the American Post Office began to impose a policy, known as the “miscellaneous line”, to charter some better vessels to carry mail overseas, just paying by the ship letter rate. The Cunard Line was among those

⁶² The Committee of 1860, William Inman's evidence Q2726-7.

⁶³ The Inman Line wrote to the British Post Office three times; on 1 March 1858, 10 April 1858 and 13 April 1858. The British Post Office replied on 14 April 1858 and claimed that it had taken time to consider the offer. All are enclosed in the *BPP* 1859 (230). In the Select Committee on Packet and Telegraphic Contracts in 1860, William Inman presented a letter from the American Post Office to prove the Inman Line carried the American mail to the UK. See his evidence in Q2652. In addition to sending mail via the Post Office, in earlier periods, by an ordinance of 1657 and the Act of 1660, Britons could put mail to some particular vessels and the captains were required to send the letters to the post office at the first calling port. In return, the captains were given a gratuity of 1 d. for each letter. The Act of 1796 established the first official charge for all letters carried to the UK by private vessels. In 1799, the gratuity was raised to 2 d. In 1815, the official charge was raised to 6 d. and the total sea postage became 8 d., including the gratuity. After the uniform postage introduced in 1840, the ship letter rate was fixed.

⁶⁴ Letter to the Treasury, 4 June 1858, enclosed in the *BPP* 1859 (230).

⁶⁵ Letter, from Charles Trevelyan to William Inman, 9 November 1858, enclosed in ‘Papers Relating to North American Mail Contracts’ *BPP* 1867-8 (42) XLI (thereafter *BPP*

chartered. This policy was quite efficient and economical, in the opinion of the British Post Office.⁶⁶ At that period, the UK and USA had different agreements with various shipping companies to carry mail for their own outward direction. However, the American Post Office claimed that the Cunard Line had a monopoly in carrying American mail to Europe, though they admitted that the Cunard Line was the most regular and most reliable.⁶⁷ In March 1865, an act was passed in the United States to allow the Postmaster General to contract shipping companies and not to pay them in excess of the postage they should receive.⁶⁸

By the 1850s the Irish mail to North America, as well as Irish exports, had to go to England first.⁶⁹ In 1851 a committee was appointed to examine the possibility of establishing a mail service to North America from Ireland. In 1852, the Admiralty concluded that Cork was the safest port in the gales. The only other port on the dangerous western coast that the Admiralty recommended was Galway, which was protected from the swell by the Aran Islands. Galway then gained a railway connection to Dublin; therefore, the Admiralty recommended Galway as the packet station for the transatlantic

1867-8(42)).

⁶⁶ Letter to the Treasury, 4 June 1858, enclosed in the *BPP* 1859 (230). For the American sources, see Hargest (1975) pp.118-9.

⁶⁷ '4,800 out of 5,000 letters were carried by the Cunard Line', see *The New York Times*, 22 December 1858, p.4. In 1858, the American Post Office paid the Cunard Line \$1,016,789 compared to \$361,355 to the American vessels, for carrying the mail. See *The New York Times*, 31 January 1859, p.4. The American Post Office admitted that the reason was that the American vessels were not as frequent as the Cunard Line. In 1861, some New York merchants said they had relied on British vessels to carry mail to South America and the Far East. See *The New York Times*, 6 December 1861, p.3.

⁶⁸ Hargest (1975) p.153.

⁶⁹ M. A. Jones, 'The role of the UK in the transatlantic emigrant trade 1815-1875' (D. Phil. thesis, 1955 Oxford) pp.134-5.

communication.⁷⁰ However, some experienced shipowners still thought Galway was a dangerous port.⁷¹ In the 1850s, more Irish migrated to North America and a group of businessmen planned to establish a shipping company based in Galway to handle this business.

According to rough calculations, at least one-third of the UK-North America letters were for and from Ireland.⁷² The British Post Office began to consider arranging for the mail steamers to call at Ireland. Meanwhile, the first Atlantic cable failed in 1858 and quick communication between the UK and British North America became a problem.⁷³ The vessels that departed from Ireland were quite likely to secure this opportunity and claimed they could carry telegraphs to Newfoundland, Boston and New York. Among them was the Royal Atlantic Steam Navigation Company (the Galway Line). In September 1858, the Treasury agreed to pay 3,000 Pounds every year to the Galway Line, for carrying the British mail to Newfoundland. The Treasury also considered increasing the subsidies to 10,000 Pounds if the Galway Line would go to the United States.⁷⁴ The Inman Line argued that they were better than the Galway

⁷⁰ The letter from the Admiralty to the Board of Trade, dated 11 November 1852, enclosed in 'Copy of the Report and the Evidence taken before the Commission was appointed to inquire into the merits of the Western Harbour of Ireland for the purposes of transatlantic communication', *BPP* HC1859 (257) Session I XVII.

⁷¹ Samuel Cunard's evidence in the Committee of 1860, Q3298 See also 'Cork or Galway' in *The Times*, 26 August 1861, p.10.

⁷² Letter from the Treasury to Thomas B. Horsfall MP, 2 April 1859, enclosed in the *BPP* 1859 (230).

⁷³ See Jill Hills, *The Struggle for Control of Global Communication* (Urbana: University of Illinois Press, 2002) pp.30-32. For more on the popular history, see John Merrett, *Three Miles Deep* (London: Hamish Hamilton, 1958) for the British perspective and Bern Dibner, *The Atlantic Cable* (New York: Blaisdell Publication, 1964) for the American perspective. For an academic assessment, see D. de Cogan, 'Dr. E. O. W. Whitehouse and the 1858 transatlantic cable' in *History of Technology* no.10 (1985) pp.1-16.

⁷⁴ The Treasury Minutes, dated 14 September 1858, enclosed in the *BPP* 1859 (230).

Line and complained immediately on this argument.⁷⁵ The Treasury replied, claiming that the tender would be invited in public.⁷⁶ However, the British Government had actually decided to subsidise the Galway Line by private negotiation. In January 1859, the Galway Line proposed a service from Galway to Portland, Boston and New York via St. John in Newfoundland, for which they asked for subsidies of 3,000 Pounds per voyage in both directions. The British Post Office recommended the Galway Line immediately.⁷⁷ Some evidence reveals that Lord Palmerston, Prime Minister and an Irish peer, decided the matter and the Post Office just followed this decision.⁷⁸ As well as many interested parties, the Inman Line objected to this decision and asked Thomas B. Horsfall MP to make inquiries to the Treasury.⁷⁹ The Treasury replied that the Newfoundland Government preferred the Galway Line and the whole matter was not a postal consideration anymore.⁸⁰ To compete with the Galway Line, the Cunard Line and the Inman Line began to call at Queenstown in 1859 without subsidies, even though they knew the whole service would become slower and that they might lose some passengers and money.⁸¹ Following a General Election the new Parliament questioned this contract in July 1859 and a select committee was appointed for the inquiry.

⁷⁵ Letter from the Inman Line to the General Post Office, 15 October 1858, and to the Treasury, 25 October 1858, enclosed in the *BPP* 1859 (230).

⁷⁶ Letter from the Treasury to the Inman Line, 9 November 1858, enclosed in the *BPP* 1859 (230).

⁷⁷ Letter to the Treasury, 12 February 1859, enclosed in the *BPP* 1859 (230).

⁷⁸ Samuel Cunard's evidence in the Committee of 1860, Q3516 & Smith (1920) pp.295-300.

⁷⁹ Letter from the Inman Line to Thomas B. Horsfall MP, 23 February 1859 and letter from Horsfall to the Treasury, 24 February 1859, enclosed in the *BPP* 1859 (230).

⁸⁰ Letter from the Treasury to Thomas B. Horsfall, 2 April 1859, enclosed in the *BPP* 1859 (230).

⁸¹ The Cunard Line began to call at Cork (Queenstown), see POST29/93 Pkt 329L/1860. Samuel Cunard stated that the Queenstown call made the sailing take longer. See his evidence in the Committee of 1860, Q3528.

The Committee did not recommend the Galway Line. The Canadian government also tried to take this opportunity to secure more subsidies. Nevertheless, it failed when the Treasury refused to allow the Allan Line to buy up the Galway Line. For Canada, the only reward was that the Canadian mail steamers would be viewed as British packets and no longer as American.⁸²

Meanwhile, the Galway Line failed to provide a service according to the promised timetable. The British Post Office advised the Treasury to consider suspending the postal contract.⁸³ In November 1860, the British Post Office agreed an extension to March 1861. In December 1860, the Galway Line asked for a further extension. However, the British Post Office refused. The service of the Galway Line was disastrous and shipwrecks and delays occurred. In May 1861, the British Post Office decided to terminate the contract.⁸⁴ In 1863, under political pressure, the British Post Office again contracted the Galway Line for the service from Liverpool to New York and Boston via Galway.⁸⁵ However, the service was still unsatisfactory and the contract was cancelled in 1864.⁸⁶ The Galway Line had failed. However, it had succeeded in pushing the Cunard Line and the Inman Line to call at Queenstown from 1859.⁸⁷ From Scotland, the Allan Line began to call at

⁸² Kenneth S. Mackenzie, 'A ready-made flotilla' in *MM* 74:3 & Smith(1920) pp.297-300

⁸³ Letter to the Treasury, 22 September 1860, in POST29/97 Pkt 651L/1860.

⁸⁴ For details, see Report from the Select Committee on the Royal Atlantic Steam Navigation Co., 23 July 1861, British Parliament Papers 1861 XII (8).

⁸⁵ Don Roman 'The contribution of imperial guarantees for colonial railway loans to the consolidation of British North America, 1847-1865' (Oxford University, D.Phil. thesis, 1978) pp.298-301.

⁸⁶ Arnell (1986) p.242; Bowen (1930) p.107.

⁸⁷ *The Times*, 24 October 1859, p.7.

Moville in Ireland from 1860, which benefited the postal service for the Irish overseas mail. The Irish call had become a factor to interfere with the decision making of mail contracts in the British government.

The failure of the first dynamic mail contract in practice and the issue of the postal charges

In February 1866, the British Post Office advised the Treasury to terminate the Cunard contract. They argued that the British government lost roughly 100,000 Pounds every year under it. The British Post Office thought the revenues from postage could cover the loss if the British postage to the United States was reduced because more letters would follow the reduction of postage.⁸⁸ As early as in 1859, the American Post Office had asked the British Post Office to revise the division of Ocean Postage, but the Cunard contract had prevented this from being a possibility.⁸⁹

Furthermore, in April 1866, the British Post Office found the Allan Line operated a satisfactory service and they wanted to use it. The British Post Office advised the abandonment of the mail route to Boston because more and more letters were addressed to New York. Again, the British Post Office argued that the huge losses of the Cunard contract made them unable to reduce the postage to the United States. By chance, the British Post Office also claimed it was time to terminate the postal convention with the United States and tried to reduce the postage per letter from 1s., which had remained

⁸⁸ Letter to the Treasury, 8 February 1866, enclosed in *BPP* 1867-8 (42). Some materials were discovered, revealing that some boat passengers brought letters for themselves or friends owing to the high postage.

the basic rate since 1840, to 6d..⁹⁰ The Post Office saw that the mail would be difficult to transmit to Halifax if the Boston route was suspended; therefore they suggested transferring the Halifax mail to the Allan Line.⁹¹ However, its vessels were slower than the Cunard vessels.⁹²

As mentioned above, when the railway was completed to connect Boston and Buffalo, mail could be carried to Canada via Boston-Buffalo overnight. This meant that Halifax became more disadvantaged in addition to its distance from the main business area. In 1852, Samuel Cunard had advised the Colonial Office to construct a railway to Nova Scotia. However, there were severe delays in completing this railway.⁹³ Before its construction, the Cunard Line had told the British Post Office on 29 December 1866 to terminate the contract and it abandoned the mail service from the UK to Boston via Halifax from January 1868.⁹⁴ By the Admiralty's recommendations to the Post Office, the Cunard Line still maintained the subsidiary mail service from Halifax to the West Indies, which was for naval, rather than postal, purposes.⁹⁵

⁸⁹ See Robinson (1948) p.190 and Staff (1956) pp.98-9.

⁹⁰ For details of the establishment of this basic rate, see Staff (1956) p.32, 77 and other relevant chapters.

⁹¹ POST29/88 Pkt358k/1859.

⁹² Letter from the Post Office to the Treasury, 26 April 1866 and the reply, 13 June 1866, enclosed in *BPP* 1867-8 (42).

⁹³ Roman (1978), p.72. See also Bassett (1976) pp.47-9. The negotiations on the imperial contribution to the railway finance delayed the completion.

⁹⁴ Letter from the Cunard Line to the British Post Office, 10 December 1867. According to this letter, the Cunard Line had noticed to terminate this contract on 29 December 1866. In POST29/144 Pkt 162T/1868.

⁹⁵ One copy of this contract is in POST51/42. Letter from the Post Office to the Treasury, 26 April 1866, and the reply, 13 June 1866, enclosed in *BPP* 1867-8 (42). This contract was renewed in 1876 and the Cunard Line received 17,500 Pounds annually. The Treasury decided to discontinue it in 1886. See Correspondence in Post29/416 Pkt409M/1886. See also J. C. Arnell, 'The development of the transatlantic mail service to Bermuda' in *Bermuda Journal of Archaeology and Maritime History* I (1989) p.41.

The British Post Office initially preferred the Allan Line to undertake the Halifax service, but they refused. Later, the Inman Line applied and they were anxious to get the mail contract. William Inman, the shipowner, claimed he would like to undertake this business for 25% lower than was previously negotiated.⁹⁶ The Treasury preferred the Inman Line owing to the smaller subsidies required. In addition, they wondered whether the service to New York would be delayed if the Cunard Line service to New York called at Halifax.⁹⁷ The Post Office regarded the operation of the Inman Line as temporary, owing to the dangerous geographical situation of that route.⁹⁸ In the event the Inman Line claimed they made heavy losses on this route and decided to abandon this business in 1871.⁹⁹

In June 1866, the British Post Office notified the American Post Office that they would terminate the Postal Convention of 1848.¹⁰⁰ A new convention was signed in London on 18 June 1867 and became effective on 1 January 1868. According to this convention, the single international rate would not exceed 6d. and the charge for ocean postage would be computed on the basis of a rate of 4d. per single letter. Amazingly, the British Post Office would pay 1/2 d. to the American account for each letter to the USA and receive a credit

⁹⁶ Letter from William Inman to the Post Office, 8 October 1867, and letter from the Post Office to the Treasury, 24 October 1867, enclosed in BPP1867-8 (42).

⁹⁷ Letter from the Treasury to the Post Office, 18 November 1867, enclosed in BPP 1867-8 (42). Alan G. Jamieson suggested that William Inman wanted to get a mail contract not only for financial revenue but also to avoid the Passenger Act. Sometimes the mail steamers would not be inspected to ensure the mail would not be delayed. See Alan G. Jamieson, 'William Inman' in David J. Jeremy ed. *Dictionary of Business Biography* (London: Butterworths, 1984-6) III pp.431-432.

⁹⁸ One copy of this contract is in POST51/43. In 1867, the Allan Line refused to call at Halifax though they carried Scottish mail to North America. See letter from the Post Office to the Treasury, 24 October 1867, enclosed in BPP 1867-8 (42).

⁹⁹ Letter from the Inman Line, 25 February 1871, in Post29/204 Pkt664A/1875.

¹⁰⁰ For a brief description on the Postal Convention of 1848, see Hargest (1975) pp.23-8 and

of 1d. for each letter from the USA.

The proposed policy of the British Post Office toward the American mail contract changed in some regard when the Duke of Montrose, the new Postmaster General and a shareholder of the Cunard Line, wrote another letter to the Treasury in 1867. He told the Treasury that it might be difficult to ensure how long the mail would take to get to the United States if the Post Office just used any vessels for this route. In his opinion, it might bring inconvenience because not all vessels maintained the same speed and sometimes the vessels of earlier departure would reach New York some days later. The Post Office was unable to state clearly if this new policy would be better.¹⁰¹ Nonetheless, the Post Office began to introduce the 'dynamic mail contract'.

The Post Office asked for tenders to carry mail to the United States from England under which the payment would be based on the ocean postage rate. In addition to the argument on payment, the Postmaster General told Parliament that the Cunard Line refused to carry mail in only one direction. Therefore, the Cunard Line refused to offer their tender.¹⁰² In total, there were four shipping companies, the North German Lloyd, the Inman Line, the National Line and the Hamburg American Steamship Co. to offer tenders. Among them, the Inman and National Lines were British companies and would operate their service from Liverpool. The two German companies

The Times, 18 December 1848 p.3.

¹⁰¹ Letter from the Post Office to the Treasury, 15 July 1867, enclosed in *BPP* 1867-8 (42). An MP called Baxter claimed the Duke was a shareholder of the Cunard Line. See *Hansard* CXC 20 March 1868 p.2012.

¹⁰² Report of the P.M.G. 1868, pp.13-4 In the Committee of 1869, the Inman Line stated that they had previously had an agreement with the Cunard Line and the other companies to refuse to carry mail from the USA to UK owing to the unsatisfactory terms of the American Post Office. For a brief summary, see *The Times*, 1 April 1869, p.10.

would operate their service from Southampton. In October, in their letter to the Treasury, the British Post Office admitted the Cunard Line could offer the best service among the existing shipping companies on this route: 46% of the mail to the United States and 50% of the mail from the United States to the UK were carried by the Cunard vessels at that time. At first, the National Line was excluded because it was too slow, and the Post Office was not actually satisfied with any of those tenders. In their tender, the Inman Line offered slower sailings in winter and the other companies were to call at Southampton. It meant the service from Liverpool, especially calling at Ireland, would be difficult to maintain at a satisfactory standard. Moreover, the two companies from Southampton were not British companies.

The Cunard Line was not silent about this situation. Though it did not offer its tender formally, the Cunard Line had written to the Post Office two days after the tender ended and offered its conditions to undertake this service. John Burns argued that the payment of ocean postage was unable to meet their costs. Therefore, the Cunard Line offered to undertake a service, under a 10-year contract, including the Halifax call, with a reduced annual subsidy amount of 120,000 Pounds. This could be reduced to 95,000 Pounds if the Halifax call was not required. The Post Office met John Burns to enquire why the Cunard Line did not offer its tender formally. John Burns claimed his company was unable to maintain this service without profit.¹⁰³

It might be argued that this informal offer was a trick to press the Post Office. As *the Times* commented, a large part of the British mail was posted to the United States on a Saturday and the Cunard Line could operate on that day. Without the participation of the Cunard vessels, the Post Office would find it

¹⁰³ John Burns' evidence in the Select Committee on Mail Contracts in 1867 (thereafter the Committee of 1867), Q1363.

difficult to maintain the whole service, so the British Post Office had to consider the Cunard Line's offer whatever they proposed.¹⁰⁴ It might be suggested that the Cunard Line thought the service would be unsatisfactory without the Cunard vessels. In the offer of the Cunard Line, the combined Halifax service was not really an issue because the Cunard Line did not insist on this point later on. The Cunard Line just used this different condition to delay its offer to the Post Office in order to negotiate the terms.

After their calculations, estimated by the amount of correspondence to and from the United States in past years, the British Post Office found the whole revenues in this route would be roughly 90,000 Pounds in addition to the cost of a sorting office on board, to be paid by the Cunard Line. The excess expenditure for the British Post Office would only be roughly 1,500 Pounds. Under this consideration, the Post Office decided to recommend the Cunard Line, which asked for 95,000 Pounds every year as mentioned above.¹⁰⁵

In fact this policy was the subject of an inside debate amongst the secretaries of the Post Office on the principles of the mail contract. Frederic Hill argued that the Post Office had to self-maintain its expenditure and he doubted whether a long-term contract with the Cunard Line would make a profit. Frank Ives Scudamore and John Tilley, two secretaries of the Post Office, argued that a long-term mail contract could induce a good shipping company, like the Cunard Line, to offer a regular service. In addition a long-term contract could encourage a company to set plans to build more suitable mail

¹⁰⁴ *The Times*, 30 November 1867 p.9.

¹⁰⁵ Correspondence between John Burns (on the behalf of the Cunard Line) and the Post Office, letter from the Post Office to the Treasury, 24 October 1867, enclosed in BPP1867-8 (42). Frank Ives Scudamore, one of the secretaries of the Post Office, wrote the letter to the Treasury, according to the draft in POST29/144 Pkt 162T/1868.

steamers.¹⁰⁶ As Professor Daunton pointed out, Tilley and Scudamore won, in effect, as their recommendations were accepted, though the recommendation of Committee of 1860 supported Hill's opinion.¹⁰⁷

Later, the American Post Office refused to pay the ocean postage earned via the Cunard Line on the homeward voyage to the British Post Office and the British Post Office found the revenues from the ocean postage paid by the American Post Office would be lower than it had expected. Therefore, the British Post Office decided to reduce the subsidies to 75,000 Pounds to the Cunard Line.¹⁰⁸ On 13 December 1867, before it entered into operation, the British Post Office remained unsatisfied with this convention and gave notice that they would like to terminate it on 31 December 1868.

The Treasury was initially unwilling to accept the Cunard Line when they realised the revenues would be smaller than they had expected. John Tilley and Frank Ives Scudamore asked John Burns if the Cunard Line could operate the service under a one-year temporary contract with a subsidy of 80,000 Pounds. They explained to John Burns that the British government was unable to adopt the principle of a long-term contract at that moment, because the negotiations with the American Post Office, on the new postal convention based on the ocean postage, had broken down. The situation had come too suddenly and, under pressure, John Burns decided to take the responsibility and agree to the proposal without consulting any other partner in the company.¹⁰⁹ The British Post Office asked the American Post Office to

¹⁰⁶ For a brief summary, see *The Times*, 1 April 1869 p.10.

¹⁰⁷ Daunton (1985) pp.161-165.

¹⁰⁸ Letter from the Post Office to the Treasury, 26 November 1867, enclosed in *BPP* 1867-8 (42).

¹⁰⁹ John Burns' evidence in the Committee of 1867, Q1363-4 See also *The Times*, 30 November 1867, p.9.

resume using the Cunard Line.¹¹⁰ The Cunard Line would pay the British Post Office the ocean postage on their homeward voyage that they received from the American Post Office.¹¹¹ As well as the postal convention reviewed below, the mail contract of 1868 was unusual in another way. The Treasury authorised a one-year contract with the Cunard Line to carry British mail to New York and the subsidy would be 80,000 Pounds. The Inman Line also accepted this temporary contract and received 30,000 Pounds.

The British Post Office sent Anthony Trollope to Washington and he signed the new convention, after negotiation, on 24 November 1868. According to the new convention, the single international rate was fixed at 6d and the mail to Canada via the USA was 7d. The ocean postage was 10d. per ounce. Meanwhile, in both directions, the credit in the accounts of both parties would be 1d..

During this unusual situation in 1868, the Post Office chartered the Allan Line, carrying the mail from Glasgow, and the North German Lloyd, carrying the mail from Southampton, by the ship letter rate. For the two companies, the Cunard Line and the Inman Line, which received the subsidies, the result was unsatisfactory. William Inman kept arguing that this decision was unfair as his company received much smaller subsidies. The Treasury claimed the reason was that the Cunard Line had kept a good record for many years.¹¹² John Burns of the Cunard Line had asked the Treasury to promise that this one-year contract was a special case.¹¹³ On the other hand, there was pressure to

¹¹⁰ Letter from the Post Office to the Treasury, 9 December 1868 in Post29/152 Pkt949T/1867.

¹¹¹ Letter from the Treasury to the Post Office, 28 November 1867 and letter from the Cunard Line to the Post Office, 30 November 1867, enclosed in *BPP* 1867-8 (42).

¹¹² Correspondence between William Inman and the Treasury in November 1867, enclosed in *BPP* 1867-8 (42).

¹¹³ Correspondence between John Burns and the Treasury, 3 Dec, 1867, enclosed in *BPP*

suspend the fixed subsidies for carrying mail. In March 1868, Baxter in the Commons claimed that the Cunard Line was no longer the company with the fastest ships on the Atlantic, and proposed that the British government should abandon the fixed payment subsidies.¹¹⁴

In 1868, the Cunard Line decided that they would not accept the conditions of the temporary contract in 1867 again. Meanwhile, they had to get a mail contract because some of their ships were designed only for carrying mail.¹¹⁵ At that time, foreign competitors, especially German companies, had come to the UK. In early 1868, several British shipping companies had written to the Board of Trade about the North German Lloyd, which was free from British law and competing with British companies at a lower cost. They argued that the British Post Office should not charter German vessels to carry mail. The Post Office replied they considered the good conditions of vessels, irrespective of the companies' nationalities.¹¹⁶ Due to this situation, John Burns met William Inman. In the meeting, John Burns persuaded William Inman to offer their tenders next time for the subsidies with a fixed payment totaling 150,000 Pounds for the two companies.¹¹⁷ That year, the British Post Office had asked for tenders because the provisional contract was due to expire. The British Post Office had decided to pay the shipping companies

1867-8 (42).

¹¹⁴ *Hansard* CXC, 20 Mar, 1868, pp.2010-2012. Hyde makes an excellent argument on how the Cunard Line became more conservative because they wanted to accumulate more capital reserves. See Hyde(1975) pp.27-34. In 1866, a vessel of the Inman Line had superseded the Cunard Liners by becoming the fastest vessel on the north Atlantic route. See Lee (1931) pp.88-90.

¹¹⁵ For example, "*Russia*" was completed in 1867 for the postal service.

¹¹⁶ 'Copy of any letters to or from the Board of Trade, on the subject of the conveyance of passengers from the UK to America by British and foreign steamships'. In *BPP* HC 1870 (288) XL.

Ocean Postage to replace the fixed subsidies. However, all applications were unacceptable. On 31 August 1868, the Cunard Line and the Inman Line sent their jointly agreed tenders individually: for a 10-year contract, the Cunard Line asked for 100,000 Pounds and the Inman Line asked for 50,000 Pounds.¹¹⁸ John Burns had warned the British Post Office that the Cunard Line would cease to call at Queenstown if they refused this offer.¹¹⁹ Negotiations followed and the final contracts were decided in November: each was for seven years and the Post Office had to pay 70,000 Pounds every year to the Cunard Line and 35,000 Pounds to the Inman Line.¹²⁰ In addition to this, the Post Office continued to charter the vessels of North German Lloyd for the service from Southampton. The Treasury authorised these contracts on 9 December 1868. The new Cabinet took office on 10 December 1868 and they had to sign the contract the next day.¹²¹ In March 1869, an MP called Seely proposed to appoint a committee to investigate the decision-making of this new mail contract.¹²² After private talks, the British Post Office tried to persuade Seely to stop.¹²³ A committee was appointed and it concluded that the contract should not be approved. However, the contracts were already valid before the action was taken because they had been sent to

¹¹⁷ John Burns' evidence in the Committee of 1867, Q1368.

¹¹⁸ Letter from John Burns to the British Post Office, 31 August 1868 & letter from the Inman Line to the British Post Office, 31 August 1868 in POST29/154 Pkt145U/1869.

¹¹⁹ Note from John Burns to the British Post Office n.d. in POST29/154 Pkt145U/1869.

¹²⁰ Private letter from Tilley to John Burns, 19 November 1868, in Post101/10 Tilley explains in this letter that the Post Office was unable to agree with the required subsidies the Cunard Line had asked for. Tilley claimed that Parliament had imposed a strict check on the payments and the Post Office had actually tried to help the Cunard Line by refusing the Hamburg-America Line.

¹²¹ The Chancellor of the Exchequer's statement in the Commons on 12 March 1869, see *Hansard* CXCIV p.1306.

¹²² See *Hansard* CXCIV, 12 March 1869. A concise narrative on this process can be found in *The Times*, 15 March 1869, p.8.

¹²³ Private letter from Tilley to John Burns, 16 March 1869, in Post101/11.

the Commons a month before.¹²⁴ As stated above, without the co-operation of the shipping companies, it was difficult to impose the dynamic mail contract.

Further changes in postal charges and the problem of the imperial contribution to British North America

In 1869, the international letter rates between the UK and the USA and Canada were reduced again to 3d. per half-ounce. Under the act of 1865, the American Postmaster General would not pay the contractors more than 3d per ounce for the letters they carried. Following this, the Cunard, Inman, Hamburg-American and North German Lloyd refused to carry American mail under this reduced payment from January 1870.¹²⁵ All countries on the Continent and in the UK had to make their own arrangements for dispatch of the mail. After two months, the American Post Office contracted the Guion Line on 23 February and the two German companies resumed the service in April. However, the Cunard Line and the Inman Line did not.¹²⁶

In 1871, the British Post Office decided to leave the decision on the Halifax – Liverpool service to the Canadian Post Office and promised to allocate 8,125 Pounds to the subsidies. The British Post Office found the deficit would be 5,300 Pounds in the account, owing to the low ocean postage receipts for this route.¹²⁷ The Canadian Post Office received two tenders from the Allan Line

¹²⁴ Memo, 5 February 1876, in Post29/233-4 Pkt332C/1877.

¹²⁵ John Burns and William Inman's joint letter to *The Times*, 3 January 1870, p.5.

¹²⁶ Hargest (1975) p.153.

¹²⁷ Letter from the Canadian Post Office, 29 February & 10 March 1871. Memo, 24 March 1871, in Post29/204 Pkt664A/1875.

and the Anchor Line.¹²⁸ The Allan Line got the contract.¹²⁹ In 1872 the British Post Office informed Ottawa that they would reconsider this allocation following the inter-colonial railway that was due to be completed in 1873.¹³⁰ However, the completion of the railway was delayed and in 1875 the British Post Office decided to withdraw the allocation until the following year, when it should be complete.¹³¹ As revealed in the previous chapter, the mail service to Halifax was again an issue for the CPR's mail contract in the late 1880s.

In late 1867 the Cunard and Inman Line organised the North Atlantic Steam Traffic Conference, and later the Anchor, State, National, Guion and Allan Lines joined. It is interesting that this was a shipping conference for the British shipping companies because few foreign companies operated on this route at that time.¹³² In 1870, the newly established White Star Line began their expansion very suddenly on the North Atlantic by a rate-cutting strategy.¹³³ Later the White Star Line also joined the shipping conference.

From 1872 the White Star Line began to carry British mail to New York under the ship letter rate.¹³⁴ The White Star Line furthermore wished to get a mail contract and began to attack the Inman Line as an inefficient and slow service.

¹²⁸ Correspondence from April and June 1871, in Post29/204 Pkt664A/1875 No documents were available in this file on the decision of the Canadian Post Office.

¹²⁹ Appleton (1974) pp.132-3.

¹³⁰ Correspondence, March-April 1872, in Post29/204 Pkt664A/1875.

¹³¹ Correspondence, October-November 1875, in Post29/204, Pkt664A/1875. For details of the withdrawal of British contributions, see Post29/232 Pkt 319C/1877. In 1876, the Allan Line began to call at Halifax in winter. See Bowen (1930) p.140. The Allan Line refused to renew the contract in 1880, see Post29/279 Pkt139F/1880.

¹³² For details about the discussion on the shipping conference, see Chapter 1.

¹³³ *History of the Anchor Line 1852-1911* (Glasgow: John Horn Ltd, n.d.) p.16.

¹³⁴ Memo, 15 August 1872, in POST29/196 Pkt292A/1875.

In 1874 the British Post Office found that they had made a loss in the contract with the Inman Line. They agreed that the White Star Line might operate better. At the same time, some merchants and Seely lobbied the Postmaster General about this matter. However, the Post Office decided to leave this issue until after the termination of the Cunard and Inman contract in December 1876.¹³⁵ The Inman Line found out they were under attack and tried to find a better defence of their position. They tried to argue their sailings were regularly on time. However, the British Post Office believed that the Inman Line was actually slower.¹³⁶ The White Star Line was anxious to secure the mail contract and kept lobbying the Post Office in the following months. The British Post Office still postponed the decision.¹³⁷

At the same time, in summer of 1874, the National Line cut the freight rates and withdrew from the shipping conference. The National Line argued that their vessels should charge a lower rate due to their slower speed. The shipping conference broke up and competition continued for four months. In September 1874, the shipping conference was restored and the National Line and some other slower vessels got a differential freight rate of 5%. Trade between the UK and USA was in a depression at that period. It might be

¹³⁵ Memo, 27 April 1874, and letter to the White Star Line, 6 May, 26 May, 5 June and 9 July 1874. Interview with the manager of the White Star Line, in July 1874, in POST29/196 Pkt292A/1875. *The Times*, 1 July 1874, p.9.

¹³⁶ Letter from the Inman Line to the Post Office, 2 and 6 July 1874. Memo, 8 Jul 1874, in POST29/196 Pkt292A/1875.

¹³⁷ Letter from the White Star Line to the Post Office, August-September 1874. The Secretary objected to arranging a contract with the White Star Line when he found it would be difficult, in such a short time, to arrange the mail dispatch in Queenstown for the White Star Line. In addition, the communication with the American Post Office, for the additional sailings, would take time as well. See memo, 9 October 1874. In POST29/196 Pkt292A/1875.

suggested that the disturbed history of the North Atlantic Steam Traffic Conference and the depression of North American trade made the shipping companies desire to secure more profits by carrying mail.¹³⁸

The attempt to impose the dynamic mail contract and the negotiations with the shipping ring

When the contracts were due to expire in 1876, the British Post Office still wished to suspend the fixed payment subsidy and they made enquiries to the American Post Office about how the system worked in the USA.¹³⁹ At the same time, John Burns tried to promote his scheme on the armed mercantile procedure, which the Admiralty supported. He sent letters to Disraeli, the Prime Minister, to promote his plan and his wish to put the subsidies for the armed mercantile cruisers and postal service in one contract. John Burns wanted to terminate the mail contract one year earlier and put a new contract in force from January 1876.¹⁴⁰ The Post Office considered this request seriously, but subsequently decided they did not think the Post Office should join this arrangement because the interest of the Admiralty was unrelated to

¹³⁸ See *The Porcupine*, 8 August 1874 pp.291-292, 15 August 1874 p.311, 5 September 1874 p.360, 17 October 1874 pp.459-460, 27 February 1875, p.758, 13 March 1875 pp.795-6, 10 April 1875 p.28, 5 June 1875, p.157.

¹³⁹ Correspondence between the British and American Post Office, August-September 1875, memo, 5 February 1876, in Post29/233 Pkt332C/1877.

¹⁴⁰ Letter from John Burns to Disraeli, 26 January and 21 February 1876, in Post29/233 Pkt332C/1877. Some research revealed that the Cunard Line experienced a crisis after 1868. This might have induced John Burns to consider this scheme to get more subsidies. For details on the armed mercantile cruisers, see pp.64-6.

the mail service.¹⁴¹ It was probably the depression that made the shipping companies eager to get the mail contract and some evidence reveals that the Cunard Line was very anxious to secure this new contract.¹⁴²

On 26 September 1876 the British Post Office informed the Cunard Line that, after the contract expired, the British Post Office would pay the shipping companies the Postal Union Rate every month: i.e. 2s 4d per pound for letters and 2d per pound for newspapers. The Inman Line and the White Star Line refused to offer tenders.¹⁴³ In December 1876, the British Post Office arranged for the Guion Line to replace the Inman Line, and used the existing Cunard Line from Liverpool, and the North German Lloyd from Southampton.¹⁴⁴ The British Post Office had successfully removed the fixed payment subsidies and imposed the per-pound subsidy system.¹⁴⁵

The Post Office found that since January 1877 the Cunard Line was using some slower vessels to get to New York.¹⁴⁶ Meanwhile, the public sent letters to the Inman Line and the White Star Line by the traditional ship letter rate. The Post Office realised that the White Star Line, the fastest shipping line at

¹⁴¹ Note, 1 February 1876, which was attached with the letter from John Burns. Memo, 5 February 1876, in Post29/233 Pkt332C/1877.

¹⁴² In 1876, the depression forced the White Star Line and the Inman Line to operate a joint service, where both of them sent their boat on alternate weeks, to replace the previous weekly service. That is, they halved their sailings. See N. R. P. Bonsor, 'The Inman Story – peak and decline' in *Sea Breezes* 28 (1959) p.395.

¹⁴³ Correspondence, October 1876, in Post 29/233 Pkt332C/1877.

¹⁴⁴ Letter from the Inman Line to the Post Office, 30 November 1876 and relevant correspondence Memo, 2 December 1876, in Post 29/233 Pkt332C/1877.

¹⁴⁵ Correspondence between the Post Office and the Cunard Line, 26 September, 18 October and 6 December 1876, in CA D42/Ca41 & Post29/233 Pkt332C/1877; *The Times*, 28 October 1876.

¹⁴⁶ Memo, 23 February 1877, in Post29/234 Pkt332C/1877.

that moment on this route, had attracted the public attention. The public would send their mail by this line, even though they were charged more.¹⁴⁷ In February 1877, the Inman Line, the Cunard Line and the White Star Line informed the Post Office that they would carry the mail if the Post Office paid 35,000 Pounds to each company for one year.¹⁴⁸ During the negotiations in March, the companies claimed the existing payment was a small amount and they were making a loss during the slump in business that year.¹⁴⁹ The Post Office reached an agreement with the Inman Line and the Cunard Line in March and the Post Office planned to replace the Guion Line with the White Star Line in May.¹⁵⁰ In 1877, the British Post Office spent 28,000 Pounds for this service, in comparison to 105,000 Pounds for every year during the last contract.¹⁵¹

For the contract starting in 1878, the three companies tried to secure a more profitable position by asking for a 9-month contract. They told the British Post Office, on 29 October 1877, that they wished to raise the payment to 4s. 8d. per pound for letters and 4d. per pound for newspapers. Meanwhile, they demanded that only the three of them would be allowed to carry British mail to the USA. They hoped to get at last a fair division of the payment. They threatened the Post Office and the Treasury that they would cease to call at

¹⁴⁷ The public in Liverpool preferred the White Star Line. See *Liverpool Courier*, 2 January 1877; Memo, 22 December 1876, 17 January 1877 in Post29/234 Pkt332C/1877.

¹⁴⁸ Letter from the Inman Line, 24 February 1877; from the Cunard Line, 27 February 1877. Letter from the White Star Line, 2 March 1877, in Post29/234 Pkt332C/1877.

¹⁴⁹ Memo, 14 March 1877, in Post29/234 Pkt332C/1877; the 24 Report of the PMG 1878, p.23.

¹⁵⁰ Correspondence, March 1877 and memo, 20 March, 21 March and 3 April 1877, in Post29/234 Pkt332C/1877; Frank C. Bowen, *A Century of Atlantic Travel* (London: Sampson Low, Marston & Co.) p.141.

¹⁵¹ J. C. Hemmeon (1912) p.133.

Queenstown if the reply was unsatisfactory.¹⁵²

In reply, the British Post Office warned that the Treasury would refuse to pay the high rate and that, in any case, Parliament would not approve it. However, the Post Office found it would be difficult to maintain an efficient service without the three companies' co-operation. Therefore, they agreed to increase the payment to 4s per pound for letters, and 4d. per pound for other printed matter for a 12-month period.¹⁵³ But the Treasury disagreed that the three companies could monopolise the carrying of mail and refused to allow it. The three companies raised objections, but eventually accepted these revised conditions. The Post Office set the period of the contract as one year and the three companies expected that they would occupy a better position in the following year.¹⁵⁴

According to the private notes circulated between John Burns and W. J. Page, an associate secretary of the Post Office, John Burns was unsatisfied with the policy of the Post Office.¹⁵⁵ The Post Office explained that the other shipping companies would also be unhappy if they were unable to make a profit from carrying mail. Also, Parliament would question this kind of policy, and the Treasury would find it difficult to defend.¹⁵⁶

¹⁵² John Burns' letter to *the Times*, 19 March 1878, p.4.

¹⁵³ Correspondence between the Cunard Line and the British Post Office, 29 October, 7 and 10 November In CA D42/Ca41 'Memo on the Queenstown call', March 1914, in Post51/99. The 24 Report of the PMG 1878, p.23.

¹⁵⁴ Letter from the Treasury to the Post Office, 16 November 1877 in POST29/432 Pkt158N/1887; Correspondence between the Post Office and the Cunard Line, 17 and 21 November 1877, in CA D42/Ca41. the 24 Report of the PMG 1878 p.23.

¹⁵⁵ Private notes, January 1879, in Post29/256 Pkt128E/1879.

¹⁵⁶ Letter from the Post Office to the Cunard Line, 13 January 1879, in CA D42/Ca41.

John Burns met the representatives of the Treasury and the Post Office in February 1879.¹⁵⁷ The three companies claimed that they had received only small payments from the postal service in 1878 and asked that they should be allowed either to monopolise the carriage of mail to the USA, or to raise the rates. The Post Office inquired about the rate that three companies preferred. In addition, the Post Office informed the three companies that the Guion Line and the Anchor Line, which also carried mail to the USA, would depart from the UK on different weekdays from the three companies' schedules. The three companies would not be worried that the mail they carried would be diverted.¹⁵⁸

In November 1882, the Post Office found their account for foreign mail services was operating at a loss and their payment to the three companies had been increasing since 1879.¹⁵⁹ In December 1882, as a compromise, John Burns agreed to an abatement of 7,000 Pounds for 1883.¹⁶⁰ However, the Post Office decided to reduce the rates further. On 30 December 1882, the Post Office informed the three companies that the sea rate would be fixed by the Postal Union Convention: i.e. 5 francs per kilo for letters, 50c per kilo for the other items.¹⁶¹ In 1883, the Post Office revised the payment again. The Post

¹⁵⁷ See notes, February 1879, in Post29/256 Pkt128E/1879.

¹⁵⁸ Correspondence between the Post Office and the Cunard Line, 4 and 27 February 1879 in CA D42/Ca41. In December 1878, the Post Office refused the Guion Line's application to replace the Cunard Line. See Post29/256 Pkt128E/1879.

¹⁵⁹ Letter from the British Post Office to the Cunard Line, 25 November 1882, in CA D42/Ca41.

¹⁶⁰ The Board meeting of the Cunard Line, 1 December 1882, for the authorisation to John Burns in B1.2 CA; the letter from John Burns to the Post Office, 9 December 1882, in POST29/432 Pkt158N/1887.

¹⁶¹ Letter, 30 December 1882, in CA D42/Ca41.

Office decided that from September 1884 the payment would be based on the amount of correspondence carried per voyage, at the rate of 3 shillings per pound for letters and 3 pence per pound for printed matter. The Post Office would also decide the ships that they wished to use every month.¹⁶²

The Cunard Line was surprised at this change and John Burns went to London to make inquiries to the Post Office.¹⁶³ In January 1884, the North German Lloyd informed the Post Office that they wished to increase the amount of mail carried from Southampton. However, despite negotiations this did not come about owing to the North German Lloyd's refusal to call at Queenstown, which was extremely necessary in the opinion of the Post Office. In the German company's opinion, there was too great a risk of collision to call there using high-speed steamers.¹⁶⁴

Carrying mail from Southampton to the USA attracted the interest of English merchants in many areas. Not only London and Southampton in the South of England, but also the Chamber of Commerce for Manchester supported sending the mail by the North German Lloyd to the USA. In the summer of 1884, many local Chambers of Commerce kept lobbying the Post Office about this option.¹⁶⁵

Based on a joint decision, in July 1884 the three companies refused to offer

¹⁶² Letter from the Post Office to the three companies, 30 August and 5 October 1883 in CA D42/Ca41 & *BPP* 1885 XLV (131).

¹⁶³ Board meeting of the Cunard Line, 10 October 1883 in CA B1.2.

¹⁶⁴ 'Correspondence between the North German Lloyd agents and the Post Office, January – July 1884', in *BPP* 1885 XLV (131).

¹⁶⁵ Correspondence in *BPP* 1885 XLV (131).

tenders for the new policy planned for September.¹⁶⁶ In August 1884, they asked for a contract of less than two years, based on the old rate of payment.¹⁶⁷ The Post Office found it was difficult to maintain a regular service owing to the few tenders received and they surrendered. The Post Office did not insist on the monthly tender, and told the three companies that a contract of less than 12 months was preferred as the sanction of Parliament was necessary for a longer contract period.¹⁶⁸ At the same time, the Anchor Line suggested the Post Office impose a more flexible policy. In their opinion, there were many shipping companies operating on the North Atlantic, therefore the British Post Office could arrange for different companies to work together, month by month and a monopoly contract would not be necessary. This was, then, the policy that the British Post Office wished to adopt. The reason that the Anchor Line proposed this may have been that they were unable to operate the full sailing schedule for the weekly service. As they said, they needed the co-operation of another company to meet the demands of the Post Office. Therefore, the Post Office did not adopt Anchor Line's offer.¹⁶⁹

In the event the Post Office successfully persuaded the three companies to accept a one- year contract with the condition of accelerating mail transition to Queenstown.¹⁷⁰ In December 1885, the three companies reached an agreement for the pooling of postal revenues.¹⁷¹ The Cunard Line carried

¹⁶⁶ Correspondence between the Cunard Line and the Post Office, 26 June 1884 and 23 July 1884, in CA D42/Ca41.; the Board meeting of the Cunard Line, 23 July 1884, in CA B1.2.

¹⁶⁷ Correspondence between the Cunard Line and the Post Office, 7 August 1884 and 13 August 1884, in CA D42/Ca41.

¹⁶⁸ Letter from the Post Office to the Cunard Line, 18 August 1884, in CA D42/Ca41.

¹⁶⁹ Correspondence, August 1884, in POST29/434 Pkt158N/1887.

¹⁷⁰ Letter to the Post Office, 22 August 1884 in CA D42/Ca41 and in *BPP* 1885 XLV (131).

¹⁷¹ The draft is in the Board meeting of the Cunard Line, 9 December 1885, CA B1.2. A

more than half the mail at that time and the Inman Line and the White Star Line agreed to pay the Cunard Line one third of their mail earnings.¹⁷²

Actually, from the data available, the Post Office had even increased its income from the American mail service from 1877 under the new payment system.

| Year | Income from American Mail (pounds) |
|-----------|------------------------------------|
| 1877-1878 | 32,218 |
| 1878-1879 | 51,652 |
| 1879-1880 | 57,233 |
| 1880-1881 | 65,062 |
| 1881-1882 | 74,394 |
| 1882-1883 | 92,523 |
| 1883-1884 | 94,448 |
| 1884-1885 | 96,590 |
| 1885-1886 | 96,520 |

(source: Post29/435 Pkt158N/1887 Memo 13 January 1887)

In April 1886, the Post Office urged the Treasury to adopt the American system, and failed again.¹⁷³ It was finally authorised in May 1886, when the Post Office decided to terminate the current contract, imposing a monthly or quarterly contract. The Post Office wanted to pay by the amount of correspondence carried per voyage. In June, the Post Office advertised that 3

formal copy can be found in CA S14/213 Box 14.

¹⁷² Robin Gardiner, *The History of the White Star Line* (Hersham: Ian Allan, 2001) p.102.

¹⁷³ Correspondence, April-May 1886, in Post29/434 Pkt158N/1887.

sailings per week were required and they would pay 3 shilling per pound for letters, 3 pence for printed matter if the service called at Queenstown and 1s. 8d. per pound for letters, 1s.5d. per pound for printed matter if the service did not call at Queenstown.¹⁷⁴ The merchants in Queenstown were nervous about the situation that would arise if the mail steamers ceased to call at Queenstown. The Council of the Borough of Cork lobbied the British government to secure the Queenstown call.¹⁷⁵

William Inman, the founder of the Inman Line, died on 3 July 1881 and the management of the company deteriorated. On 18 October 1886, Clement A. Griscom, an ambitious American businessman, purchased the Inman Line. From the sources available, it is not clear why the alliance of the three companies broke down at that time.¹⁷⁶ The deadline to receive tenders for the new 1886 contract was 1 October 1886. The Inman Line left the alliance before this date, and they did not sign the joint letter with the Cunard Line and the White Star Line, to the Post Office on 25 September 1886, asking for a 12-month contract.¹⁷⁷ Cunard and the White Star Line claimed they would

¹⁷⁴ Letter to the Cunard Line, 31 May 1886 and 11 June 1886, in CA D42/Ca41.

¹⁷⁵ The resolution was enclosed in Post29/434 Pkt158N/1887.

¹⁷⁶ Hyde claimed that the White Star Line aided the Inman Line by granting the company large loans for a long time and kept it in business to prevent strong competitors emerging. See Hyde (1975) p.101. This might explain the formation of the three-company alliance. The alliance probably ended when the Inman Line fell into American hands, which also subsidised the Inman Line heavily. For further information about the transference, see *The Liverpool Daily Post*, 19 October 1886.

¹⁷⁷ Flayhart's argument is striking to read. In his book on the American Line, he argues that the British government cancelled the subsidies to the Inman Line as revenge for an American purchase of the British-owned company. See William Henry Flayhart III, *The American Line (1871-1902)* (W.W. Norton & Co., 2000) pp.120-128. Actually, the British Post Office continued occasionally to charter the Inman Line later. In 1893, several of Griscom's companies merged into the International Navigation Company and began to receive a subsidy of \$750,000 a year under the new subsidy act of 1892 in the USA. See Post29/518 Pkt317R/1891. Henry Fry, *The History of North Atlantic Steam Navigation*

arrange two sailings per week and would carry all mail to the USA except specially addressed items. They also asked for a higher rate: 4 shillings per pound for letters and 4 pence per pound for printed matter for the UK mail; 5 francs per kilo for letter and 50 cents per kilo for printed matter for foreign mail.¹⁷⁸ The Post Office found none of the tenders received were satisfactory.¹⁷⁹ During negotiations, the two companies argued that they had given up some conditions in 1882 and losses had followed. They also claimed they would lose some money and passengers if the call to Queenstown was required. Therefore, they asked for 3 shillings and 6 pence per pound for the UK letters.¹⁸⁰ The Post Office claimed that the Treasury insisted on the three weekly sailings and the large amount of correspondence made the three sailings necessary. However, the two companies argued they would suffer losses if they had to make three sailings per week. Later, the Cunard Line agreed to include one sailing to Boston, which was not necessary in the Post Office's opinion.¹⁸¹

The negotiations broke down and the Post Office informed the Treasury that they had refused the Cunard Line and the White Star Line's offer. The Post Office decided instead to use the Inman Line, the Guion Line and the North German Lloyd to carry the mail for a three-month period contract.¹⁸² The Liverpool Chamber of Commerce immediately objected and supported the

(London: Sampson Low, Marston & Co., 1896) p.102.

¹⁷⁸ Letter to the Post Office, 25 September 1886, in CA D42/Ca41.

¹⁷⁹ Memo, 19 October 1886, in Post29/434 Pkt158N/1887.

¹⁸⁰ Letter to the Post Office, 1 November 1886, in CA D42/Ca41.

¹⁸¹ Correspondence in November 1886, in CA D42/Ca41.

¹⁸² Letter to the Treasury, 30 November 1886, in POST29/435 Pkt158N/1887.

old system.¹⁸³ During the first three months, the new arrangement was very unsatisfactory.¹⁸⁴

The two companies tried to persuade the Post Office they could offer a better service. John Burns wrote a separate letter, without consulting the White Star Line, to the Post Office, to argue that the Cunard Line's service to Boston would not be outstripped by the White Star Line's New York service, which had left Liverpool two days later every week.¹⁸⁵ The Post Office refused to reconsider accepting this proposal.

The Post Office was in a dilemma because the local business in Liverpool pressed them to support the two companies.¹⁸⁶ Meanwhile, the shipping companies lobbied senior politicians, including Lord Salisbury and Lord Randolph Churchill, to press the Post Office not to use the German companies to carry mail, even though, in actual fact, the ships of the North German Lloyd were British-built and manned by British crewmen.¹⁸⁷ Later, Lord Salisbury

¹⁸³ *The Chamber of Commerce of Liverpool 37 Annual Report* (1887) pp.25-6. The Postmaster General replied and explained the situation in December, see pp.27-32.

¹⁸⁴ Bowen, *A Century of Atlantic Travel* (1930) pp.170-171. Bowen might be correct when he argues the American system could not work well without the support of the first-class British steamers. The American Post Office was unable to use the White Star Line and the Cunard Line at that time. See Daniel C. Roper, *The United States Post Office* (London: Funk & Wagnalls Co., 1917). Furthermore, as Tilley argued in 1867, the American Post Office was unable to secure a good mail steamer if the shipping companies did not get subsidies from the British government. See Daunton (1985) p. 165.

¹⁸⁵ Two letters: one joint letter by the Cunard Line and the White Star Line and the other by John Burns, both dated 8 December 1886 in CA D42/Ca41.

¹⁸⁶ The resolution, by the Chamber of Commerce of Liverpool, 26 November 1886, in Post29/435 Pkt158N/1887.

¹⁸⁷ Letter from Forwood to Lord Randolph Churchill, 26 November 1886, in Randolph Churchill Papers Mss RCHL 1/17; letter from Lord Salisbury to Henry Cecil Raikes (the Postmaster General), 4 December 1886 cf. Henry St. John Raikes, *The Life and Letters of Henry Cecil Raikes* (London: Macmillan, 1898) p.263.

agreed to appoint a committee, which included the Admiralty, the Post Office and the Treasury, to discuss the problem.¹⁸⁸

In the tenders that followed over the next three months, the two companies offered three proposals for a 12-month contract. The first one was a modified version of the proposal they had offered three months before with three sailings, including one to Boston, per week; the second one was the rate of 1885 with two sailings to New York per week; the last one was the same payment of the original proposal three months before with two sailings to New York per week.¹⁸⁹

In addition to the two companies' joint tender, some other companies offered tenders according to the Post Office's original conditions, namely the international convention rate. The Post Office regarded the National Line as unsatisfactory and inadmissible. The Inman Line asked for a contract longer than one year. The Guion Line and the North German Lloyd also offered tenders. After due consideration, the Post Office decided to adopt the second joint offer of the Cunard Line and the White Star Line for carrying the mail from Liverpool, because the Post Office had to secure a service by the following Tuesday and they found they had no other option.¹⁹⁰ The Anchor Line would continue carrying mail from Scotland and the North German Lloyd would still carry mail from Southampton.¹⁹¹ In February 1887, the Post

¹⁸⁸ Raikes (1898) pp.263-4.

¹⁸⁹ Letter to the Post Office, 14 January 1887, in CA D42/Ca41.

¹⁹⁰ 'American mail service' (a statement of the Post Office), December 1886 in POST29/432 Pkt158N/1887 and CA D42/Ca41.

¹⁹¹ Memo, 15 and 18 January 1887, in POST29/435 Pkt158N/1887.

Office informed the Treasury that the joint offer was not only better for postal purposes but also that the Admiralty had recommended it.¹⁹² Earlier, as discussed in the previous chapter, the Admiralty had entered into contract for armed merchant marine with the two companies. In the case of the Cunard Line, the Admiralty paid the company 17,028 Pounds 15s. every year for at least five years. The Admiralty promised to increase the payment to 22,705 Pounds if the Cunard Line did not get the postal contract. The Admiralty also supplied the cost of equipment and fittings.¹⁹³ Actually, this was John Burns' idea from 1876.¹⁹⁴ The Post Office issued a statement to describe their failed attempt to break the monopoly of mail carrying on the North Atlantic. The two companies replied that they had won the tender after a public competition. Therefore, it was not a monopoly. Also, they also argued that they were only paid according to the weight of the mail, which was the system that had replaced the fixed subsidies. In comparison to the huge subsidies that the foreign shipping companies received, they claimed that they just wished to meet the losses caused by calling at Queenstown and the slump in business during the winter season.¹⁹⁵ In February 1887, the Treasury authorised the new contract and the two companies began to negotiate the pooling of mail earnings. The White Star Line had an informal agreement that the Cunard

¹⁹² Letter to the Treasury, 5 February 1887, in POST29/435 Pkt158N/1887 The Treasury Minutes, 23 May 1887, in *BPP* 1887 XLIX (165) Post29/506 Pkt157R/1891. Letter from the Admiralty to the Treasury, 2 February 1887, in 'Copies of Correspondence respecting subvention of merchant steamers for state purpose', in *BPP* 1887 LII C-5006 See also, the *Hansard* 310, 7 February 1887, pp.761-2.

¹⁹³ *Liverpool Journal of Commerce*, 31 March 1887, p.5.

¹⁹⁴ 'The Cunard company's Jubilee' in *Liverpool Daily Post*, 4 July 1890 and Benstead (1936) p.58.

¹⁹⁵ 'American mail service' (a statement of the Post Office), December 1886, in POST29/432 Pkt158N/1887 and CA D42/Ca41 The reply is in CA D42/Ca41.

Line would receive three-fifths of the revenues;¹⁹⁶ however the White Star Line broke this agreement. In March 1887, the White Star Line proposed to pay one fifth of their half-earnings to the Cunard Line.¹⁹⁷ In 1890, the White Star Line kept half of the total revenue after their new ship *The Majestic* began to carry mail.¹⁹⁸

The end of postal subsidies and the naval subvention

Since the 1890s, due to the improved shipbuilding technology, there were more giant vessels operating on the North Atlantic but they found difficulty in using the old harbour equipment in Ireland. The bad weather in winter on the North Atlantic also discouraged the call at Ireland. The Post Office found they were unable to control the homeward voyage of contractors. In 1907 and 1910 respectively, the White Star Line and the Cunard Line followed the example of the Inman Line in 1893, which ceased to call at Queenstown.¹⁹⁹ The Post Office saw the companies did not want to call at Queenstown owing to there being too little business in Ireland. The British government tried to sort out the dilemma but the European War of 1914 prevented any further action.²⁰⁰

Some contemporary sources reveal that the payment to the two companies

¹⁹⁶ The Board meeting of the Cunard Line, 15 September 1886, in CA B1.3.

¹⁹⁷ The Board meeting of the Cunard Line, 16 and 30 March 1887, in CA B1.3.

¹⁹⁸ The Board meeting of the Cunard Line, 7 November 1889, in CA B1.3.

¹⁹⁹ H. C. Brookfield, 'Cobh and passage west' in *Irish Geography* II (1953) p.164.

²⁰⁰ 'Memo, on the Queenstown call', March 1914 in Post51/99 Queenstown Harbour Committee, June 1914 (Report from the Committee Appointed by the Postmaster General to consider the omission of the call at Queenstown on the American mail service) in CA C1/242.

increased from the 1890s.²⁰¹ Therefore, the Post Office proposed to reduce the payment in November 1898 and they reached an agreement with the two companies in September 1899: the Postal Union rate would be applicable if the payment reached 60,000 pounds in one year.²⁰² But in 1902, the Cunard Line and the White Star Line, supported by the Admiralty and the other departments, forced the Post Office to accept a new system. In addition to the other subsidies that the Cunard and the White Star Line received, the payment for carrying mail would no longer be determined by the measure of weight and the Post Office had to pay 68,000 Pounds every year.²⁰³ In some sense, the Post Office won because they did not pay a lot despite the increasing amount of correspondence to the USA in the late nineteenth century. However, the shipping companies did not press the Post Office hard at that time because they could get generous subventions from the Admiralty.

I invented the phrase 'Dynamic Mail Contracts' for this thesis because the Post Office wished to introduce a short-term contract with the shipping companies for mail carrying to the USA, to improve on the long-period contracts previously used. However, the Post Office failed to make it work due to the shipping companies' strong opposition, as well as the Admiralty's support for the principal shipping companies. Initially, because of the political implications the British Government intended to subsidise the Cunard Line,

²⁰¹ Henry Fry claimed that the British Post Office had to pay 105,500 Pounds for this route during 1893-4. See Fry (1896) p.102.

²⁰² Correspondence, 22 November 1898 and 8 September 1899, in CA D42/Ca41 See also PO29/669 Pkt276z/1899.

²⁰³ Correspondence in 1902 in CA D42/Ca33a., a private letter from Austen Chamberlain (the Postmaster General at that time) to Balfour, 2 April 1903 in CA D42/Ca31-38 See also the Treasury minutes, 31 July 1903 in Post29/832 Pkt281E/1904 file XVIII.

under the oversight of the Admiralty. However, as the Cunard Line grew into a business giant, the British Government found difficulty in managing it and the Post Office failed to impose a new policy upon it.

As is also shown in the previous chapter, events proved that the direct mail service to British North America was difficult owing to the small shipping profits made by the British side and to the navigational disadvantages that also discouraged marine business on this route. Political efforts supported the attempt to introduce a direct mail service to British North America, and the Admiralty was very influential in relation to the subsidies to the Cunard Line, so that these served as a kind of protectionism including shipbuilding as well as shipping business. Whereas the early history of the P&O's negotiations with the British Government for subsidies is not very clear due to the fact that few archives have survived, it is obvious from the discussion above that the Admiralty supported the establishment of the Cunard Line and promoted its growth through generous subsidies not only for carrying mail but also due to the national security policy. It is quite doubtful whether the Cunard Line would have achieved its initial business success without the subsidies. But political considerations declined when Anglo-American relations improved from in the 1840s. Also, the inland transport improvements in north America increased the advantages of the US route. However, long-term subsidies continued under the Admiralty's dominance despite the Post Office's objections.

It cannot be denied that the subsidies were only partial revenues of the Cunard Line, as they later abandoned some parts of the contracts for business reasons.

Nonetheless, they were quite important to the Cunard Line, as well as to the other shipping companies on this route after the 1870s, for they were anxious to secure the contracts, as the evidence has revealed. Since the 1860s the Post Office took charge of the mail contracts and tried to introduce the concept of the dynamic mail contract to reduce costs. The Post Office did not consider the interactions of their attempt with naval strategy and their plan failed.

It was difficult for the Post Office to monitor the operating costs of the big shipping companies, which could sometimes dominate the negotiations. The Inman Line and the White Star Line organised the shipping ring along with the Cunard Line, and it used the mail contract to the USA as a tool to secure their profits in the slumps. They formed a pooling agreement to share the subsidies. The Irish call also became their bargaining counter in negotiations with the Post Office. In addition, the autonomy of the Canadian Post Office further complicated the negotiating situation. The big shipping companies also received support from the British Government in relation to the Irish issue and the problems of the Canadian Union. Against the force of these political considerations, the Post Office found their bargaining power was quite ineffectual.

In addition, since the 1880s, the Admiralty had imposed its own subsidies policy as described above,²⁰⁴ mostly independent from the Post Office. This was the resumption of the previous policy before the 1860s, but with the subsidies going to more shipping companies. These subsidies could be seen as

²⁰⁴ See pp.64-6, 164 and 176.

the important supports of British shipping forces on the North Atlantic and they promoted the efficiency, regularity and reliability of shipping services.

Perhaps the British Government would have benefited from the dynamic mail contract in that the expenditure might have been lower, but the shipping companies would have lost the huge subsidies that they expected to improve their income. The shipping companies might also have lost the revenues from the Admiralty. The lack of co-operation from the shipping ring, together with the difficulties of guaranteed speed and the political issues ensured that the encounters with this kind of dynamic mail contract failed.

Chapter Four

The Anglo-Japanese Shipping Rivalry in the Far East and the Development of Japanese Shipping

The dynamics of Japanese economic growth in the nineteenth century and their impact upon the world are important topics in world economic history. Japan is a country with a scarcity of natural resources. Therefore, it could be argued that research on the Japanese shipping industry is a key to understanding the success of the Japanese economy in competing with the West in the past one hundred years. The orthodox school in Japanese studies holds the opinion that it was strong government that promoted the Japanese economy. In the case of the shipping industry, this opinion deserves to be qualified: many other countries have undertaken the same methods of protectionism. However, few have made a success of it like the Japanese. The case of Japan deserves more attention.

The Japanese have competed with British business and challenged its ascendancy since the early twentieth century. There was a basic difference between the British shipping business and that of the Japanese, who were late-comers to the industry: on the British side, the long evolution of institutions and business activities was an impressive process. On the Japanese side, they tried to learn from the British experience and establish

their own national business in a very short time. In the case of shipping, it could be argued that the late nineteenth century Japanese economy was revolutionary, in comparison to the evolutionary British economy.

Britain had been the centre of manufacture worldwide in the nineteenth century, including the shipbuilding industry. Britain was also the centre of international trade at that time. Those advantages promoted the shipping business. Japan was a comparatively backward area in international business and trade. However, the domestic coastal trade had been operated for many hundreds of years. In Japan, the coastal trade was a major method of transport in comparison to the declining coastal trade in Britain at that time. Experience gained in the coastal trade in Japan might explain why Japan was able to 'catch up' quickly in the international shipping business and shipbuilding technology as they had a great deal of experience. It could also be argued that the Japanese shipping companies possessed more advantages than the British. Whereas the British and Indian coastal trade were open to everyone, the Japanese coastal trade had been reserved for the Japanese only in most areas. The British maritime expansion was for business purposes with the military-oriented subsidies as revealed in the previous chapters. In the case of Japan, there has been some debate about the origins of the Japanese maritime expansion. The British historian, Peter N. Davies argued that imperialist expansion was the motive of Japanese shipping growth. On the other hand, Katayama Kunio argued that business expansion was the main motive.¹

¹ Peter N. Davies & Katayama Kunio, 'Aspects of Japanese Shipping History'

In the following chapter, I will demonstrate the political support for Japanese maritime expansion, beyond the subsidies policy, showing that Japanese protectionism support for shipping had a more general dimension than the British. Using rivalry with the British companies on the Yangtze for wharfage and with the British on the Calcutta-China route as case studies. I also will reveal how Britain's political alliance with Japan weakened the British political support for the British shipping companies in the Orient, especially during the Japanese wartime expansion. Moreover, the co-operation among the Japanese shipping companies was greater than that of the British companies and there was limited cut-throat rivalry.

Subsidies and the origin of modern Japanese shipping

After the Meiji Restoration in 1868, the Japanese Government decided to promote the national economy. The Japanese government restricted all foreign business activities by law. However, advisers and merchants from Western Europe played a very important role in introducing the new technology.² For example, A. R. Brown, a Scot, traded with the Mitsubishi company and conveyed the munitions in the expedition to Formosa in 1874. Many scholars have argued that Mitsubishi received

Suntory and Toyota International Centre Discussion Paper JS/1999/376 (LSE, December 1999), which is available from <http://sticerd.lse.ac.uk/dps/js/JS376.pdf>.

² Much research is available about this topic. For a concise description on the case of shipping, see Suzuki Jun, 'E. H. Hunter to Hitach Zosen' in *The Counterpoint of History* (eds.) by Yoshie Aki, Yamaguchi Masayuki and Motomura Ryoji (Tokyo: University of

huge benefits, including many vessels at lower prices, from the munitions contracts.³ After this military action, the Japanese government continued assisting Mitsubishi's expansion. In 1875, the Japanese government offered the vessels to contract Mitsubishi for a weekly service to Shanghai, which became the first Japanese liner service. Meanwhile, on this route, a rate war broke out with the American Pacific Mail Co.. Mitsubishi won the first contest against a foreign shipping company and purchased its properties in Japan and China. In addition, Pacific Mail reached an agreement with Mitsubishi to abandon this route for thirty years. In the next year, due to the Japanese Government's intervention, the Mitsubishi company prevented the P&O's service-extension from Hong Kong to Shanghai and Yokohama.⁴ After six months of freight war, the P&O agreed to abandon the service from Shanghai to Yokohama. The Mitsubishi company achieved a monopoly in this route. It could be said that, in that period, Mitsubishi achieved a monopoly through its strong official support. Much public criticism followed this monopoly. However in 1881 the new cabinet changed the shipping policy and did not support the Mitsubishi as before. An increasing number of new shipping companies, like the Kyodo-Unyu-Kaisha, were established to compete with Mitsubishi. In 1882 three main new companies merged. In 1882 and the Japanese government became the largest shareholder.⁵ However, the

Tokyo, 1998) pp.37-8 (in Japanese).

³ Sasaki Seiji, "Relation between wars and Japanese shipping industry" in *Study of Shipping Economy* no.14 (1980) pp.19-36 (in Japanese).

⁴ Teruyoshi Kaji, "Shipping business in formation of the modern zaibatsu" in *The Shodai Ronshu (Journal of Kobe University of Commerce)* 25 (September 1973) pp.146-152 (in Japanese).

⁵ Teruyoshi Kaji, "Establishment of the Kyodo-Unyu-Kaisha" in *Study of Shipping Economy* 8 (1974) pp.1-25 (in Japanese).

new companies could not compete with Mitsubishi and finally the two companies merged, under the Japanese government's intervention, to establish the Nihon Yusen Kaisha (hereafter the NYK) in 1885.⁶ To the NYK, the Japanese government agreed to guarantee a dividend of 8 per cent every year for fifteen years. In return, in the following years, the NYK agreed to ply its vessels in the fourteen routes, including to China, Korea and Asian Russia, which the Japanese government had decided upon.⁷ However, in November 1887, the Japanese government changed its policy. According to the new policy, the subsidy would be 88,000 Yen every year.⁸

Another competitor emerged from Kansai (the western part of Japan), where the merchants preferred to support their own shipping industry. There fifty-five small shipping companies agreed to merge, adopting the official recommendation to form the Osaka Shosen Kaisha (hereafter the OSK) in 1884.⁹ However the OSK was initially a smaller company than the NYK. In August 1887, the OSK began to carry mail for the Japanese government and in return the Japanese government paid subsidies to the OSK annually of 50,000 Yen for the next eight years for "ship improvement". Moreover, in October, a further 20,000 Yen was annually added to the "postal subsidy".¹⁰ In 1890, O.S.K. began the first overseas service to Korea. However, initially,

⁶ Wray (1984) ch.5, remains the most excellent analysis on the competition and merger from 1883 to 1885.

⁷ Chida and Davies (1990) p.9.

⁸ *Kindai Nihon Kaiji Nenpyo* (Tokyo: Toyo Keizai Shinbou, 1991) p.58.

⁹ Chida and Davies (1990) p.9.

¹⁰ See *Teishin Jigyō Ryakushi* (Tokyo: Teishinsho, 1936) pp.137-8. See also Trashima Shigenobu *Teikoku Kaiun Seisaku Ron* (1923) p.112.

in comparison to the NYK, the OSK received much smaller subsidies from the Japanese central Government. It was Taiwan's colonial government which supported the OSK and granted the subsidies.¹¹

Subsidies and the beginning of long-distance shipping

For Japan, overseas transport was very important in the process of economic growth. The textile industry was the first successful manufacturing trade to compete with Western industry. After the late 1880s, cotton growing in Japan declined due to the poorer quality of the product and the higher costs involved. In 1889, along with a government official, the Japanese textile merchants carried out an investigation in India and decided to recommend the importation of Indian raw cotton to the mills in Japan. By chance, they met R. D. Tata, an influential Indian businessman. In 1891, R. D. Tata visited Japan and began to ship the raw cotton material from Bombay. However, at that time, the P&O dominated the Bombay-Kobe route with a very high freight rate of seventeen Rs per ton, along with the Austrian Lloyd and the Navigazione Generale Italiana in the Far Eastern Shipping Conference. In 1893, another member of the Tata family, J. N. Tata, visited Japan and agreed to use vessels outside the Conference at a lower freight rate. Tata asked the NYK to operate half of the sailings whilst he would arrange the other half. Shibusawa, the most influential Japanese business lobbyist at that

¹¹ See Katayama Kunio *Kindai Nihon Kaiun to Ajia* (Tokyo: Ochanomizushobou, 1996).

time, consulted the NYK on whether it would wish to undertake this business. In reply, the NYK agreed to compete with the Far Eastern Shipping Conference on condition of the textile merchants' support. Later, the textile merchants promised to carry a fixed amount of raw cotton shipment per year at seventeen Rupees per ton, to be carried by the NYK and Tata's joint service. The NYK would pay loyal consumers a rebate of four Rs.¹² A severe freight-rate war broke out immediately. Later, Tata withdrew all the vessels due to heavy losses and the NYK assigned more vessels to carry the raw cotton.

In 1896, after diplomatic mediation, the NYK reached an agreement with the P&O on the Bombay–Kobe line. In the quota of sailings, the P&O had 48, the NYK had 16 and the other two companies had 12 each. The freight rate remained at 17 Rs with a rebate of 5 Rs to loyal consumers. All earnings would be pooled with a fixed quota of points to each company: the P&O would get 30 points, the NYK could get 14 and the other two companies could get 8 each. In the same year, the Japanese government began to subsidise the NYK for this service.¹³ This new service promoted the Japanese textile industry.¹⁴ At the same time, in March 1896, the NYK expanded their sailing to Antwerp and Middlesborough. Wray emphasised that the NYK compromised by calling at Middlesborough, instead of London, as a trade-off for the agreement on the Bombay Line with the P&O.¹⁵ Another reason to choose Middlesborough was in order to carry metal goods

¹² *Shibusawa Eiichi Denki Shiryu* 8 (1956) pp.151-168.

¹³ The NYK did not wish to renew this subsidy when it terminated in 1906.

¹⁴ Wray (1984) pp.293-302, contains a detailed discussion on the process.

¹⁵ Wray (1984) pp. 318-320.

for Mitsui and the Japanese government.¹⁶ In May, the NYK joined the Far East Shipping Conference.

According to Wray, the Butterfield & Swire intended to accept the NYK's application to join the Conference because they thought the NYK's competition would be harmful. After they realised that the Japanese officials strongly supported the NYK with generous subsidies, Butterfield & Swire advised the other members to accept the NYK as a full member.¹⁷ After a long series of negotiations, the full membership of the NYK, for the eastbound conference, was granted in February 1899, after which the NYK was permitted to load at London.¹⁸ In January 1902, the NYK's full membership in the westbound conference was granted. Thereafter, the NYK received more cargoes than it had expected.¹⁹ In January 1903, the textile merchants in Japan requested the NYK to load raw cotton in Bombay on the eastbound voyage from the UK. However, the NYK claimed this additional call would delay the sailing home and declined.²⁰ Nevertheless, there were contemporary reports pointing out that the NYK might make huge losses in its Europe service.²¹ In 1913, the OSK promised P&O that they would not call at Shanghai and were permitted to enter the Bombay line Conference as

¹⁶ Marie Conte-Helm, *Japan and the North East of England* (London: The Athlone Press, 1989) pp.81-83.

¹⁷ Wray (1984) p.331 One official publication of NYK said the Ben Line supported the NYK as well. See *NYKGH* (1988) pp.120-122.

¹⁸ Wray (1984) pp. 324-332.

¹⁹ Wray (1984) pp.337-8.

²⁰ The correspondence from January to March 1903 between the Consular at Bombay, the the Ministry of Foreign Affairs and the Ministry of Communication, in FM 3-6-3-15.

²¹ *Monthly Report of the Osaka Commercial Museum* 36 (1897) pp.11-12, it was calculated that the NYK lost 48,820 Yen in each sailing both from and to Europe.

well.²²

Another shipping policy change was, in 1896, the enactment of the Navigation Promotion Law and the Shipbuilding Promotion Law. This was further official encouragement of the shipping business. Before then, the Japanese government particularly subsidised big companies; actually it was almost the NYK alone that received these subsidies. Under these new laws, the subsidies were generally extended to the whole industry. However, only the firms with strong financial backing benefited because the subsidies were based on the weight and speed of vessels. The firms that could operate bigger and faster ships would get more subsidies.²³ The Japanese government also enacted “the Special Route Subsidy” to accompany the existing “Ordered and Subsidised Liner Routes”. According to the new rule, the shipping companies would receive subsidies for a ten-year contract. One of the first routes to receive the “special route subsidy” was the NYK’s Bombay line, mentioned above. According to Article Ten of the Navigation Promotion Law, the vessels which received subsidies should carry mail for the Japanese Post Office without further charge.

However, the various laws with their generous subsidies were conflicting. In practice, many firms purchased the vessels abroad and so the domestic shipbuilding industry did not benefit from the protectionism at all. In 1899, the Diet revised the Navigation Promotion Law and the subsidies were

²² Asahara (1978) p.107.

²³ F. P. Purvis, ‘Japanese ships of the past and present’ in *Transactions and Proceedings – the Japanese Society (London)* xxiii (1925-6) p.64.

reduced by one half for vessels purchased abroad. Moreover, many big firms had received subsidies from both the Navigation Promotion Law and special route subsidies. In 1910, the Distant-Sea Liner Service Subsidy Law was enacted and the Navigation Promotion Law was repealed. The Japanese government increased the subsidies on the liner service to Europe and America. Thus, in addition to the shipbuilding protectionism, the subsidies were used in certain special routes, decided by the Japanese government.²⁴ According to Article Six, in relation to the vessels that received subsidies, the Ministry of Communication could appoint the sorters on board and the mail was to be carried free of charge.

The expansion of Japanese shipping on the Yangtze: the McBain example

China, with its huge population, had great market potential in some British merchants' eyes. In addition to the coastal trade, which was open to Western merchants after the Treaty of Nanking in 1842, some of them went into the inland market when the Chinese government opened more ports for trade after the 1860s. In a short time, the British merchants made great progress in business in the China market due to the advantages in technology and some particularly profitable trades, such as the opium trade.

²⁴ Purvis (1925-6) pp.64-5.

Despite the British business advantages in China after 1842, the Americans were the first comers to China in the shipping business at that time. Russell & Co., an American company, formed the Shanghai Steam Navigation Co. in 1862: it almost monopolised the Yangtze shipping trade. Meanwhile, Jardine Matheson & Co., an Eastern merchant company since 1832, decided to go into the shipping business on the Yangtze in 1860s. Initially Russell & Co. did not think of the British firms as a great threat and Russell & Co. still monopolised the Yangtze shipping in the first pooling agreement in 1867. Russell & Co. shared the route from Shanghai to Tientsin with Jardine Matheson & Co.; Jardine Matheson & Co. monopolised the route from Shanghai to Foochow and shared the coast south of Shanghai with Dents & Co., another American company. Also, Russell & Co. allowed the Union Steam Navigation Co., a small company, to run two steamships on the Yangtze. Marriner and Hyde argued that this agreement influenced Swire to found the Calcutta Shipping Conference later on.²⁵

Despite strong competition with the Americans, Francis Johnston of Jardine Matheson & Co. decided in 1873 to buy more steamships and formed the China Coast Steam Navigation Co., which became the Yangtze Steam Navigation Co. in 1879. In 1881, Jardine Matheson & Co. formed the Indo-China Navigation Steamship Co. and expanded their business on the Yangtze swallowing up the Yangtze Steam Navigation

²⁵ Marriner and Hyde (1967) pp.135-142.

Co.. On the other hand, John Samuel Swire, a Liverpool merchant, had been in the tea trade with China since the 1850s. He had expanded his eastern trade since the American Civil War and worked as the agent of the Blue Funnel Line from 1867. In 1872, he established the China Navigation Company in London for his shipping business and appointed the Butterfield & Swire Company in Shanghai as its manager.

The shipping situation on the Yangtze changed immediately when John Swire bought up the Union Steam Navigation Co. in 1874 and quickly expanded the business. In 1874, Russell & Co. and the Butterfield & Swire Co. signed a new pooling agreement and shared the lower Yangtze business equally between them. Later, Russell & Co. experienced heavy losses and sold all their vessels to the Chinese in 1877. The British, mainly the Butterfield & Swire Co. and Jardine Matheson & Co., dominated this route for many years thereafter.²⁶

In general, it could be argued that the Sino-Japanese War of 1895 was a turning point in the Japanese Government's expansion policy. The Japanese Government received huge reparations, approximately 38,080,000 Pounds, and was able to allocate more expenditure toward its economic activities.²⁷

After the Treaty of Shimonoseki of 1896, the right of inland navigation in

²⁶ Liu (1962) remains the best research on this process.

²⁷ For a general survey, see Ishii Kanji 'Nishin Sengou Keiei' in *Nihon Regishi* 16 (Tokyo: Iwanami Shoten, 1976) pp.48-94. Katayama Kunio argued that the Japanese had been interested in the expansion before 1895. See his 'The Japanese Enthusiasm for Overseas Lines: the early 1890s' in *International Studies* (The International Studies Association of Osaka Gakuin University) 8 (December, 1997) pp.79-101.

China, which had been granted to the West, was extended to the Japanese. The Treaty forced the Chinese government to open more ports on the middle-upper Yangtze River for international business.²⁸ The expansion of Japanese business into inland China meant further conflicts of interest with the Western merchants, especially with the British merchants, as the dominant foreigners in China.

In 1896, the Japanese government decided to encourage the Chinese trade.²⁹ Almost at the same time, some Japanese organised the first Japanese company for the purpose of operating a shipping service on the Yangtze. In 1898, the OSK invested huge amounts of capital to begin a service from Shanghai to Hankow. And in January 1902, the Japanese government, the military and the NYK established another big Japanese firm. This was the Hunan Steam Navigation Co..³⁰ The president of this company was the vice-president of the NYK, therefore the Hunan Steam Navigation Co., as a feeder service, represented the NYK's interests in inland China at that time. However, these Japanese companies were unable to make profits.³¹

The McBain example is a classic case for studying how the Japanese government tried to assist Japanese business in their expansion. Professor

²⁸ For a complete survey on the topic of right of navigation see Mingchien Joshua Bau, *Foreign Navigation in Chinese Waters* (Shanghai: China Institute of Pacific Relations, 1931).

²⁹ Yamaguchi Kazuo, 'The role of the 'first top-level Conference of Agriculture, Commerce and Industry' in *Journal of Economics (Quarterly)* (University of Tokyo) 29 (1963) p.6.

³⁰ Nakamura Tadashi, 'On Hunan Steam Navigation Co.' in *Shingaikakumei Kenkyu* 9 (1990) pp.1-16.

³¹ Katayama Kunio (1996) Chapters 5 and 6.

Wray has discussed this affair. However, I use some different sources and think that the Japanese government played a more important role in this action than he claims.³² The main sources that Wray used, in the NYK Archives, as well as the narratives in the official publications of the NYK, are unsatisfactory.³³ Fortunately, I discovered sources in the Foreign Ministry Archives and produced the following analysis.

In addition to supporting the Hunan Co., the NYK adopted another strategy for penetrating the Yangtze River. In April 1903, Yada, the acting Japanese Consul General at Hankow, assisted the Hunan Co., backed by the NYK, to investigate the legal question of the alien's right of lease in the British concession.³⁴ In May, they had consulted the British municipal council at Hankow. According to the reply, C. E. Geddes, the Chairman of Council, informed Yada that, conditional on the British Consul General's approval, "a subject of any power having a treaty with China may lease land in the British concession". In addition, "the holder of a lease of land in the concession would obtain a lease of frontage application aboard, if the Council agree by vote." Except the vessels flying the Chinese flag, any firm might use a lease of the frontage in their vessel sailing."³⁵

In May 1903, the NYK bought up the properties of McBain & Co, a British firm in the British concession, and began a service from Shanghai to

³² Wray (1984) pp.351-5.

³³ *NYKGH* (1988), the updated NYK history, discussed this up to March 1904.

³⁴ Copies to the Foreign Minister are enclosed in FM 3-6-3-62.

³⁵ Letter from Yada to C. E. Geddes, the Chairman of the British Municipal Council, 9 May 1903 and Geddes' reply, 14 May 1903 & Telegraph no.565 from Yada to the Foreign Ministry, 21 May 1903, in FM 3-6-3-62.

Hankow.³⁶ On 30 May, the Japanese Consul General at Shanghai advised the Foreign Ministry to inform the NYK that the new property they were holding was legally safe.³⁷ In early June, Ramsay & Co., a British shipping agent on behalf of the NYK, applied to the British Municipal Council, to continue the lease of the frontage that the McBain firm used. Ramsay actually intended to transfer the lease to the NYK.³⁸ In reply, on behalf of the Council, G. M. H. Playfair, the acting Consul-General at Hankow, temporarily permitted the transfer, provided the steamers fly the British flag, and he forwarded this application to the British *Charge D'Affaire*.³⁹ Meanwhile, Jardine Matheson & Co. wrote to London from Hong Kong to advise them to acquire McBain's site, which the NYK was paying a high price for, because it was the best one in the British concession.⁴⁰ Actually, on the same day, the NYK revealed they wished to join the pooling agreement on conditions which the three other companies could decide. Jardine Matheson & Co., was of the opinion to ally with the NYK to keep the OSK out of this route.⁴¹ The Butterfield & Swire Co. agreed with this proposal. However, the China Merchant's Navigation Steamship Co. opposed it. In Jardine Matheson & Co.'s opinion, the NYK did not receive

³⁶ Telegraph no.581 from the Japanese Consul General at Shanghai to the Foreign Ministry, 26 May 1903, in FM 3-6-3-62.

³⁷ Telegraph no.602 from the Japanese Consul General at Shanghai to the Foreign Ministry, 30 May 1903, in FM 3-6-3-62.

³⁸ Letter from Ramsay & Co. to the British Municipal Council at Hankow, 8 June 1903, in FM 3-6-3-62.

³⁹ Letter from Playfair to the British Municipal Council at Hankow, 12 June 1903, in FM 3-6-3-62.

⁴⁰ Letter from Hong Kong to London, 12 June 1903, in JM Archive 32/8. The reference code for JM in Wray's footnote does not fit any item available. I am grateful to Mr. John Wells, Department of Manuscripts and University Archives, Cambridge University Library for his assistance.

⁴¹ Letters from Hong Kong to London, 15 & 24 June 1903, in JM Archive 32/8.

subsidies for this route and they would not have any plan of expansion. The British firms did not need to worry about the NYK's business on the Yangtze River.⁴²

The next day, Playfair warned the NYK to use their diplomatic influence, because Jardine Matheson & Co. would try to ask the Foreign Office to intervene in the matter of the leasing of the frontage. He told the NYK, that Jardine Matheson & Co. wished to acquire frontages.⁴³ On 15 June, Playfair met Ramsay, and Playfair claimed that, before he received any further authorisation from Peking, only steamers which flew the British flag could come along the frontage of the British concession. Ramsay suggested the NYK should always employ British agents in the British concession and that the steamers should fly the British flag. Otherwise, Ramsay warned, the Germans might seek the same treatment as the Japanese and the Foreign Office would reconsider the whole situation.⁴⁴

On 18 June, Komura, the Foreign Minister, wrote to Uchida, the Japanese minister at Peking, to ask him to "approach the British *Charge D'Affaire* with a view to inducing him to give favourable instructions on points submitted to him by the British Consul at Hankow for particulars of the case."⁴⁵ Meanwhile, on 22 June, Hayashi, the manager of the NYK at Shanghai, came to Hankow to seek to secure the withdrawal of the application to transfer McBain's frontage lease, because the NYK was

⁴² Letter from Hong Kong to London, 15 June 1903, in JM Archive 32/8.

⁴³ Letter from Ramsay to Mizukawa (in the NYK), 13 June 1903, in FM 3-6-3-62.

⁴⁴ Letter from Ramsay & Co. to the NYK in Shanghai, 15 June 1903, in FM 3-6-3-62.

⁴⁵ Telegram from Komura to Uchida, 18 June 1903, in FM 3-6-3-62.

worried that the British government would refuse the application. However, the Council replied to Ramsay that it was too late and the application had already been transferred to Peking. The Japanese Consul General at Shanghai claimed the reason for the withdrawal was owing to the fact that the British firms suspected that the NYK, after getting the lease, would strengthen and work with the OSK to compete with them.⁴⁶

In the late June, the British Minister in Peking promised to support the British firms. However, despite the consensus with the Butterfield & Swire Co., actually the Jardine Matheson & Co. had not made their mind whether they would allow the NYK to acquire McBain's site.⁴⁷ In early July, the China Merchant's Navigation Steamship Co. restored its position to stand with the British firms.⁴⁸

Shortly thereafter, the two British firms began to feel nervous about this new competitor. Jardine Matheson & Co. suspected the NYK and the OSK would work together if they got McBain's site.⁴⁹ However, the British firms now found themselves a dilemma: they realised that the NYK would not withdraw even if they were in a rate war with the shipping conference. Also, they felt they were 'losing face' to the China Merchant's Navigation Steamship Co. because they had tried hard to persuade the Chinese to

⁴⁶ See report to the Uchida at Peking from the Consulate of Japan at Shanghai, 29 June 1903; letter from Ramsay & Co. to the British Municipal Council at Hankow, 22 June 1903; the reply, 23 June 1903; telegram from the Consulate of Japan at Hankow to Peking 23 June 1903, in FM 3-6-3-62.

⁴⁷ Letter from Hong Kong to London, 29 June 1903, in JM Archives 32/8.

⁴⁸ Letter from Hong Kong to London, 8 July 1903, in JM Archives 32/8.

⁴⁹ Letter from Hong Kong to London, 13 July 1903, in JM Archives 32/8.

support the NYK's application.⁵⁰ On 24 July, in London, Keswick, representing the Indo-China Co., met Lord Lansdowne of the Foreign Office to see whether the British government could intervene in this conflict.⁵¹ In his telegram to Uchida at Peking, Yada, Japanese Consul at Hankow, observed the strategies of the Jardine Matheson & Co. and strongly advised that the Japanese embassy in London should fight back.⁵² Lord Lansdowne enquired of the British Consul General at Hankow as to whether he could prevent this Japanese purchase. Lord Lansdowne also asked whether Jardine Matheson & Co. would take over the frontages at the same rent price if the Foreign Office refused the application of the Japanese. This Jardine Matheson & Co. immediately promised.⁵³ In China, Scott, on behalf of the two British firms, began to contact Fraser, the Consul General at Hankow, who was unhappy about Playfair's earlier decision to allow the Japanese steamers to use the British flag. Fraser gave much personal advice to the two firms.⁵⁴

Later, the British Consulate General at Hankow consulted the acting Crown Advocate at Shanghai on the possibility of preventing the Japanese purchase.⁵⁵ Jardine Matheson kept warning the Foreign Office that the NYK, with huge subsidies, might use McBain's vessels to compete with the British.

⁵⁰ Telegrams from Hong Kong to London, 14 & 18 July 1903, in JM Archives 32/8.

⁵¹ Letter from A. G. Wells (the secretary of the Indo-China Co.) to Lord Lansdowne, 23 July 1903, one copy of which is enclosed in JSS XI 2/1.

⁵² See the report, 19 June 1903, also see his report, 25 June 1903, in FM 3-6-3-62.

⁵³ Letter from the Foreign Office to the Indo-China Co., 3 August 1903, and the reply, 4 August 1903. In JSS XI 2/1.

⁵⁴ Correspondence in JSS I 4/3.

⁵⁵ Letter, 1 September 1903, in FM 3-6-3-62.

Jardine Matheson & Co. asked the Foreign Office to pay attention to the other ports on the Yangtze, for example Chinkiang, where they found McBain had tried to renew his leases and might later transfer them to the Japanese.⁵⁶

Despite NYK's second thoughts about the lease, Yada, a Japanese diplomat, began to think about how to get approval through votes in the next annual Landrenters Council meeting in the following February.⁵⁷ The British diplomats and the two companies planned to vote to reject the Japanese.⁵⁸ At that time, some land renters in the British concession, especially the non-British, wondered whether keeping the Japanese vessels out was the only reason for the Jardine Matheson & Co.'s application.⁵⁹ As for Jardine Matheson & Co., they began to wonder whether some local merchants in Hankow would try to bring in the Japanese vessels to compete against the existing shipping pooling.⁶⁰

In October, Komura again instructed Uchida to approach the British minister for a favourable decision to this case.⁶¹ However, almost at the same time, the Foreign Office decided the vessels flying foreign flags were not allowed to come alongside the British concession.⁶² Odaji, the Japanese Consul

⁵⁶ Letter from the Indo-China Co. to the Foreign Office, 1 September 1903. In JSS XI 2/1.

⁵⁷ Report from Yada at Hankow to Komura in the Foreign Ministry, 12 September 1903, in FM 3-6-3-62.

⁵⁸ Various correspondence between two British companies and Fraser (the British Consul-General at Hankow) in JSSXI 2/1 & JSS I 4/3. Fraser always emphasised that his correspondence was extremely confidential and private.

⁵⁹ Letter from Hong Kong to London, 24 June 1903, in JM Archive 32/8.

⁶⁰ Letter from Hong Kong to London, 13 July 1903, in JM Archive 32/8.

⁶¹ Telegram from Komura to Uchida, 19 October 2003, in FM 3-6-3-62.

⁶² Telegrams from the Consulate of Japan at Shanghai to the Foreign Ministry, 18 October

General at Shanghai, reminded Uchida that the whole issue was not simply that of a local conflict but it might become a policy decision of the British Empire.⁶³ But Sir Ernst Satow, the British Minister at Peking, reported to the Foreign Office that the business of frontages in the concession was independent of the British diplomats.⁶⁴ Later, on 24 October, Satow confirmed the unofficial information. He told Uchida that the decision in London was due to the request of a private business.⁶⁵ In November, the China Navigation Co. proposed to send a joint application for McBain's site.⁶⁶

In January 1904, Ramsay advised the NYK to compromise. According to his plan, one British firm, Geddes & Co., would terminate some extra lease that they did not use. Therefore, Ramsay could get the lease of the present frontage for the NYK. Jardine Matheson & Co., could get more frontage and the rest of the extra lease would be reserved for the public to use, where the foreign vessels would be allowed to come alongside. Ramsay added that Playfair adopted this compromise and had sent this plan to the British Minister at Peking.⁶⁷ However, the British government refused this plan and insisted on the initial policy, which prevented any Japanese lease purchase in the British concession in Hankow.⁶⁸

1903 & 21 October 1903, in FM 3-6-3-62.

⁶³ Report from Odaji to Uchida, 19 October 1903, in FM 3-6-3-62.

⁶⁴ Letter from the Foreign Office to the Indo-China Co., 24 October 1903, in JSS XI 2/1.

⁶⁵ Telegram from Uchida to Komura, 24 October 1903; report, 29 October 1903, in FM 3-6-3-62. In the report of 19 October, Odaji pointed out that it was Jardine Matheson & Co. that pushed the Foreign Office to make this decision.

⁶⁶ Letter from the Indo-China Co. to Scott of the China Navigation Co., 20 November 1903. See JSS XI 2/1.

⁶⁷ Letter from H. E. Ramsay to Ito (of the NYK), 13 January 1904, in FM 3-6-3-62.

⁶⁸ Letter from Satow to Playfair, 20 January 1904; Letter from the British Municipal

At that time, the NYK along with the Hunan Co. used frontage in the Russian concession to operate their vessels. Once the Russo-Japanese War broke out on 6 February 1904, the Russian concession had become difficult to maintain. They switched temporarily to using frontage in the French concession. On 9 February, Playfair asked Ramsay to explain why the application of lease was for Ramsay when he had no vessels. Playfair warned that the lease would be granted to any other British applicants if Ramsay could not give a satisfactory reply.⁶⁹

McBain died suddenly on 13 February 1904, at a time when the situation remained unresolved for the Japanese. On 15 February, the NYK wrote to Playfair, stating that it would abandon this purchase since McBain was dead.⁷⁰ On 20 February, the British Minister instructed the British Consul General at Hankow that he should not sanction the lease until he could get evidence that the sale of McBain's vessels to the NYK had been cancelled.⁷¹

However, the NYK actually did not abandon its claim and on 24 February 1904, by the support of non-British members, the Landrenters Council permitted Ramsay's application to use the berth.⁷² On 27 February, in

Council at Hankow to Ramsay, 3 February 1904; Telegram from Eitaki, the Japanese Consul General at Hankow, to the Foreign Ministry, 3 February 1904, in FM 3-6-3-62.

⁶⁹ Letter from Playfair to Ramsay, 9 February 1904, in FM 3-6-3-62.

⁷⁰ Letter from the NYK at Hankow to Playfair, 15 February 1904, in FM 3-6-3-62.

⁷¹ A copy of the memo, dated 20 February 1904, is enclosed in FM 3-6-3-62. In March, the Foreign Office told the Indo-China Co. that the transfer had been cancelled. See letter dated 5 March 1904 in JSS XI 2/1.

⁷² There were sixty non-British landrenters and eighteen British who supported Ramsay, against the other forty three British landrenters. See the letter from the Indo-China Co. to the Foreign Office, 13 July 1904 in JSS XI 2/1.

Shanghai, the NYK reached an agreement, with the trustees and executors of the late Mr. McBain, to cancel the previous contract. They decided to form a new British company registered in Hong Kong and hired the Ramsay firm as their agent at Hankow. Meanwhile, they sent this information to the British Consul General at Shanghai for formal acknowledgement.⁷³ They also immediately informed the British Consulate at Hankow.⁷⁴ However, on 5 March, the Foreign Office instructed the British Consul at Hankow that he should still refuse to sanction the change and should instead grant the frontage to another applicant, Jardine Matheson & Co.⁷⁵ The NYK bought up the frontage in the French concession.⁷⁶ Meanwhile, the new company immediately contacted Playfair on this issue.⁷⁷ On 7 March, Playfair informed Ramsay that he had been instructed by the Foreign Office on this decision.⁷⁸

In addition to protesting to the British Municipal Council and the Consulate of Hankow,⁷⁹ Ramsay wrote to Sir Ernest Satow, the British Minister in Peking, to protest.⁸⁰ Meanwhile, on 23 March, yet another company, the Yangtze Shipping Co. was established in Hong Kong. Ito, the manager of the

⁷³ Report from Eitaki at Hankow to Komura in the Foreign Ministry, 5 March 1904, in FM 3-6-3-62.

⁷⁴ Letter to the British Consulate at Hankow, 27 February 1904, in FM 3-6-3-62.

⁷⁵ Letter from Playfair to the British Municipal Council at Hankow, 5 March 1904; Telegram from Eitaki at Hankow to Komura in the Foreign Ministry, 5 March 1904, in FM 3-6-3-62. See the letters from the Foreign Office to the Indo-China Co., 8 March 1904, and the Indo-China Co. to the Foreign Office, 13 July 1904 in JSS XI 2/1.

⁷⁶ *NYKGH* (1988) p.137.

⁷⁷ Letter from John Prentice to the British Consulate at Hankow, 5 March 1904, in FM 3-6-3-62.

⁷⁸ Letter from Playfair to Ramsay, 7 March 1904, in FM 3-6-3-62.

⁷⁹ Letter from Ramsay to the British Municipal Council at Hankow & to Playfair, 7 March 1904, in FM 3-6-3-62.

⁸⁰ Letter from Ramsay to Satow, 16 March 1904, in FM 3-6-3-62.

NYK Shanghai office, became the chairman of this new company.⁸¹ The NYK also adopted political strategies to solve this conflict. The NYK contacted the Foreign Ministry to ask for mediation.⁸² The Foreign Ministry instructed Hayashi, the Japanese ambassador in London, to contact the Foreign Office on this issue.⁸³

On 7 April, Satow replied to Ramsay and claimed that he and Playfair were unable to overrule the British Government's decision.⁸⁴ The NYK and the late Mr. McBain's executor transferred the two vessels to the new company and re-registered in Hong Kong on 3 May. On 31 May, Hayashi wrote to Lord Lansdowne and asked the British government to "give a friendly consideration on this matter".⁸⁵ On 22 June, Lord Lansdowne replied and he claimed the Ramsay firm did not operate any British vessels. Therefore, Playfair granted the lease to the Jardine Matheson & Co., which owned British vessels. He also suggested that further vacant parts of the frontage in the concession would become available soon.⁸⁶ On 1 July, the new company wrote to Lord Lansdowne and argued that the vessels were never transferred to the NYK because McBain's death delayed the effectuation of the contract.⁸⁷

⁸¹ The articles of association are enclosed in FM 3-6-3-62. See also *NYKGH* (1988) p.137.

⁸² A memo by the NYK is enclosed in FM 3-6-3-62.

⁸³ From the Foreign Ministry to Hayashi (in London), 4 April 1904, in FM 3-6-3-62.

⁸⁴ Letter from Satow to Ramsay, 7 April 1904, in FM 3-6-3-62.

⁸⁵ Letter from Hayashi to Lord Lansdowne, 31 May 1904, in FM 3-6-3-62.

⁸⁶ Telegram from Hayashi to Komura at the Foreign Ministry, 14 July 1904, in FM 3-6-3-62.

⁸⁷ Letter from the Yangtze Shipping Co. to Lord Lansdowne, 1 July 1904, in FM 3-6-3-62.

In a memo dated 11 July, the Foreign Office reiterated its decision.⁸⁸ Subsequently, the British Consulate at Hankow was also concerned that more foreign vessels would follow the Japanese case, if the Ramsay firm's request was granted.⁸⁹ Meanwhile, the Japanese consul at Hankow claimed that the Taikoo would be anxious to apply for the lease of the frontage that would be vacated, in order to compete with the Ramsay firm.⁹⁰ The Japanese Foreign Ministry therefore instructed Hayashi again to ensure that Japanese interests in this matter would be secure.⁹¹ At the same time, Jardine Matheson & Co. asked the Foreign Office to intervene in the next Landrenters Council meeting, for which the British Minister had forced a postponement, because they were worried that the non-British landrenters would support the Japanese again.⁹²

The Foreign Office later changed its decision. On 26 July, they told Jardine Matheson & Co. that they were not willing to support this argument. The Foreign Office thought that the British government supported this case because the frontages in the British concessions should be reserved for the British use. However, the demand was actually quite small.⁹³ In August, Fraser revealed his pessimism.⁹⁴ In October, the British Consul General at Hankow told the Indo-China Co., that the British government had to recognise the NYK-McBain combination as a British company because it

⁸⁸ Memo by the Foreign Office, 11 July 1904, in FM 3-6-3-62.

⁸⁹ Memo dated 22 July 1904, in FM 3-6-3-62.

⁹⁰ Telegram from Eitaki to Komura at the Foreign Ministry, 16 July 1904; report, 12 July 1904, in FM 3-6-3-62.

⁹¹ Telegram from Komura to Hayashi, 19 July 1904, in FM 3-6-3-62.

⁹² Letter from the Indo-China Co. to the Foreign Office, 13 July 1904, in JSS XI 2/1.

⁹³ Letter from the Foreign Office to the Indo-China Co., 26 July 1904, in JSS XI 2/1.

⁹⁴ Letter from Fraser to Scott, 3 August 1904, in JSS I 4/3.

had been registered in Hong Kong.⁹⁵ The NYK used British law to secure their own interests.

In his book on the NYK, Wray argued that the NYK possessed more autonomy than most previous researches claimed. Wray devoted few pages for this case study and ignored the Japanese political support.⁹⁶ In my detailed analysis, it seems strong political assistance from the Japanese government promoted the NYK's success in the purchase. On the other hand, the British shipping companies looked down on the NYK's ambition. Subsequently the NYK took advantage of the support of the local merchants and used the British law to gain their new purchase. It could be argued that the Japanese businessmen in China worked in a more effective government-business co-operation than the British. This case study could confirm the orthodox opinion about the critical role of the Japanese government in the promotion of the economy.

The Birth of the NKK and the effect of the First World War upon the Far East Shipping Conference

After the McBain Affair, the various Japanese shipping firms kept up severe competition among themselves on the Yangtze River. What followed is a

⁹⁵ Letter from Jardine Matheson & Co. in Hong Kong to Taikoo, 4 October 1904, in JSSXI 2/I.

⁹⁶ Wray (1984) pp.351-5.

classical example of Japanese industrial policy. The Japanese government intervened and another firm was established to cover the combined interests. In addition to the shipping conference, this was one method adopted by the shipping companies to strengthen their competitiveness, even in UK in late nineteenth century.⁹⁷ In March 1907, the Nisshin Kisen Kaisha (hereafter the NKK) was established. Unlike the NYK and the OSK, the NKK was a “kokusaku kaisha” (national policy firm) and it received huge subsidies every year. At that time, the British government was tending to minimize the conflicts on the Yangtze with Japan in order to reduce the risk to British investments there.⁹⁸

Meanwhile, the Japanese Navy received more assistance from the UK under the Anglo-Japanese Alliance. In June 1907, the Admiralty reached a secret agreement with the Japanese navy. According to this agreement, the British government would carry 140,000 tons of merchant shipping for the Japanese if Japan went to war with Russia.⁹⁹ The British government felt this was reasonable even with no formal reciprocal agreement for the supply of Japanese tonnage to Britain.¹⁰⁰

The outbreak of the European War disturbed the Far Eastern shipping as well as that in the Atlantic; the pooling agreement of the Far East Conference was suspended in the October of 1914 when the Hamburg America Company

⁹⁷ Davies (1996) p.63.

⁹⁸ Lowe (1969) Chapter V.

⁹⁹ *Nihon gaiko bunsho* 40 part I no.33 agreement, 7 June 1907 (Tokyo: Nihon Tosho Senta).

¹⁰⁰ KA Part IV Chapter II p.13.

became an 'enemy' party. A provisional arrangement had been made to continue the pooling.¹⁰¹ This Conference was critically important to the British shipping companies, as the Blue Funnel Line claimed that smooth working of the China Conference was the "most important factor in their prosperity".¹⁰²

The British Navy began to ask for some limited assistance from the Japanese Navy in August 1914.¹⁰³ In addition, during the war, the British tonnage became insufficient to carry cargo abroad, including munitions. In November 1914, the British government began to ask the Japanese government for assistance with the tonnage. In February 1915, the Japanese government replied that tonnage requisitioning did not extend to a foreign government, according to Japanese law. The Japanese government suggested the British government should charter vessels in the market at the current rate, after consulting the Japanese government. The British government found the current rate was high and they had to meet many complicated conditions demanded by the Japanese shipping companies.¹⁰⁴

In the summer of 1915, the Bank of England had requested the Japanese government to assist the stabilisation of the foreign exchange rate.¹⁰⁵ Later, in November, the British government requested the NYK to reserve some

¹⁰¹ Far Eastern Homeward Pool arbitration by Alfred Booth, December 1915, in CA C1/243.

¹⁰² The 49th Annual Meeting Minute Book 4 February 1914 in OA4003/5.

¹⁰³ Lowe (1969) pp.198-217.

¹⁰⁴ KA Part IV Chapter II pp.14-5.

¹⁰⁵ Letter from the Financial Commission, Imperial Japanese Government to Lord Cunliffe (the Governor of the Bank of England), 15 March 1917, in G30/5 (The Bank of England Archives).

space in its shipment for carrying graphite from the Far East. However, the NYK was experiencing a rare period of good business; therefore tonnage was limited and delays occurred.¹⁰⁶ In October 1916, Admiral Fujii of the Japanese Navy contacted the Ministry of Munitions and Supply and he claimed that the Japanese shipping companies would like to assist the British government during the war.¹⁰⁷

In November 1916, Walter Runciman warned that seaborne supplies of munitions would break down in June 1917.¹⁰⁸ In February 1917, in reply to the request from the British government to obtain more tonnage from Japan, the Japanese government suggested that the British government should pay compensation for cancelling the current contracts and accept liability for the damage. The British government should also offer allowance to crews in dangerous waters, including compensation for death and injury. The British refused this suggestion.¹⁰⁹

Along with other shipowners, Richard D. Holt of Blue Funnel Line had been one of the advisors for the Transport Department since early 1915 and the following Shipping Control Committee since January 1916.¹¹⁰ Once Lloyd

¹⁰⁶ Correspondence of November 1915 – January 1916 in FM 3-6-4-34-5. Correspondence of June 1916, in FM 3-6-4-34-4.

¹⁰⁷ Letter from Admiral Fujii to 1 Viscount Weir of Eastwood dated 6 October 1916 in the Papers of the First Viscount Weir of Eastwood, DC96/17/26.

¹⁰⁸ Memo by Walter Runciman, 9 November 1916 in WR 97. See also *War Memoirs of David Lloyd George III* (1934) pp.1126-1133.

¹⁰⁹ KA Part IV Chapter II p.15.

¹¹⁰ Letters from the Admiralty to Richard D. Holt, 14 February 1915, in private correspondence of Richard D. Holt, (thereafter RDH) 920Dur14/27/17. The Shipping Control Committee of 1916, see J. A. Salter, *Allied Shipping Control* (Oxford: Humphrey Milford, 1921) pp.64-65.

George came to power, the British government wished to take more control over shipping tonnage and Sir Joseph Maclay was appointed as the shipping controller in December 1916.¹¹¹ At the same time, the British government began to ask for more Japanese naval assistance.¹¹² Richard D. Holt resigned in February 1917 and quarrels followed for reasons discussed below.¹¹³ On 19th February, Sir Kenneth Anderson and Sir Lionel Fletcher proposed a confidential memo to the Shipping Controller on the requisitioning of British tonnage. The proposal was adopted and was later known as the Liner Requisition Scheme. Many liner shipowners were consulted regarding this Scheme, but the representative for the Far Eastern and Australian route was Lord Inchcape of the Chairman of the British India S. N. Co/P&O.¹¹⁴ Under the Scheme, all the lines would pay the British government the total gross earnings of the vessel less '(1) Blue Book Rates (2) actual out-of-pocket expenses not covered by the Blue Book Rates and (3) permanent overhead charges'.¹¹⁵

Under the shipping controller's requisition scheme, most pooling agreements in the Far East route were suspended in March and April 1917.¹¹⁶ In March 1917, the Blue Funnel Line objected that the shipping controller had no

¹¹¹ *The Times*, 20 December 1916.

¹¹² Lowe (1981) pp.111-112.

¹¹³ Letters from the Admiralty to Richard D. Holt, 11 January 1917 in RDH 920Dur14/27/155. Falkus claimed that Richard D. Holt did not like Lloyd George. See Falkus (1990) p.175. In a letter to *The Times*, Holt said he had to leave the Transport Department owing to his appointment to the House of Commons Committee on National Expenditure. See *The Times*, 20 November 1917, p.8.

¹¹⁴ KA Part IV Chapter I pp.237-8. See also C. Ernest Fayle, *The War and the Shipping Industry* (Oxford: Oxford University Press, 1927) pp. 228-9.

¹¹⁵ The Blue Book rates were the profit rates during the war, fixed by the British government since late 1914. See C. Ernest Fayle (1927) p.79 & pp.232-233.

¹¹⁶ Annual Report of the P&O 1916-7 in P&O 4/23; 1917-8 in P&O 4/24.

power to requisition their vessels. The case was heard in court in November 1917 and the judge held that the British government had no power to do so and the whole order was invalid.¹¹⁷

In April 1917, the British Embassy in Tokyo wrote to the Foreign Ministry and revealed that the British tonnage was insufficient to carry cotton goods from the East while the British government was requisitioning more and more vessels for this route. As a consequence, the British Minister of Shipping sent the following proposal to the NYK:

“Nippon Yusen Kaisha mail steamers should, until otherwise arranged, but probably for duration of war, load alternative in East and West coast. Sufficient time to be allowed normally for loading full cargo if available. His Majesty’s Government to arrange sufficient war risk insurance at reasonable rates to enable merchants to ship by these vessels. Steamers from either coast to be loaded by Messrs. Alfred Holt and Company, on account of Nippon Yusen Kaisha subject to such usual commission as may be arranged; under present circumstances she will load only in Birkenhead.”

The British government realised that the Japanese official consent would be critical for influencing the NYK. Therefore, they hoped the Japanese

¹¹⁷ ‘Origin of Liner Regulation Scheme’ in OA 2.E.1573. For the legal narratives see ‘King’s Bench Division. The Power of the Shipping Controller’ in *The Times*, 14 November 1917, p.2. Lord Inchcape argued there was no political motive in this scheme. See his letter to *The Times*, 17 November 1917, p.7 and Holt’s letter of 20 November 1917, p.8. Holt cleared that there was no personal friction between him and Lord Inchcape, which had become a rumour at that time.

government would push the NYK to accept this request.¹¹⁸ The Foreign Ministry asked for the opinion of the Ministry of Communication, which was in charge of the shipping policy at that time. The Ministry of Communication informed the Foreign Ministry that following this proposed loading at Liverpool, the Japanese government would have to revise its policy for extending its subsidies to include Liverpool, because the NYK received subsidies for the Yokohama – London route.¹¹⁹ Nevertheless, the Japanese government replied to the British embassy accepting this proposal.¹²⁰ The NYK began a monthly service from Liverpool via the Cape of Good Hope route, in addition to the existing London and Middlesbrough services. According to a contemporary business periodical, in Birkenhead “the load arrangements and all freight quotations and engagements will be entirely under the control of the NYK”.¹²¹

In May 1917, the Department of Shipping warned the Foreign Office that the Japanese shipping companies were expanding their own businesses rather than their contributions to the Allies. After instructing the Tokyo Embassy to

¹¹⁸ Letter from the British Embassy in Tokyo to the Foreign Ministry, 6 April 1917, extracts from the letter of the Minister of Shipping to the NYK were reproduced inside, in FM 3-6-3-78. Meanwhile, see the letter from the Shipping Controller to the Foreign Office, 3 May 1917, ‘the British Government has just entered into arrangements recently with the NYK’ in MT23/743. On 9 May 1917, the board of the NYK approved this policy. See *NYHS* (1988) p.566.

¹¹⁹ Letter from the Foreign Ministry to the Ministry of Communication, 7 April 1917; the reply, 25 April 1917, in FM 3-6-3-78.

¹²⁰ Draft of the reply, 28 April 1917, in FM 3-6-3-78. In the first draft, the Japanese Foreign Ministry demonstrated that it would be unusual to change the special route-calling. However, in the final draft, probably for the English version, they did not mention this.

¹²¹ *Shipbuilding and Shipping Record* (10 May 1917) p.450. See also “Liverpool opened for NYK liners” in *Japan Advertiser*, 27 April 1917.

lobby the Japanese government, the Foreign Office considered imposing an embargo of important raw material for shipbuilding in Japan.¹²² On 12 June, the Blue Funnel Line expressed its unhappiness about the Japanese entry into Liverpool. In a private letter to Bonar Law, Chancellor of the Exchequer, Richard D. Holt argued this would damage British shipping and asked the British government to take action.¹²³ There is no evidence to suggest that the penetration of the NYK into Liverpool was consequent on the legal action of the Blue Funnel Line over requisitioning in March. However, the mobilisation of tonnage on the Far East route became even more insufficient after March 1917 when the Blue Funnel Line resisted the British government's attempt to requisition the vessels. This might have caused the British government to ask for Japanese assistance in April and admit them in Liverpool. As a consequence, the NYK became a cutthroat competitor of the Blue Funnel Line.

The OSK followed the NYK's penetration into England. In December 1918, the OSK began its service from Yokohama to London independently of the Conference. According to a letter from the NYK to the Foreign Ministry in November 1918, the OSK had contacted the NYK for its consent to enter this new service. If the NYK cooperated, the OSK proposed to work together

¹²² Letter from the Department of Shipping to the Foreign Office, 16 May 1917 and telegraph from the Foreign Office to the Tokyo Embassy, 24 May 1917, cited in KA Part IV Chapter II p.15.

¹²³ In PRO T172/633. According to Lloyd George's memoirs, it was Bonar Law who recommended Maclay as the Shipping Controller. See *War memoirs* III (1934). The NYK had been anxious to penetrate the western coast of England. They had tried to call at Manchester and Glasgow before. They had also considered buying up the Mogul Line. See Asahara (1978) pp.163-165. In 1896, the NYK had secured the cargo from the Manchester merchants. See *NYKGH* (1988) pp.117-8.

with the NYK to share the liner service to Germany in the future and to work together to obtain membership of the shipping conference on the route to the Continent.¹²⁴

In the Far East Shipping Conference meeting of 18 December 1918, the NYK claimed that, in their correspondence with the OSK, they had proposed to give a portion of pre-war German shipping to the OSK on this route, but the OSK had not replied. The NYK complained that the OSK had only just begun their service to London, therefore they strongly wanted to push OSK out of this business. However, most other members thought the OSK was a strong outsider and seriously considered granting the company admission.¹²⁵

R. D. Holt of the Blue Funnel Line even held the opinion that the OSK should be able to load at London and start a four-weekly sailing from Liverpool, just as the NYK had been. He openly supported the OSK when the NYK expressed its opposition.¹²⁶

On 22 January 1919, the Far Eastern Shipping Conference approved the

¹²⁴ Letter from Ito (the NYK) to the Foreign Ministry, 6 December 1918; letter from the Foreign Ministry to the Japanese Embassy at London, 7 December 1918, in FM 3-6-3-34-2. An official publication of the OSK in 1985 claimed that the OSK had asked the NYK to apply for membership on its behalf in 1915. See *SH* (1985) p.145.

¹²⁵ One official publication of the OSK claimed that the OSK had reached an agreement with the P&O on the coastal trade in India and had reached another agreement on the shipping trade in the North Pacific and the Far East with the Blue Funnel Line. Therefore, two important members had already decided to support the OSK. Meanwhile, the OSK asked the Ellerman Line to manage their business in Antwerp, and in return the Ellerman Line supported the OSK. See *SH* (1985) p.146. According to the Japanese sources, the OSK also got the support of the P&O and the Blue Funnel Line before its application. See Kokaze Hidemasa, "Sengok niokeru kaiun Kyuso to Osaka Shosen" in *Yokohama* 4 (April 1990) pp.85-86.

¹²⁶ Minutes of Meeting of the Straits, China and Japan Conference held in London 18 December 1918 enclosed in OA.

OSK's membership. In the meeting, the Blue Funnel Line had no objection to the OSK's application. The NYK tried to postpone the final decision. Moreover, Mr. Blair, the NYK representative, suggested using the term 'UK' to replace 'London' in the stipulation. He also proposed that in the stipulation, "London should be used as a discharging port only until such time as the OSK could develop their Continental trade sufficiently for them to discontinue coming to London, thus giving effect to the views of the NYK's Head Office who desire the OSK to become purely a Continental Line."¹²⁷ On 6 February, in another meeting, R. D. Holt continued to support the OSK's right to load at London and the OSK's application was accepted by the Conference.¹²⁸ However, the OSK's 'pool point' was lower than the NYK's in the Conference.¹²⁹

In February 1919, the Blue Funnel Line asked the NYK to withdraw the Yokohama–Liverpool route.¹³⁰ However, the NYK continued to operate this service. In July, the Far Eastern Shipping Conference admitted that the NYK could board on the West Coast of England. The NYK resumed

¹²⁷ Minutes of Meeting of the Straits, China and Japan Conference held in London, 22 January 1919 enclosed in OA. Wakimura Yoshitaro, the late professor of economics in the University of Tokyo, said Marcus Samuel of the Royal Shell, in London, had helped the OSK in this admission. See *Wakimura Yoshitaro Taidanshu* (Tokyo: Nihon Keieishi kenkyuzou, 1990) p.143.

¹²⁸ Minutes of Meeting of the Straits, China and Japan Conference held in London 6 February 1919 enclosed in OA.

¹²⁹ *SH* (1985) p.147.

¹³⁰ Letter from the NYK to the Ministry of Communication, 25 February 1919; draft of the letter from the Foreign Ministry to the British Embassy at Tokyo, 13 March 1919, in FM 3-6-3-78. According to the draft, the Blue Funnel Line claimed their tonnage was sufficient to support the liner service. Therefore, they asked the NYK to withdraw. See also *NYHS* (1988) p.574.

this liner route in October. In 1920, the two companies reached an agreement; the Blue Funnel Line allowed the NYK to load at Liverpool.¹³¹ From July 1919, 'the NYK was permitted to load from West Coast a four-weekly line, which was not more than 13 steamers in any year – 4 in any quarter or 2 in any month. The NYK sailings from East Coast were limited to 40 in any year – 10 in any quarter and 4 in any month, but these sailings may be increased by 13, 4 and 1 departure respectively of steamers, which have commenced to load in German ports.' Meanwhile, the Kokusai Kisen Kaisha, the Kawasaki Kisen Kaisha and Kawasaki Dockyard Co. Ltd., which were three other Japanese shipping companies, could load under the NYK, according to this revised agreement, for up to 9 sailings per year.¹³²

Post-1919 development

It has been suggested that the legal restrictions imposed by the subsidy law prevented the Japanese shipping companies from raising freight rates, especially during the war.¹³³ As Japanese scholars have claimed, the NYK was unhappy about the Japanese government's intervention, but the Japanese

¹³¹ Asahara claimed that Baron Kondo met Richard Holt in London in 1919. Holt recognised that the NYK would continue their sailings to Liverpool, even if the Blue Funnel Line refused. Therefore, he conceded. See Asahara (1978) pp.203-4.

¹³² Suehiro Kazuo, *Danshaku Kondo Renpei den narabi iko* (1932) pp.243-245. A letter from Alex Cumming (the Secretary of the Straits, China & Japan Outward Conference) to the Manager of the NYK, 8 December 1921, in OA1954/1.

¹³³ Asahara (1978) p.238.

government renewed the Navigation Promotion Law in 1918 for a further three years. However, the NYK benefited from this regulation and was permitted to charge a lower freight rate in the shipping conference, as Wray has pointed out.¹³⁴ In March 1921, Japanese government wished to extend the previous subsidies by the Navigation Promotion Law, but the NYK refused the renewal.¹³⁵ In April 1921, the Navigation Promotion Law was revised and the Postal Subsidy (Yubin Teiki Koro Hojo) was introduced, to replace the previous individual subsidies.¹³⁶ According to its correspondence with the Foreign Ministry, the Ministry of Communication claimed that the Japanese government would prefer to use the system of mail subsidy that had been in practice in the UK for a long time.¹³⁷ The subsidies were reduced in comparison to the previous period. However, they were higher than the Postal Union rates.¹³⁸

Thereafter, up to the late 1920s, the NYK received very limited financial support in comparison to the previous years through the postal subsidies: in the mail contracts for the service from Yokohama to London, the NYK received 850,000 Yen per year, in comparison to the previous annual sum of

¹³⁴ William D. Wray, 'The NYK and WWI: patterns of discrimination in freight rates and cargo space allocation' in *IJMH* 5 (1993).

¹³⁵ The board of the NYK refused the subsidies on 3 December 1919. However, the Japanese government informed the company that the budget for next year had been made. Therefore, the NYK continued to receive the subsidies up to 1921. See *NYKGH* (1988) p.215.

¹³⁶ Later, in an article to *the Manchester Guardian Commercial*, Kondo claimed the subsidies that the NYK received were limited and that the NYK had declined to accept many subsidies. See *The Manchester Guardian Commercial*, 9 June 1921, p.45.

¹³⁷ Correspondence from the Ministry of Communication to the Foreign Ministry, 7 May 1921, in FM 3-6-1-8.

¹³⁸ Asahara (1978) p.240.

1,731,331 Yen. From Kobe to Hong Kong and Seattle, under the postal subsidy scheme, the NYK received 420,000 Yen per year, in comparison to the previous annual sum of 897,492 Yen. From Yokohama to Melbourne, the NYK received 180,000 Yen per year, in comparison to the previous annual sum of 256,838 Yen.¹³⁹ Later, in 1922, the OSK received a postal subsidy for the service from Kobe to Buenos Aires. Toyo Kisen Kaisha (hereafter TKK) received a postal subsidy for the service from Yokohama to San Francisco and South America.¹⁴⁰ From then, until 1928, there were three acts to support the subsidies policy in Japan: the Distant-Sea Liner Service Subsidy Law, the Specific Route Subsidy and the Postal Subsidy.¹⁴¹ In the case of NYK and OSK, the mail subsidies they received were reduced. However, the total subsidies were still very large.

However, it could be argued that the system of postal subsidy was very ambiguous. It seems that there was much more mail sent abroad than the Japanese steamers had carried, and thus the Japanese government had to contract foreign shipping companies to carry mail overseas. According to the evidence presented by the Ministry of Communication before the Indian Mercantile Marine Committee in 1924, the NYK did not carry mail from Yokohama to Hong Kong and then on to Seattle. Instead, the Japanese government contracted the P&O, the CPR and the Pacific Mail to carry mail from Yokohama to Hong Kong. The Japanese government also contracted

¹³⁹ *Teishin Jigyō Shi* 6 (Tokyo: Teishinsho, 1941) p.848.

¹⁴⁰ A detailed list can be found in the correspondence from the Ministry of Communication to the Foreign Ministry, 23 June 1923, in FM 3-6-1-8. This list was produced for an inquiry from the Indian Mercantile Marine Committee.

¹⁴¹ Chida and Davies (1990) p.37.

the American Admiral Oriental Line and the China Mutual Co. (controlled by the Blue Funnel Line) to carry mail to Seattle. Meanwhile, there was one Australian shipping company contracted to carry mail from Yokohama to Melbourne. The CPR carried mail to Vancouver as well and the British India Steam Navigation Co. carried mail to Calcutta from Kobe.¹⁴² In the case of Japan, they paid the subsidies simply on the base of weight for carrying mail. Actually, this kind of policy made the Japanese Post Office more flexible in choosing the vessels that would carry mail and might have reduced the costs, and can be seen as 'dynamic' mail contract, as I discussed in the previous chapter. However, it must be emphasized that the Japanese Post Office just paid the foreign shipping companies by cost and the foreign shipping companies did not benefit much from this kind of mail contracts with the Japanese government.

The origins of the Anglo-Japanese rivalry and the Calcutta Conference

After 1815, there were no restrictions to prevent foreign ships from carrying cargo between various ports in UK. In Japan until 1894, the British vessels, as well as those of the other World Powers, could carry cargo to the various Japanese ports. In 1894, this privilege was restricted to the conveyance between Nagasaki, Kobe, Yokohama and Hakodate.

¹⁴² A full list and the detail rate table can be found out in the Minutes of the Evidence of the Indian Merchantile Marine Committee Q56-7, in IOR L/E/7/1139, Economic Department Records, the India Office Collection, in the British Library.

On the other hand, the Japanese possessed the right, in practice, to carry cargo between British ports though not explicitly conferred by the Treaty of 1894. At this time, the Japanese government and the public wished to rescind the foreign right to the coastal trade, to prove that Japan was a first rank nation as well.¹⁴³

In the business with British India, the rice trade from Rangoon to Japan was important to the Japanese economy. In 1907, the NYK began to operate a sailing from Rangoon to Japan and almost immediately achieved a monopoly.¹⁴⁴ Meanwhile, the trade with Calcutta was also extremely important to the Japanese economy. According to calculations, forty percent of Japan's Indian imports were from Calcutta. Therefore, in addition to the service to Bombay, the NYK began a service from Kobe to Calcutta in September 1911.¹⁴⁵ Conflicts of shipping interests occurred between the companies of both nations. Douglas McLean has already analysed this, but I have used many new sources to produce a detailed separate case study.¹⁴⁶

¹⁴³ Ian Nish, 'Japan reverses the unequal treaties: the Anglo-Japanese Commercial Treaty of 1894' in *Journal of Oriental Studies* (University of Hong Kong) 13 (1975) and Nish (1972) pp.36-40. According to the treaty of 1894, Japan resumed tariff autonomy.

¹⁴⁴ Report on Trade and Navigation of Burma 1906-7 p.16.

¹⁴⁵ Letter from Kondo Renpei (the President of NYK) to Komura (the Foreign Minister) 9 August 1911, in FM 3-2-2-7. See also *Monthly Report of the Osaka Commercial Museum* no.187 (25 September 1911) p.22. NYK increased the sailings in November because of the good business. See *Monthly Report of the Osaka Commercial Museum* no.189 (25 November 1911) p.39.

¹⁴⁶ Douglas McLean 'Tilting on a level playing field: the Japanese penetration of India's coastal shipping, 1911-1915' in *IJMH* 5 (December, 1993) pp.57-74.

In August 1911, the NYK tried to apply for membership of the Calcutta Conference, but the conference refused to authorise the right to load west of Singapore. After the NYK began the service, the Indo-China Navigation Steamship Co., the British India Steamship Navigation Co. and Aparcar, the members of the Calcutta Conference, cut the freight rate to half and gave rebates for a six-month term to compete against the NYK. However, the NYK were still able to get business because of the demand for pig iron in Osaka from Calcutta.¹⁴⁷

In February 1910, Komura, the Minister for Foreign Affairs, announced in the Diet that "the Japanese government would omit the right of foreign steamers to carry cargo and passengers between the treaty ports." The P&O and the Liverpool Steamship Owners' Association strongly asked for British diplomatic negotiation to retain this liberty.¹⁴⁸ In 1911, during the negotiations on the renewal of the Anglo-Japanese commercial treaty of 1894, the Japanese government was anxious to force the British government to concede. Under the Japanese proposal, the foreign vessels, except for those sailing through to a port outside Japan, could not engage in the coasting trade. In the UK, the Chamber of Shipping protested against the new

¹⁴⁷ Report from the Japanese Consulate in Calcutta to the Foreign Ministry, 24 October 1911 in FM 3-2-2-7. For the English source, see *Review of the Trade of India* (Calcutta) 1913-4 p.49. Report on Trade and Navigation of Burma 1912-3 p.2 & p.22.

¹⁴⁸ Letter from Wooley (the P&O in Kobe) to Crowe (Commercial Attaché) 10 February. 1910 and to Consul-General Layard, 7 September 1910, the reply from Crowe, 13 February 1910 and the letter from the Liverpool Steamship Owners' Association to the Foreign Office, 22 November 1910 in FO371/922.

Japanese policy but the British government refused to take any action.¹⁴⁹ In the annual report of 1912, the British diplomats suggested the Foreign Office should restrict the foreign vessels that were trading on the India coast to force the NYK and the Japanese government to concede. Otherwise, they suggested, the Foreign Office should contact the Japanese government to advise them to revise their coast trade law to allow the right of British shipping business there.¹⁵⁰

In February and March of 1912, the Bengal Chamber of Commerce and representatives from the four British shipping firms in India, i.e. Apcar & Co., Asiatic Steam Navigation Co., British India Steam Navigation Co and the Indo-China Steam Navigation Co., went to see W. H. Clark, the member for the Department of Commerce and Industry of the Indian Government. They claimed the NYK's competition was unfair owing to its huge subsidies.¹⁵¹ The British India Co. controlled the Apcar Line at that time. Actually, it was the British India Co. that directed this action with the other smaller companies. On 2 April 1912, the British Consulate replied to the agent of the British India Co. at Kobe that British shipping firms were unable to get certificates for the inter-coastal trade in Japan, owing to Japanese law. Even the Anglo-Japanese Treaty of Commerce and Navigation in 1911 excluded foreign shipping companies from the Japanese coasting trade, but there was

¹⁴⁹ Letters from the Chamber of Shipping to the Foreign Office, 25 January 1911 & 24 March 1911; Letter from the Board of Trade to the Foreign Office, 12 April 1911, in FO371/1137. See also Lowe (1981) pp.83-4.

¹⁵⁰ Japan Annual Report 1912 in FO p.276& 283; Minutes of the Evidence recorded by the Indian Fiscal Commission III (Calcutta, 1923) Q21079-Q21083.

¹⁵¹ Joint letter to W. H. Clark, 12 February 1912 and relevant correspondence in IOR

no law in Britain and India to prevent the Japanese from penetrating the Indian coasting trade.¹⁵²

In June Clark put this issue before the Indian Government and asked the British Government to reconsider the question of British vessels in the Japanese inter-coastal trade. But Clark doubted whether the British Government would impose a negative policy upon Japan, its ally.¹⁵³ This issue, that the Japanese vessels possessed full liberty to trade in India whilst the regulation on the coasting trade in Japan remained, was later raised in the Commons by the MP John Rees, on 15 June and 16 October 1912.

On 6 November 1912, the four British shipping firms wrote to the Bengal Chamber of Commerce to press the Chamber to take action to ensure that the Indian Government pay attention to this matter. On 12 November, Sir Horace Rumbold, the British ambassador in Tokyo, suggested to Sir Edward Grey that the British government should approach Uchida, the Japanese Minister of Foreign Affairs, in private about this matter.¹⁵⁴ On 4 January 1913, the Chamber wrote to the Indian Government again.¹⁵⁵ However, some British firms claimed the NYK's service was helpful to British firms in India because they could offer extra tonnage.¹⁵⁶

L/E/710.

¹⁵² A press cutting n.d. enclosed in FM 3-2-2-7.

¹⁵³ See Minutes n.d. enclosed in IOR L/E/710, where it is recorded from the India Office 'put forward the Japanese coasting trade as their sole demand' on 20 June 1912.

¹⁵⁴ A copy is enclosed in IOR L/E/710.

¹⁵⁵ The correspondence is enclosed in IOR L/E/710. See also *The Englishman*, 9 January 1913.

¹⁵⁶ Letter from the Arracan Coy. Ltd. to the Indian Council in London, 29 January 1913,

On 10 January 1913, the Foreign Office wrote to Kato Takaaki, the former Japanese ambassador. In this letter, the Foreign Office claimed that the British Government had conceded the point in 1911 and therefore that British vessels were unable to carry cargo and passengers between the Japanese ports. Since Japanese competition occurred in the Indian coasting trade, the Foreign Office asked the Japanese government to consider amending the law to allow British vessels to trade between the Japanese ports.¹⁵⁷ Horace Rumbold met Kato on 1 February and Kato claimed that the Japanese government found it difficult to intervene in the current situation.¹⁵⁸ On 16 May, the Japanese foreign ministry informed the British Embassy in Tokyo that the Diet would not agree to allow foreign vessels to enter the coasting trade. Regarding the rivalry in Indian waters, the Japanese government thought that this was a business matter and that the solution should be reached by the shipping companies. The Japanese government claimed that they would like to assist in sorting out this matter by urging the NYK to negotiate if the British government adopted the Japanese official policy.¹⁵⁹

This letter was forwarded to the Foreign Office. On 10 June 1913, Monteath, representing Lord Inchcape of the British India Co., left for Japan with Mackay, Lord Inchcape's son to negotiate with the NYK. Lord Inchcape asked the Foreign Office for assistance and he also claimed that the British

in FM 3-2-2-7.

¹⁵⁷ Letter from the Foreign Office to Baron Kato, 10 January 1913 in FM 3-2-2-7.

¹⁵⁸ Letter from Rumbold to Grey, 13 February 1913, in IOR L/E/710.

¹⁵⁹ Draft letter to the British Embassy in Tokyo dated 16 May 1913 in FM 3-2-2-7.

firms would allow the Japanese vessels to take shares in the trade between India, China and Japan, but only if they agreed that the Japanese vessels would not enter the Indian coasting trade. Sir Edward Grey forwarded this request to Sir Conyngham Greene, the new British ambassador in Tokyo.¹⁶⁰ On 28 June, Greene told Baron Makino, the Japanese foreign minister, that the British government agreed with proposal. He also told Makino that the action of Lord Inchcape was independent of the British and Japanese official policy.

Monteath and Mackay arrived in Tokyo on 6 July and the first meeting with Baron Kondo and Hayashi of the NYK was held on 10 July. In this meeting, Monteath proposed to organise a pool for the trade between Indian, Chinese and Japanese ports. For the time being, British vessels should agree to leave the coasting trade in Japan to the Japanese vessels and the Japanese vessels should agree to leave the business from India, Singapore and Hong Kong to the British. On 12 July, Lord Inchcape approved this proposal. Later, Sutherland, representing the Indo-China Co., arrived in Japan from Hong Kong and he too agreed the proposal.¹⁶¹ On 18 July, Sutherland and Monteath submitted a joint proposal to the NYK.¹⁶² The NYK immediately rejected this proposal owing to the clause that allowed the British a monopoly in Indian waters.¹⁶³ On 26 July, the NYK submitted another proposal, where a pool would be organised for cargo freight from Calcutta to

¹⁶⁰ Letter from Lord Inchcape to the Foreign Office, 9 June 1913 and the letter from Sir Edward Grey to Sir Conyngham Greene, 27 June 1913 in IOR L/E/710.

¹⁶¹ Letter from Monteath to Hayashi, 18 July 1913 in FM 3-2-2-7.

¹⁶² This draft proposal is enclosed in FM 3-2-2-7.

¹⁶³ Letter from Hayashi to Monteath, 19 July 1913, in FM 3-2-2-7.

Hong Kong. The NYK proposed to exclude passenger earnings from the pool and wished to reach a separate agreement with British India Co.¹⁶⁴

In the second meeting on 24 July, Baron Kondo claimed that the agreement would not be met until the NYK could be admitted into the Calcutta-Rangoon, Rangoon-Straits-Hong Kong, Calcutta-Straits – Hong Kong, and Calcutta-Rangoon-China services. He also said the NYK was ready to open a service between Rangoon and Madras to compete with the British shipping firms. The NYK's basic principle was to ask for the permission to board 1,700 passengers per steamer on the Rangoon-Calcutta service.¹⁶⁵ To break the deadlock, Lord Inchcape asked the Foreign Office for further assistance.¹⁶⁶ On 30 July, Lord Inchcape told Grey that the British companies could make a compromise if the Japanese would leave the Indian coasting trade and the Straits Settlements-India route. The British companies would allow the Japanese companies to trade on the India-Hong Kong and Straits Settlements-Hong Kong routes.¹⁶⁷ The Foreign Office consulted the India Office for their opinion as to official intervention, and the Secretary of the India Office advised the Viceroy that the Cabinet might object to this policy on the basis of the weak fiscal situation and the political alliance with Japan. In any case, the public might benefit from the competition by lower freight rates. The Secretary was worried about the risk

¹⁶⁴ Telegraph by Monteath, 24 July 1913 in IOR L/E/710. Letter from Hayashi to Monteath, 26 July 1913 in FM 3-2-2-7.

¹⁶⁵ Telegraph by Monteath, 11 October 1913 in FM 3-2-2-7. Asahara (1978) pp.101-103.

¹⁶⁶ Letter from Lord Inchcape to Sir Walter Langley (the Foreign Office) 28 July 1913 in IOR L/E/710.

¹⁶⁷ Grey to Crewe, 30 July 1913, in IOR L/E/710.

of a UK shipping monopoly.¹⁶⁸

The Foreign Office forwarded this request to the India Office and asked them if it would be feasible to exclude foreign vessels in the Indian coasting trade, before any diplomatic action.¹⁶⁹ Later, through information from a Japanese newspaper, Greene confirmed that the Japanese government was conducting an aggressive mercantile-marine policy.¹⁷⁰ In September, the India Office was informed that the Act of 1850 made it difficult to exclude the Japanese vessels.¹⁷¹

In October, Lord Inchcape declared his strong belief that the Japanese vessels should not be allowed in the Indian coasting trade.¹⁷² After some discussion, the British representatives decided to concede in the negotiation if the NYK withdrew from the Indian coasting trade. The negotiations were discontinued because Monteath had to go back to Calcutta. All parties agreed to hold the next negotiations in 1914.¹⁷³ Sir Conyngham Greene remained pessimistic about the agreement. He thought the agreement was difficult to meet, owing to the NYK's insistence on competing in the Indian coasting trade.¹⁷⁴ The Foreign

¹⁶⁸ Memo from the Secretary of State to Viceroy, 30 July 1913 in IOR L/E/710.

¹⁶⁹ Letter from the Foreign Office to the India Office, 1 August 1913 in IOR L/E/710.

¹⁷⁰ Letter from Greene to Grey 16 August 1913 in IOR L/E/710.

¹⁷¹ Letter to Lord Inchcape, 18 September 1913 in IOR L/E/710. From the narratives, it seems this is a private letter.

¹⁷² Letter from Monteath to Hayashi, 12 October 1913 in FM 3-2-2-7.

¹⁷³ Correspondence between Monteath, Hayashi and Sutherland in October 1913 in FM 3-2-2-7.

¹⁷⁴ Aide-Memoire no.1 (in English) dated 23 February 1914, enclosed in FO371/2010. Also available in FM 3-2-2-7, where is enclosed another memo in Japanese by the NYK, dated 1 June 1914. According to the Japanese memo, the British representatives misunderstood the situation and NYK "corrected" the English memo page by page. I have

Office thought the Japanese company maintained an “unaccommodating” attitude and instructed Greene to “press the Japanese government to urge the NYK to modify their attitude”. Otherwise, the British government would consider repealing the Indian Law of 1850, which opened the Indian coasting trade, and that would give the Indian government freedom to exclude the Japanese vessels in Indian waters.¹⁷⁵ On 23 February 1914, Sir Conyngham Greene met Baron Makino and informed him of the view of the Foreign Office. Makino inquired whether the potential closure of the Indian coasting trade would apply to all nationalities or only to Japan. Makino was also interested in knowing whether this closure would only apply to the vessels in receipt of subsidies or to other vessels as well. On 13 May, Greene replied to the Japanese foreign ministry that the British Government would apply the policy to “a foreign country that actually competes with its ships in the Indian coasting trade to the detriment of British shipping under one-sided and unfair conditions”. Regarding the application of the vessels which received subsidies, the British government had not decided yet.¹⁷⁶ In June, the Foreign Office suggested that the Japanese government influence the Japanese shipping companies to reach an agreement with the British shipping firms. The British government preferred that the next meeting be held in London.¹⁷⁷ Subsequently, the official British position

used three documents in the discussion.

¹⁷⁵ Aide-Memoire no.2, dated 23 February 1914 in FM 3-2-2-7. Telegram from Grey to Greene dated 13 February 1914 is enclosed in IOR L/E/710.

¹⁷⁶ Letter from Greene to Kato Takaaki (the Foreign Minister) dated 13 May 1914 in FM 3-2-2-7.

¹⁷⁷ Telegram from Greene to the Foreign Office, 3 June 1913, in IOR L/E/710. Memo from the Foreign Office to the British Ambassador and the minutes of talk between British ambassador and the Minister for Foreign Affairs, 3 June 1914, in Tokyo in FM 3-2-2-7.

changed. The Foreign Office consulted the India Office on this matter. Sir Edward Grey had proposed that "subject to the concurrence of India Office, the British government do not regard the opening of the Japanese coasting trade to foreign shipping as a sufficient equivalent for the abandonment of the proposed legislation empowering them to close the Indian coasting trade".¹⁷⁸ In reply, the Indian Office suggested the proposal should be worded as 'the British government do not consider that the opening of the Japanese coasting trade to foreign shipping would by itself meet the complaints of the Indian Government regarding the unfair competition of heavily subsidized Japanese vessels in the coasting trade, and that, failing a satisfactory agreement between the companies concerned on all the points at issue, the British Government see no alternative but to follow the Indian Government to proceed with the proposed legislation'.¹⁷⁹ It seems that the First World War, which broke out in July, delayed any further action. In the August after the war had broken out, Lord Inchcape still kept to his principle: the NYK should leave the Indian coasting trade and the Calcutta –Rangoon trade, and that for the service from India to Japan, the NYK should join a pool with the British shipping firms.¹⁸⁰ In reply, Baron Kondo, the Chairman of the NYK, refused to withdraw from the Calcutta –Rangoon service, but he would consider leaving the Indian coasting trade if Lord Inchcape

¹⁷⁸ Letter from the Foreign Office to the India Office, 9 June 1914, in IOR L/E/710.

¹⁷⁹ Letter from the Indian Office to the Foreign Office, 17 June 1914, in FO371/2010. Lord Inchcape had conceded to the Indian Office that the issue of access to the Japanese coastal trade was not very relevant to the rivalry in the Indian waters. See memo dated 19 May 1913 from I. W. H. to Lord Inchcape in IOR L/E/710.

¹⁸⁰ Telegraph from Lord Inchcape to Baron Kondo, 3 August 1914, in FM 3-2-2-7.

permitted the NYK to continue the Calcutta – Rangoon service.¹⁸¹ Once again Lord Inchcape pressed the Foreign Office to intervene: he emphasised that the Japanese vessels might occupy the business when his vessels were carrying the Indian forces to Europe.¹⁸² However, the Foreign Office found it impossible to take any step in the current situation.¹⁸³

The war and the admission of NYK

After the war broke out, the NYK's expansion was very sudden and it had become the second biggest company next to the British India Company on this route by 1915.¹⁸⁴ Under the shadow of the NYK's penetration into Indian coastal trade, the Indo-China Navigation Steamship Co. had asked the Foreign Office to intervene as the NYK was taking more and more business from the British. However, this action did not work and the British government was unwilling to press the Japanese shipping company when the Japanese might offer assistance during the war.¹⁸⁵ Mr. C. H. Ross and Sir Edward Beauchamp, representing the Indo-China Navigation Steamship Co., advised Lord Inchcape, the most influential British ship owner on this route, to consider making an agreement with

¹⁸¹ Telegraph from Baron Kondo to Lord Inchcape, 4 August 1914, in FM 3-2-2-7. The relevant correspondence is enclosed in IOR L/E/710.

¹⁸² Letter from Lord Inchcape to Grey, 18 August 1914, in IOR L/E/710.

¹⁸³ Letter from the Foreign Office to the India Office, 27 August 1914. Telegram from Greene in Tokyo to Grey, 9 September 1914. Letter from Walter Langley (the Foreign Office) to Lord Inchcape, 29 September 1914, in IOR L/E/71.0

¹⁸⁴ Report on Trade and Navigation of Burma 1913-4, p.21; 1914-5 p.22.

¹⁸⁵ A letter from the Foreign Office (signed by W. Langley) to Lord Inchcape, enclosed in JM: London to Hong Kong no.1104, 9 October 1914.

the NYK, to guarantee the share that the British could get. They told Lord Inchcape that a pooling agreement similar to that produced for the Yangtze route could restrain the Japanese.¹⁸⁶ Lord Inchcape was not active over this proposal, though he had no objection. Thereafter, the Indo-China Navigation Steamship Co. began to approach the NYK alone.¹⁸⁷

Later, due to requests from the UK government, Lord Inchcape arranged for his ships to run on an additional line: from Calcutta to Vladivostok, in Russia. The Indo-China Navigation Steamship Co. received compensation from the British India Steamship Navigation Co., and tried to provide the sufficient tonnage on the Calcutta line. They hoped the regular full tonnage would prevent the expansion of the NYK.¹⁸⁸

On 30 June 1915, Mr. Fisher and Mr. Sutherland talked to Lord Inchcape again about the agreement with the Japanese company. Lord Inchcape agreed to negotiate with the Japanese and he suggested the British should ask the Japanese to stop calling at Rangoon, but the Japanese would be allowed to keep their route from Calcutta to Singapore. Meanwhile, the British ships would call at Hong Kong and abandon the extension to Japan, in reciprocation.¹⁸⁹ This proposal, in the view of the Indo-China

¹⁸⁶ Interview between Lord Inchcape and Mr. C. H. Ross and Sir Edward Beauchamp on 23 February 1915. Enclosed in JM: London to Hong Kong 1914. For the pooling agreement on Yangtze see Chapter 5.

¹⁸⁷ Telegram 12 March 1915, from London to Hong Kong in JM: London to Hong Kong 1915 I.

¹⁸⁸ Minutes dated 19 January 1916, in IC.

¹⁸⁹ Letter No. 1145, 24 June 1915, from London to Hong Kong, and memo of interview

Navigation Steamship Co. of Hong Kong, would benefit Lord Inchcape's ships and the Indo-China Navigation Steamship Co. would lose out.¹⁹⁰ Keswick held the view that the company should try to reduce its losses. For this reason, Sutherland tended to agree with Lord Inchcape's proposal while the situation grew worse.¹⁹¹ However, Ross argued that Sutherland's conversation with Lord Inchcape was misleading. In his opinion, the Indo-China Navigation Steamship Co. should have been negotiating about how to push the Japanese out of Calcutta, not Rangoon.¹⁹²

On 20 October 1915, Ross wrote a letter to Lord Inchcape, to express his concern about the rise of the NYK due to the insufficient tonnage of the British India Steamship Navigation Company after the outbreak of war. In addition, Ross reminded Lord Inchcape what the Indo-China Steamship Navigation Company had done for the pooling agreement, including the fight with the Japanese on the Calcutta-Rangoon route, which was not crucial to the Indo-China Steamship Navigation Company.¹⁹³ One month later, the Board of the Indo-China Steamship Navigation Co. decided to send Sutherland to Calcutta for negotiations with Mackinnon, Mackenzie & Co., the agency of the P&O in India, on how to organise the pool during this emergency. In the interview held in

with Lord Inchcape on 30 June 1915, in JM: London to Hong Kong 1915 I.

¹⁹⁰ Telegram, 25 June 1915, from Hong Kong to London, in JM: London to Hong Kong 1915 I.

¹⁹¹ Letter No. 1148, 16 July 1915, from London to Hong Kong, in JM: London to Hong Kong 1915 I.

¹⁹² Letter No. 1150, 5 August 1915, from London to Hong Kong, in JM London to Hong Kong 1915 I.

¹⁹³ Letter from Ross to Lord Inchcape, in JM: London to Hong Kong 1915 II.

January of 1916, Lord Inchcape's company, the British India Steamship Navigation Co. agreed to raise the conference freight rate, by 30%, and the NYK followed the conference rate in this case.¹⁹⁴ Due to the warning that the Japanese vessels would have a monopoly if the British tonnage decreased, in March 1916, the Admiralty promised to reduce the acquisition of the vessels in the Far East route.¹⁹⁵ Later, this informal agreement broke down and scarcity of tonnage followed the acquisition of ships by the UK government. To solve this problem, British ship owners in the Far East had tried to consult the relevant authority: the Advisory Committee of the Ministry of Shipping. The result was disappointing and the Indo-China Navigation Steamship Co. wondered if Lord Inchcape, who was much more influential politically than they were, had intentionally given more preference to his company.¹⁹⁶

In the March of 1918, the negotiations to pull the NYK into the conference were successful through the intervention of the Foreign Office. On the 13 of March, Lord Inchcape informed Ross that he wished to make an agreement with the NYK as soon as possible. A few days later, the Foreign Office inquired as to whether Ross had come to an agreement. Ross replied that the British shipowners were keen to come to an agreement but the issue of Japanese shipping in Indian coastal trade

¹⁹⁴ Minutes dated 19 January 1916, in IC.

¹⁹⁵ The Indo-China Steamship Navigation Co. asked the Foreign Office to advise the Admiralty on this matter. See letter from Greene in Tokyo to the Foreign Office, 14 March 1916 and the reply from the Admiralty to the Foreign Office, 26 April 1916, in FO371/2692.

¹⁹⁶ Minutes dated 4 July 1917, in IC. The records then go silent about this topic until March 1918, but, as it is revealed in the previous chapter, the NYK continued its business during the war.

always made the negotiations go into deadlock. On the same day, a few hours later, Lord Inchcape sent a copy of proposed agreement to Ross. On the 19 of March, the manager of the P&O informed Ross that they needed to sign the agreement before 15:00. Ross realised there was not time to contact Hong Kong for approval. Under the situation of having only one boat of the Indo-China Navigation Steamship Co. for the Calcutta Line at that time, as well as in view of the concern of the Foreign Office, Ross signed the agreement.¹⁹⁷ This three-year agreement, in which Japanese shipping would be increased to 38 sailings annually and British shipping would remain at 52, faced no objections as long as the British had the problem of tonnage shortage during the war. The war forced British companies to admit the NYK into the conference, and they expected this admission could stop the other Japanese companies' competition, with the NYK's assistance.¹⁹⁸ However, subsequently the Indo-China Navigation Steamship Co. realised that post-war trade prospects in Calcutta and the Pacific trade were uncertain and could affect their shipping business seriously. They were worried that the increasing Japanese tonnage might take British cargo and the Indo-China Navigation Steamship Co. decided to discuss this with Lord Inchcape.¹⁹⁹

The admission of OSK after the war

After the Armistice, OSK planned to penetrate the Calcutta line as well.

¹⁹⁷ Minutes dated 31 July 1918, in IC.

¹⁹⁸ Minutes dated 3 April 1918, in IC.

¹⁹⁹ Minutes dated 18 June 1919, in IC.

The NYK assisted British companies in their opposition.²⁰⁰ Meanwhile, the Indo-China Navigation Steamship Company decided to build a new medium-sized ship to replace the bigger vessel. Due to the limited cargo holding, they thought the new boat would reduce the initial costs and prevent huge financial outlays given the strong competition.²⁰¹ In the summer of 1921, the OSK applied to join the Calcutta/Japan line conference. However, there were different opinions amongst the existing members: Lord Inchcape and the NYK were opposed to this application, but the Indo-China Navigation Steamship Co. wished to negotiate.²⁰² Lord Inchcape thought the OSK would be unable to compete under the rate cutting policy when the financial burden was heavy; the NYK opposed because both Japanese companies, the NYK and the OSK, had agreed that the OSK was not allowed to enter Indian trade. The NYK held the view that the OSK should not break their agreement.²⁰³

Some staff of the British India Co. in India held a different view and tried to persuade Lord Inchcape to admit the OSK into the conference.²⁰⁴ The Indo-China Navigation Steamship Co. wondered if Lord Inchcape was worried about the prospect of more rivalry in the Indian coastal trade if the OSK was able to maintain this business.²⁰⁵ Meanwhile, they were of

²⁰⁰ Sutherland's memo; dated 11 February, regarding talk with Mr. Blair of the NYK, in JM: London to Hong Kong 1920.

²⁰¹ Telegram 21 April 1920 from Hong Kong to London, in JM: London to Hong Kong 1920.

²⁰² Minutes dated 8 July 1921, in IC; *OSKGG* (1934) p.295.

²⁰³ Minutes dated 20 July 1921, in IC.

²⁰⁴ Minutes dated 10 August 1921, in IC. The MacKinnon family held the largest share of capital in the British India Co. by 1917. Lord Inchcape ranked the second since 1905 and had great influence in the policy of the Company. See Jones (1989) p.53 & p.108.

²⁰⁵ Minutes dated 20 July 1921, in IC.

the view that the finances of the OSK were stronger than the British had earlier thought. Therefore, they began to wonder if the NYK had misled Lord Inchcape. Moreover, they thought the OSK would not bring conflict with them, because their route was not exactly the same as the other companies.²⁰⁶ On 9 September, the first OSK steamer to Calcutta left Kobe in Japan with a little support from local distributors, while the NYK and the other conference members began a rate-cutting policy on this route.²⁰⁷ Finally, in December, the conference rejected the OSK's application.²⁰⁸

In January of 1922, the NYK warned the British ship owners that the OSK had secured the support of some local merchants. Therefore, they could carry out their operations in spite of the conference's opposition: in their opinion, a readjustment of the pooling system could limit the competition, so the NYK agreed to admit the OSK to twelve sailings each year for the Calcutta line.²⁰⁹ Later, under these strict conditions, the British India Company agreed to negotiate with the OSK. However, in a meeting with the NYK, the British India Company asked whether OSK would withdraw from the Java-Calcutta line and end its competition on the Cuba-Calcutta line, before any discussion.²¹⁰ Mr. Ohtani Noboru of

²⁰⁶ Minutes dated 21 September 1921, in IC.

²⁰⁷ Minutes dated 21 September 1921, in IC. See also *kaikoku koron* 7:5 p.52; *Kobe Yushin Nippo*, 27 November 1921.

²⁰⁸ Telegrams from July to December, between Hong Kong and London, in JM: London to Hong Kong 1921.

²⁰⁹ Telegraph, 20 January 1922, from London to Hong Kong, in JM: London to Hong Kong, 1922. Asahara (1978) p.256.

²¹⁰ Telegraph, 16 June 1922, from London to Hong Kong, in JM: London to Hong Kong, 1922.

the NYK claimed it was impossible to ask the OSK to stop the Java-Calcutta sailings altogether; the only alternative was a reduction.²¹¹ Later, Lord Inchcape rejected the application of the OSK when he claimed he heard a rumour regarding the amalgamation of the NYK and the OSK; in his opinion, the case of the OSK should follow that of the Pacific Mail, which the conference had rejected the application of earlier.²¹²

Actually, this rejection of the OSK's application was a trick; what the British India Company intended to do was impose stricter conditions on the application of the OSK. On 27 July, the British India Company wrote to the NYK; this was the same day that the British India Company had informed Jardine Matheson & Co. that they would reject the OSK's application. In the letter to the NYK, the British India Company revealed the following conditions: "for the recommendation by British India Company, OSK has to withdraw from the Java, India, Calcutta, Burma and Cuba trades, and refrain from interfering with any other trade of BI and its associates. OSK should agree to the suggestion of NYK: sailings between Calcutta and Japan will be increased from 26 to 38 per year, as in the agreement of 1918, and NYK should arrange these proposed extra sailings to be taken over by OSK (namely, OSK can get 12 sailings every year)."²¹³ In response to that

²¹¹ Letter No. 224, 22 June 1922, from London to Hong Kong, in JM: London to Hong Kong 1922.

²¹² Telegraph 27 July 1922, and Letter no.229 27 July 1922, from London to Hong Kong, in JM: London to Hong Kong 1922. At that time, many newspaper and periodicals reported this rumour.

²¹³ Telegraph 31 July 1922, from London to Hong Kong, in JM: London to Hong Kong 1922.

situation, Jardine Matheson & Co. endeavoured to confirm that the amalgamation rumour of the NYK and the OSK was not true and they wished to inquire why the British India Company had not let them know the updated terms.²¹⁴ Following this communication to London, Jardine Matheson & Co. wondered if the British India Co. had shown selfishness in the updated terms.²¹⁵ The terms of the agreement that Jardine Matheson & Co. received were a backward step in the negotiations. In early September, they learnt that the OSK had an agreement with the British India Company for admission.²¹⁶ In October, the Pacific Mail, under the management of the US Shipping Board, joined the conference as well. Later, the OSK and the NYK assisted the conference to fight another Japanese company: Yamashita Kisen Kogyo Kabushiki Kaisha (Yamashita Shipping & Mining Company Limited, the YKK)²¹⁷. The OSK was admitted into the conference in March 1924.²¹⁸ The British maritime forces in the Orient were weakened further as the two main Japanese shipping companies expanded and joined the conference.

²¹⁴ Telegraph 10 August 1922, from Hong Kong to London, in JM: London to Hong Kong, 1922.

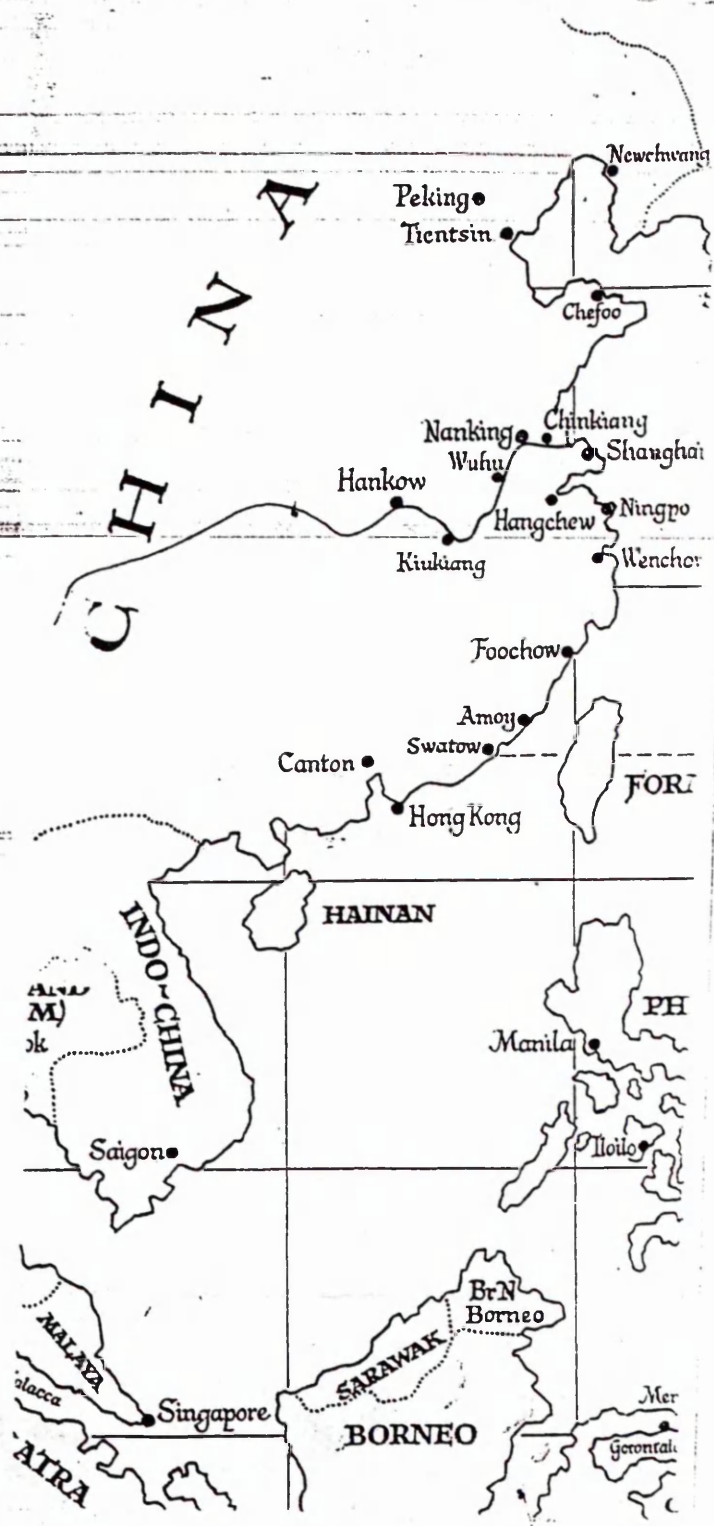
²¹⁵ Letter No. 235, 24 August 1922, from London to Hong Kong, in JM: London to Hong Kong 1922.

²¹⁶ Telegraph 6 September 1922, from London to Hong Kong, in JM: London to Hong Kong 1922. According to Asahara, the British India Co. conceded when they learned that the Japan Spinners Association would try to put all of their cotton raw material to the vessels in Bombay and the vessels in Calcutta would make a great loss. See Asahara (1978) p.256.

²¹⁷ Edwin Green & Michael Moss *A Business of National Importance: the Royal Mail Shipping Group 1902-1937* (London: Methuen & Co., 1982) pp.56-7. Minutes dated 24 September 1924, in IC. The Pacific Mail began this sailing from Shanghai to Calcutta from December 1919. See Nagano Akira *Shina wo butai no rekyou shihon sen* (1938) p.179. The freight rate fell after the American competition. See *Shanghai nihon shogyo kaigizou nenho* no.3 (1920) p.21.

²¹⁸ OSKGG (1934) p.295. Asahara (1978) p.256.

This chapter has shown the important contribution of Japanese official promotion to the growth of her marine industry from the late nineteenth century. In the China waters, where the Japanese merchants possessed the geographical advantages, the British shipping companies received weak official support. The British government did not stand in a strong position to back the British companies. The state of British shipping was most desperate during the First World War when the UK was in danger and had to ask for Japanese assistance. In the case of the McBain lease, initially, the British companies did not recognise the Japanese business penetration into China as a threat, as the attitude of Jardine Matheson & Co. exemplified. The British shipping companies also did not understand the interlocking relationship between the various Japanese shipping companies, and did not receive sufficient information on their Japanese rivals. On the Japanese side, they used the British law and the shipping conferences to secure their expansion. On the side of the British companies, the opportunities to rescue their declining business failed due to the lack of co-operation, weak local knowledge and the sluggish response to competitive crises.



Map 3. The Yangtze in the early twentieth century (Source: Marriner, Sheila, and Hyde, Francis E., *The Senior John Samuel Swire 1825-1898: management in Far Eastern Shipping Trade* (Liverpool: Liverpool University Press, 1967).

Chapter Five

The International Shipping Competition in the Chinese Market: the Case of the Lower Yangtze Shipping Conference

This chapter considers the negotiations for limiting competition on the lower Yangtze in the early 1900s, between Britain, Japanese and Chinese shipping companies. In it I hope to show that the foreign shipping companies, especially the British firms, practically dominated the Chinese shipping business after 1842. The Chinese were unhappy about the foreign shipping companies' activities and planned to regain the business. In 1873, with official support, the Canton merchants formed the China Merchant' Steam Navigation Co. despite the opposition of Ningpo, another business clique. Initially, this company made good progress and bought up ships from Russell & Co. in 1877, which then ceased its activities in China. In 1882, two British companies made a pooling agreement with the China Merchants' Steam Navigation Co. about the percentage allocations of ships on the Yangtze. The China Merchants' Steam Navigation Co. got 42%, the China Navigation Co. got 38% and the Indo-China Navigation Steamship Co. got 20%; and for the route from Shanghai to Tientsin, the China Merchants' Steam Navigation Co. got 44%, and two British companies got 28% each.

However, after the 1880s, due to political intervention, the poor management

of the China Merchants' Steam Navigation Co. was causing the business to lose money and British companies were making greater progress in the shipping business. In 1884, the three companies reached another agreement but it broke down in 1890. In 1893 the three companies reached a new agreement and it remained effective up to the twentieth century.

At the same time, the rebellions and losses in the wars with the foreign powers continued to erode the rule of the Ch'ing empire and the nationalist revolution overturned this last dynasty in China in 1912. After Yuan Shih-k'ai, the first president, died in 1916, Chinese central government became very disorganised until 1927 and few Chinese businesses could compete with the foreign companies. Yu Ya-ching was one exception. He was a self-made business tycoon and began his business career as a comprador. In 1909, he set up the Ning Shao Steamship Navigation Co. and became the general manager. With the support of Ningpo merchants, this company was able to survive the competition of foreign companies. In 1913, Yu personally formed the San Peh Steamship Navigation Co. and the conflict of interest forced him to leave the Ning Shao. Based at the San Peh, he expanded his influence to other industries, even to politics later on.

The NKK was admitted to the shipping conference on the lower Yangtze in 1914. In 1915, Yu bought up the Hoong-on shipping company, which had been formed as an Anglo-Chinese joint venture in 1904, and registered as a Chinese company in 1919. In 1922, Yu bought up a small

shipyard in Shanghai and he was definitely the most influential Chinese ship owner during the 1920s. The four companies in the conference (The China Navigation Co., the Indo-China Navigation Steamship Co., the China Merchant' Steam Navigation Co. and the NKK) worked together to push the Ning Shao and the San Peh, two smaller Chinese companies, out of business, but they survived through the support of local merchants in Ningpo.¹

The breakdown of the Conference and the situation after the war

Professor Hyde claimed that the pooling agreement had become more important in the Chinese trade due to severe competition.² Despite what the Indo-China Navigation Steamship Co. told Lord Inchcape about the effect of the pooling agreement on the Yangtze, namely that it would limit the Japanese activity, it did not. This was probably owing to the ambitious Japanese expansion during the war when the British tonnage became scarce. The NKK quit the Yangtze Pooling Agreement in 1915 - only one year after they had joined - and the British ship owners wished to invite them to join again.³ In the September of 1915, the British ship owners discussed together how to involve the Japanese. Mr. Robertson, of the Butterfield & Swire Co., proposed a four party (Indo-China N. S. Co., Butterfield & Swire Co., NKK and the China Merchants S. N. Co.) pooling agreement, with each party

¹ *Shanghai gang shi hua* (Peking: Xinhua, 1979) p.186.

² Hyde (1973) p.33.

³ On the formation of the NKK, see p.207.

running six steamers.⁴ The NKK stayed outside the conference though they submitted a proposal in 1916. The British companies disagreed with this proposal, because the NKK claimed they would employ steamers of both the NYK and the OSK. Meanwhile, NKK wished to restrict the tonnage of all parties.⁵

After the war, Jardine Matheson & Co. knew that their existing ships were old, due to the declining profits following Japanese competition. As early as 1919, Jardine Matheson & Co. decided to place a new contract to build a steamer with a British company in China.⁶ Though Britain could build the most advanced ships in the world at that period, Jardine Matheson & Co. preferred to build their ships in China to reduce the capital cost.⁷ They also had problems because some staff asked for raised salaries. Not only were they unable to get new ships, but they also had to consider reducing the dividends.⁸ This was a problem that many shipping companies constantly needed to deal with during the early 1920s: shareholders asked for more dividends, whereas when the company wished to maintain large reserves; large dividends would weaken the company finance if the capital was not increased during the unprofitable years. Therefore, the company began to consider paying dividends by

⁴ Letter No. 1156, 17 September 1915, from London to Hong Kong, in JM: London to Hong Kong 1915 I.

⁵ The proposal is enclosed in JSS III 2/2 1922.

⁶ Letter No. 154, 13 Oct 1920, from Shanghai to Hong Kong, in JM Shanghai to Hong Kong 1920.

⁷ Letter No. 263, 15 March 1923, from London to Hong Kong, in JM: London to Hong Kong 1923.

⁸ Letter No. 232, 10 August 1922, from London to Hong Kong, in JM London to Hong Kong 1922.

deferred shares to replace paying by cash.⁹

During the early 1920s, the two steamers for the lower Yangtze were the only new ships of the Indo-China Navigation Steamship Co.; the board had declined to build any other new ships.¹⁰ The solution was for more chartering of ships. It may be suggested that the Butterfield & Swire Co. possessed the advantage of their equipment, such as lighters and towships, and that they were more productive in shipbuilding.

Shortage of money forced Jardine Matheson to ask for higher rates in the conference in the following years, in contrast with the lower rate for larger cargo, as was the policy of the Butterfield & Swire Co. In Butterfield & Swire Co.'s view, they considered the Indo-China Navigation Steamship Co. to be an inefficient operator, whose competition was always limited; therefore, to form an alliance with them as a defence against the more dangerous ship owners was the best plan.¹¹ It seems that Jardine Matheson & Co. seldom considered that the higher rate would cause them to lose cargo and that the companies outside the conference would increase their share of the business.¹²

Meanwhile, the question of Japanese participation in the Yangtze

⁹ Letter No. 276, 29 December 1921, from Shanghai to Hong Kong, in JM London to Hong Kong 1921.

¹⁰ Telegram 29 January 1920 from London to Hong Kong, in JM: London to Hong Kong 1920.

¹¹ JSS III 1/1 (Hong Kong General Letters): 14 April 1921, from London to Hong Kong.

¹² JSS I 16 Box add. no.15 (Directors in the East: correspondence) 30 July 1926 from Warren Swire in London to Colin Scott in Shanghai.

conference began to have repercussions for competition on China's seagoing routes. For Jardine Matheson & Co., the reason to urge the Japanese to join the Yangtze pooling agreement was the heavy shipping loss during 1921. In the correspondence, the Hong Kong office reported the loss of 25000 pounds in 1921, against the profit of 48000 pounds in 1920 for the Shanghai-Canton line; and the profit of 5153 pounds in 1921, against the profit of 46800 pounds in 1920 for the Lower Yangtze line.¹³ In addition, because of its limited number of steamers on the river, the Indo-China Navigation Steamship Co. would be weaker in any rate war. Therefore, Jardine Matheson & Co. endeavoured to persuade Warren Swire, the principal of the Butterfield & Swire Co., to agree to the collaboration.

The threat from NKK and the strategies of the Conference

The threat of the NKK to the lower Yangtze Conference had become greater after the Armistice. The NKK could handle a large share of cargo on the river.¹⁴ The Butterfield & Swire Co. wished to put up a fight, but the other conference members disagreed. Therefore in May they decided to offer a 10% in differential rates to the NKK, which they had agreed to in course of the NKK's earlier refusal to join the conference. According to the sources available, in the December of 1921 the NKK wished to negotiate with the British about joining the conference, without any

¹³ Telegraph 23 June 1922, from Hong Kong to London, in JM: London to Hong Kong, 1922.

¹⁴ Letter from Shanghai to London, dated 2 December 1921: in JSS III 2/1.

reservations.¹⁵ However, in the January of 1922, the Shanghai office of the Butterfield & Swire Co. informed London that the Japanese and Chinese shipping companies were giving rebates to local merchants and they advised that the Butterfield & Swire Co. should withdraw from the conference.¹⁶ By the instruction of Warren Swire, the firm came to the decision that, "the Japanese have secured undue proportions of cargo on the Yangtze River by underhand means, and therefore, to negotiate with them on the present cargo carrying basis is unfair to the China Navigation Company. John Swire & Sons wished to obtain a larger share of the cargo through competition before the discussions about including the NKK in the conference."¹⁷ However, they soon realised that almost all Japanese cargo was handled by Japanese shipping companies. According to their calculations, excluding Japanese cargo, the NKK had obtained limited advantages and the Butterfield & Swire Co. managed to handle 30% of non-Japanese cargo.¹⁸ The initial plan of the Butterfield & Swire Co. was to withdraw from the conference with all members. After the withdrawal, they planned to impose a rate-cutting policy. However, none of the other companies agreed.¹⁹ Jardine Matheson & Co. thought Warren Swire's attitude was "arbitrary" and preferred to push the NKK into the pooling agreement as soon as possible.²⁰ The China Merchant's Steam

¹⁵ Telegraph 9 December 1921 From Hong Kong to Shanghai, in JM: London to Hong Kong 1921. Telegraph from Hankow to Shanghai, dated 8 December 1921, enclosed in JSS III 2/1.

¹⁶ Telegraph from Shanghai to London, dated 5 January 1922, in JSS XII 4/5 (China Sundries Letter Books).

¹⁷ Telegraph 3 March 1922, from London to Hong Kong, in JM: London to Hong Kong 1922. Also JSS III 2/2 Letter from Shanghai to London, dated 6 March 1922.

¹⁸ See telegraph from Shanghai to London, dated 5 January 1922 in JSS III 2/2.

¹⁹ See the correspondence enclosed in JSS III 2/2.

²⁰ Telegraph, 27 February 1922, from Hong Kong to London, in JM: London to Hong

Navigation Co. followed this appeasement policy. Warren Swire actually wished to make an agreement with the NKK as well, but he wished to negotiate with the Japanese after the rate-cutting policy weakened them.²¹

In 1922, the three companies in the conference began to negotiate with the NKK. The conference members asked the NKK to confirm that they did not have any co-operation with the NYK and the OSK. The conference was unsatisfied when the NKK wished to limit the total amount of cargo loading from the Chinese coast to the Yangtze River that all companies participating in the conference would carry in the revised agreement.²² However, the NKK still claimed they wished to continue their coastal trade as soon as possible on their admission to the conference.²³ Therefore, the members of the conference planned to give notice to withdraw from the conference and they began rate-cutting competition. Jardine Matheson & Co. and the Chinese agreed with the withdrawal but they refused to take part in the rate war, because they thought the Japanese would try to secure local support after receiving the notice.²⁴ In May, the companies in the conference came to a conclusion about the conditions of the NKK's participation: they would consider agreeing to let the NKK join the conference under a new proposal. In this proposal, the NKK, under a five-year agreement based on the 1916

Kong, 1922.

²¹ See the In Letter to Landale dated 30 July 1924, in JSS I/4/10. See also his private letter to Hong Kong, dated 12 August 1924, in JSS XII 4/6.

²² Letter dated 30 March 1922, from Shanghai to London, in JSS III 2/2.

²³ Letter dated 28 April 1922 from Shanghai to London, in JSS III 2/2.

²⁴ Letter no.296 30 March 1922, from Shanghai to Hong Kong, in JM, Shanghai to Hong Kong, 1922. Telegraph 6 April 1922 from Jardine Matheson & Co. to the Butterfield & Swire Co., in JSS III 2/2 1922.

agreement, would be the only Japanese company permitted on the lower Yangtze; also, to maintain full and equal rates of freight in all river ports, the NKK, in addition to the existing three steamers, would not be allowed to enter on the trade between river ports and coastal ports. The three companies would not enter on the direct trade between the river ports and Japan as a reward.²⁵ In the new agreement, the pooling would be divided between both parties (the NKK being one party and the three companies belonging to the other).²⁶

On 15 May, the companies in the Lower Yangtze conference, along with two small Chinese companies, Hoonh On Steamship Navigation Co. and the Ningpo-Shaosing Steamship Navigation Co., gave notice to withdraw from the rate agreement.²⁷

To modify the conditions, Warren Swire announced he would consider, out of absolute necessity, permitting the NKK to join the Shanghai-Canton line, with up to three steamers, subject to the condition that none of the other Japanese companies endanger the agreement.²⁸

²⁵ In the Shanghai/Yokohama Line Agreement, the Butterfield & Swire Co. had a consensus since 1909 with the NYK that the Butterfield & Swire Co. could not operate the Shanghai/Japan trade, which they had begun in 1906. See the report from the Consul at Shanghai to the Ministry of Foreign Affairs, dated 21 May 1906 in FM 3-6-3-14. Also see JSS III 2/1 Letter from Shanghai to London, dated 14 October 1921, and the letter from London to Shanghai, dated 27 April 1922, in JSS III 2/2. In the Butterfield & Swire Co.'s opinion, NYK and its associates should not operate the coastal trade in China. See JSS III 2/2 Letter from Shanghai to London, dated 10 February 1922.

²⁶ Memo of meeting on 6 May, with the proposal letter to NKK enclosed in letter no.304, 11 May 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong, 1922. Letter dated 10 May 1922 from Shanghai to London, in JSS III 2/2.

²⁷ *Shanghai Economist* no.9 (April 1925) p.15. See also letter 15 May 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong, 1922.

²⁸ Telegraph 27 & 28 June 1922, from London to Hong Kong, Letter no.225, from

Meanwhile, Jardine Matheson & Co. wished to learn how the Japanese government marine subsidies worked, and also to ascertain the view of the China Merchant's Steam Navigation Co.²⁹ One week later, the OSK decided to expand their Calcutta line. In this situation, the Board of the Indo-China Navigation Steamship Co., on 4 August, decided they were unable to fight the Japanese due to the Japanese official subsidies every year.³⁰

On 21 July, 1922, the NKK told the Butterfield & Swire Co. that their Shanghai/Canton Line lost 10000 Taels per month, but that they had to carry on because the vessels on this route received the subsidies.³¹ Therefore the NKK asked for a 10% or 15% lower differential in the freight rates for the lower Yangtze pooling agreement. On 26 July 1922, in a letter to Butterfield & Swire, the NKK officially stated that they would make no agreements under the undifferentiated rates.³² In early August, Jardine Matheson & Co. told the Butterfield & Swire Co. they were unwilling to continue the rate war. In their opinion, the public shareholders in the Indo-China Navigation Steamship Co. would feel unhappy to see the company lose money through the rate war.³³ But

London to Hong Kong, in JM: London to Hong Kong, 1922.

²⁹ Letter No. 314, 30 June 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1922. See also telegraph from Shanghai to London 22 June 1922, in JSS III 2/2.

³⁰ Minutes dated 4 August 1921, in IC. The Indo-China Navigation Steamship Co. did not receive any subsidies.

³¹ Letter from NYK dated 31 December 1920 in JSS III 2/1. See also letter dated 21 July 1922, from Shanghai to London, in JSS III 2/2.

³² Letter No. 230, 3 August 1922, from London to Hong Kong, in JM: London to Hong Kong 1922.

³³ Letter No. 319, 3 August 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1922.

Warren Swire pressed for the refusal of the differential rates to the Japanese: he held the view that the Japanese could operate permanent businesses in China, and that they received subsidies and, therefore, did not need the differential.³⁴ In September, the three companies pressed jointly for the equal rates for the NKK.³⁵ In October, the NKK claimed in reply that they were unable to make a settlement in the near future.³⁶ Meanwhile, the NKK expanded their operation in South China and immediately reduced the shares of South China traffic carried in the Butterfield & Swire Co.'s vessels.³⁷ This action forced Warren Swire to concede by permitting three NKK steamers on the coastal trade and the Swatow calling.³⁸ Before that, up until September, after only a short time on the Lower Yangtze route, the rate war had improved the three company's businesses and the NKK had made significant losses.³⁹ But Jardine Matheson & Co. immediately realised that the shipping business in China was in a general slump in 1922.⁴⁰ Meanwhile, the Chinese shipping companies outside the lower Yangtze pooling agreement had also made heavy losses.⁴¹ On 15 of November, the China Navigation Co.'s senior managers from various ports in China met together in Shanghai to discuss the situation. They concluded that the NKK could

³⁴ Letter from London to Shanghai, dated 21 September 1922, in JSS III 2/2.

³⁵ Telegraph from Shanghai to London, dated 29 September 1922, in JSS III 2/2.

³⁶ Letter No. 339, 19 October 1922, from Shanghai to Hong Kong, in JM Shanghai to Hong Kong 1922.

³⁷ Telegraph from Shanghai to London, dated 17 October 1922, in JSS III 2/2.

³⁸ Telegraph from London to Shanghai, dated 18 October 1922, in JSS III 2/2.

³⁹ The letters from Shanghai to London since June 1922, in JSS III 2/2.

⁴⁰ Telegraph 3 May from Hong Kong to Shanghai, in JM: Shanghai to Hong Kong 1923. The surplus of Yangtze River line in 1922 was 4200 Taels, compared with 360400 Taels of 1921; the working of the Shanghai-Canton Line in 1922 had a deficit of 120000 Tael, compared to the surplus of 258000 in 1921.

⁴¹ Letter dated 8 September 1922 from Shanghai to London, in JSS III 2/2.

fight for a long time with lower rates while they were getting subsidies and that it was for the best if the NKK joined the pooling agreement and raised freight rates.⁴² Later, in his letter to Shanghai, Warren Swire agreed with this opinion.⁴³

Since the September of 1922, the three companies' percentage share of carrying on this route had fallen from 74.4% to 64.7% and the percentage of the NKK had risen from 20.9% to 27.7%. The Shanghai office of the Butterfield & Swire Co. concluded that the reason was that the NKK not only secured large amounts of raw cotton, which was under the management of Japanese merchants, but also secured the German and other foreign cargo, which sometimes required irregular shipping. The Butterfield & Swire Co. agreed that they could not do this well.⁴⁴ Due to the bad business, in the December of 1922, the three companies agreed to restore the previous lower tariff rates of the Yangtze conference. They agreed to restore the rates of the May of 1922. They were then raised again on 5 January 1923 and the NKK immediately raised its rates as well but they were still lower than the three companies.⁴⁵

The labourers, students and nationalists organized an "anti-imperialism" boycott in the big cities on the Yangtze from early 1923. More losses followed the boycott. Jardine Matheson & Co. pressed the Butterfield & Swire Co. again to agree to the differential rates, as the NKK insisted, but

⁴² Memo dated 15 November 1922 in Shanghai, in JSS III 2/2.

⁴³ Letter dated 25 January 1923 from London to Shanghai, in JSS III 2/3.

⁴⁴ Letter dated 4 May 1923 from Shanghai to London, in JSS III 2/3.

⁴⁵ Memo "report upon visit of inspection to Hankow" dated 9 January 1923, in JSS III 2/3.

the three companies, under the dominance of the Butterfield & Swire Co., still kept to their opinion and informed the NKK again of this.⁴⁶

However, in May 1923, during talks with David Landale of Jardine Matheson & Co., Warren Swire revealed his pessimism about the current competition with the Japanese.⁴⁷ A meeting between the China Merchant's Steam Navigation Co., the Butterfield & Swire Co. and the Indo-China Navigation Steamship Co. was responsible for bringing the NKK into the pooling agreement. In spite of the Butterfield & Swire Co.'s objection, the other two companies proposed to organise a two-party pooling agreement, as previously suggested, where the NKK would be one party and the three companies represented would be the other. In the pooling agreement, the Japanese would trade a limitation of coastal tonnage to three steamers in return for a 5% differential in coastal rates.

In June, the Butterfield & Swire Co. suggested raising the freight rate because the boycott seemed to disturb the Japanese business.⁴⁸ The Indo-China Navigation Steamship Co. realised their situation was quite bad after they received their balance sheet for 1922.⁴⁹ To improve their

⁴⁶ Letter from Jardine Matheson & Co. to the Butterfield & Swire Co. dated 14 February 1923 & a letter from the three companies to NKK, dated 24 February 1923, in JSS III 2/3.

⁴⁷ Letter No. 290, 17 May 1923, from Shanghai to London, in JM: Archive Shanghai to London 1923. Letter No. 376, 3 May 1923, from Shanghai to Hong Kong, in JM: Archive Shanghai to Hong Kong 1923. Warren Swire recognised this change, see the letter from London to Shanghai, dated 15 May 1923, in JSS III 2/3.

⁴⁸ Telegraph, 18 June from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1923.

⁴⁹ Letter No. 386, 21 June 1923, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1923.

poor performance, the Indo-China Navigation Steamship Co. collaborated with the Butterfield & Swire Co. to raise the freight rates by 10% from 4 July and asked the Chinese local distributors and shipping companies to follow their example.⁵⁰ Meanwhile, the Butterfield & Swire Co. rejected the proposal by the Indo-China Navigation Steamship Co., to re-open the negotiations.⁵¹ The British companies began to postpone their contact with the NKK, because they thought the political situation was unfavourable. However, the Indo-China Navigation Steamship Co. was actually keen to contact the NKK again for the negotiation. Following the China Merchant's Steamship Navigation Co's warning, they feared that the Chinese public would misinterpret the British negotiations with Japan as a collaboration against the Chinese public and were also worried that rate wars might break out if the negotiations failed.⁵² The China Merchant's Steamship Navigation Co, as a Chinese company, feared public opinion and they warned the British that their board would not sign any agreement with the Japanese when the boycott became stronger.

In the August of 1923, the news agency in Tokyo reported that the NKK's business was poor owing to the boycott and to the fact that further subsidies had been refused.⁵³ This forced the NKK to reconsider joining

⁵⁰ See memo dated 20 June 1923, enclosed in JM: Shanghai to Hong Kong 1923. Letter, 22 June 1923 from Shanghai to London, in JSS III 2/3.

⁵¹ Letter 22 June 1923 from Shanghai to London, in JSS III 2/3.

⁵² Telegraph, 24 July from Hong Kong to Shanghai, in JM: Shanghai to Hong Kong 1923. Telegraph, 25 July from Hankow to Shanghai, in JM Shanghai: to Hong Kong 1923. Telegraph, 26 July from Hong Kong to Shanghai, in JM: Shanghai to Hong Kong 1923.

⁵³ Letter No. 397, 16 August 1923, from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1923. For the impact of the boycott upon the Japanese shipping in Yangtze see the relevant official documents enclosed in the FM 3-3-8-10-13.

the conference; British opinion turned strongly towards the view that they should insist that the Japanese must make terms that were satisfactory to the British.⁵⁴ Meanwhile, up until the summer, the Japanese gained little business.⁵⁵ However, the NKK recovered very soon; their proportion of freight carriage rose from 6.6% to 15.9% of the total freight carriage on the route in September. The local managers of the Butterfield & Swire Co. believed this was because the NKK secured many cargoes from foreign shippers.⁵⁶

As the boycott against Japan became weaker from November 1923, so the percentage of cargo carried from Hankow by the NKK had quickly increased. In December the China Merchant's Steam Navigation Co. agreed to contact the NKK to discuss conference membership. Meanwhile, before contacting the NKK principal in Tokyo, the Indo-China Navigation Steamship Co. secretly began to contact the various local managers of the NKK to ask whether they would raise the rate after the NKK joined the pooling agreement. The local NKK staff confirmed that they would.⁵⁷ The Butterfield & Swire Co. still objected to the differential in rates for political reasons, namely, the subsidies; but they later conceded.⁵⁸ On 28 December, the three companies, including

⁵⁴ Letter No. 397, 16 August 1923, from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1923.

⁵⁵ Letter No. 392, 26 July 1923, from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1923.

⁵⁶ Letter, from Shanghai to London, dated 2 November 1923, in JSS III 2/3.

⁵⁷ Telegraph, 19 December 1923, from Shanghai to Hong Kong. Telegraph, 22 December between Hankow and Shanghai, in JM: Shanghai to Hong Kong 1923.

⁵⁸ Telegraphs, between Shanghai and London, dated 19 & 20 December 1923, in JSS III 2/3.

the Butterfield & Swire Co. agreed to the NKK joining the pooling agreement and agreed with the 5% differential in rates on the coast only, provided that the NKK would limit the tonnage to three steamers on the Shanghai, Swatow, Amoy, Hong Kong and Canton lines. They also demanded that the rate would increase by 15% from 1 January and a further 10% from 15 January.⁵⁹

Fu Sia-en, a director of the China Merchant's Steam Navigation Co., was authorised to contact the NKK about the agreement.⁶⁰ However, it seems that he was slow to make progress.⁶¹ The Butterfield & Swire Co. proposed to restore the rate cutting policy, to compete with the Japanese and the San Peh, the new local Chinese company.⁶² It seems that the British shipping firm never had sufficient information about their Japanese competitors. On 12 June, they realised that Mr. Mori, the president of the NKK, had previously worked for the NYK and that both companies shared the same building in Hong Kong.⁶³

Due to its heavy losses, the Indo-China Navigation Steamship Co. always wished to pull the NKK into the conference. However, they wondered if the NKK really wished to join while they had advantages in some routes

⁵⁹ Telegraphs, 27 & 28 December 1923, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1923. Minutes of meeting, dated 28 December 1923, in JSS III 2/4 1924.

⁶⁰ Letter No. 43, 4 January 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924.

⁶¹ Letter No. 437, 31 January 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924.

⁶² Telegraph, 10 June 1924, from Shanghai to London, in JM: Shanghai to Hong Kong 1924.

⁶³ Letter from Kent to Shanghai dated 12 June 1924, in JSS III 2/4.

of up to a 10% rate lower rate than the conference rates.⁶⁴ In this situation, the Butterfield & Swire Co. remained optimistic when they learned that the NYK and the OSK, the potential supporters of the NKK, had to pay dividends out of reserves while Japanese business was in depression.⁶⁵ Meanwhile, the Indo-China Navigation Steamship Co. in Shanghai had hoped for progress when they learned that Mr. Kent of the Butterfield & Swire Co., who was their agent in Yokohama, had an unofficial interview with Mori. Mori claimed that the NKK was considering joining the conference if it was given the same right to enter the river/coast trade as the three companies.⁶⁶ However, the Indo-China Navigation Steamship Co. wondered if the Japanese were being honest, and the Indo-China Navigation Steamship Co. insisted on the 5% differential in rates as the final preference.⁶⁷ On 22 July, the three companies decided to send an official inquiry to the NKK to discover whether the Japanese really would join the conference.⁶⁸ Kent interviewed Mori on 25 July. Mori emphasised the company's preferred terms: the four companies should also arrange an upper-Yangtze pooling agreement, equal rights to the Shanghai-Canton line and permission for the coast/river trade. In personal conversation, Mori stated definitely that the activities of the NKK were for both business and politics. The NKK

⁶⁴ Letter No. 356, 3 July 1924 from Shanghai to London, in JM: Shanghai to London 1924.

⁶⁵ Letter from Kent to Shanghai dated 12 June 1924, in JSS III 2/4.

⁶⁶ Memo dated 9 July 1924 in Yokohama, enclosed in the letter from Shanghai to Hong Kong, 16 July 1924, in JM: Shanghai to Hong Kong 1924.

⁶⁷ Letter from Hong Kong to Shanghai, 16 July 1924, in JM: Shanghai to Hong Kong 1924.

⁶⁸ Letter No. 474, 23 July 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924. Minutes of meeting dated 22 July 1924, in JSS III 2/4.

could operate business without profit to advance Japanese political interests in China. In this situation, with the NKK's political support, Kent reminded Swire that the negotiations would not only be commercial negotiations, but also diplomatic.⁶⁹

Initially the Butterfield & Swire Co. was unwilling to offer equal rights to the NKK in the coastal /river trade.⁷⁰ However, realising the political background of the NKK, in the early August of 1924, Warren Swire adopted a more amicable attitude; he agreed to negotiations on the NKK's terms and offered a 5% differential in rates.⁷¹ Warren Swire held the view that Japanese shipping would take a share in China because of its geographical advantages and that the British should nominate a Japanese company as a national representative, who could help the British in the conference to drive the other Japanese away. Moreover, the Japanese government could assist their national representative and the conference in diplomacy, especially because British influence was weaker in the Far East at that time. In his opinion, the NKK should follow the example set by the Indo-China Navigation Steamship Co.'s and of the China Merchant's Steamship Navigation Co.'s admission to the Conference many years before. Warren Swire wished to treat the NKK in a friendly manner and he expected that the Japanese would react in the same way.⁷²

⁶⁹ Memo dated 25 July 1924, in JM: Shanghai to Hong Kong 1924.

⁷⁰ Letter from Shanghai to Yokohama dated 1 August 1924, in JSS III 2/4.

⁷¹ Telegraph from Warren Swire in London to Hong Kong, dated 6 August 1924, in JSS III 2/4. Letter from the Butterfield & Swire Co. to Jardine Matheson & Co., dated 8 August 1924, in JM: Shanghai to Hong Kong 1924. Letter No. 364, 13 August 1924, from Shanghai to London, in JM: London to Hong Kong 1924 and letter No. 355, 26 February 1925, from London to Hong Kong, in JM: London to Hong Kong 1925.

⁷² Private letter from London to Hong Kong dated 12 August 1924, in JSS XII 4/6.

In Hankow, the NKK agency proposed a temporary local tariff agreement for the rate increase. But the Butterfield & Swire Co.'s agency suggested postponing the action because the headquarters of the NKK had not promised they would follow the temporary agreement. They feared that the NKK would realise the weak condition of the finances of the British company and ask for larger shares.⁷³ Jardine Matheson & Co. received instructions from London and argued that the temporary tariff agreement should be completed as soon as possible.⁷⁴ After warning Jardine Matheson & Co., Warren Swire insisted that a written document by the NKK, to promise to keep the NYK and the OSK out of any river and coast-river trade in China, was necessary.⁷⁵

On 2 September, the NKK manager in Hankow signed a temporary pooling agreement for the time being.⁷⁶ In an interview on 10 September, Mori claimed that it was impossible to organise an early board meeting to discuss the pooling agreement, and that they needed the Japanese government's support. As for the tariff rate increase, Mori also complained that it would exceed the Japanese official limit. And the Minister of Communication seemed unlikely to approve the increase.⁷⁷

⁷³ Telegraph from Hankow to Shanghai 14 August 1924, in JM: London to Hong Kong 1924. Telegraph from Shanghai to Hankow, dated 13 August 1924, in JSS III 2/4.

⁷⁴ Telegraphs from Jardine Matheson & Co. to Butterfield & Swire, dated 15 & 16 August 1924, in JM: London to Hong Kong 1924.

⁷⁵ Letters between Shanghai and London, dated 15 August & 29 August 1924, in JSS III 2/4.

⁷⁶ Telegraph from Shanghai to Yokohama, dated 2 September 1924, in JSS III 2/4.

⁷⁷ Telegraphs from Butterfield & Swire in Yokohama to Shanghai, dated 13 September 1924, enclosed in letter No. 491, 17 October 1924, from Shanghai to Hong Kong, in JM: London to Hong Kong 1924. Also available in JSS III/2 1924.

In addition to these national characteristics, the Butterfield & Swire Co. agent began to wonder whether the NKK was waiting to see the consequences of the civil war in China. Later, they wondered whether the troubles of the NYK had delayed the decision making of the NKK.⁷⁸

The British company also mobilised political resources for the diplomatic aspects of negotiations with the NKK. On 16 September, Mr. Sansom, Commercial Counsellor in the British Embassy in Tokyo, had a meeting with Mr. Ito, the president of the NYK, and Ito confirmed that the NKK was the only Japanese shipping company in China backed by the government. The NYK would support the NKK as well. He also confirmed the NKK was working for both business and politics in China.⁷⁹ Despite little progress in the summer, the NKK told the conference that they were worried about whether the small Chinese companies, the “outsiders” of the conference, would expand their tonnage, which the four-company pooling agreement would have no control over. Therefore, the Butterfield & Swire Co. considered bringing more companies into the conference.⁸⁰ However, Warren Swire later rejected

⁷⁸ Letter from Butterfield & Swire in Yokohama to Shanghai, dated 13 September 1924 and in JM: London to Hong Kong 1924. Kendo died in 1921 and Ito became the President of NYK. Ito tried to reform the organisation and reduce the expenditure, which caused strong objections inside NYK. Finally, Ito resigned in September 1924. See *NYHS* (1988) p.254.

⁷⁹ Telegraph from Yokohama to Shanghai, dated 8 September 1924, in JSS III 2/4. Letter from Butterfield & Swire in Yokohama to Shanghai dated 22 September 1924, in JM: London to Hong Kong 1924.

⁸⁰ Telegraph from Shanghai to London, dated 12 September 1924, in JSS III 2/4. Letters between Butterfield & Swire in Yokohama and Shanghai dated 15 & 22 September 1924, in JM: London to Hong Kong 1924.

the idea.⁸¹ Meanwhile, the tariff rate had increased by 10% on the Shanghai-Hankow route in October and by a further 10% in November.⁸²

During the wait for the slow reply from the NKK, Warren Swire began to wonder if the Japanese were being honest.⁸³ At that time, a more serious power struggle broke out amongst the board of directors of the NYK and Ito, the chairman, was forced to resign. Meanwhile, the Shanghai office of the Butterfield & Swire wondered if the expansion of the YKK would weaken the position of the NKK.⁸⁴ But Jardine Matheson & Co. was still anxious to make an agreement with the NKK. It proposed to the Butterfield & Swire Co., that the British company postpone the coastal trade problem and take the NKK into the permanent pool first, but Warren Swire rejected.

On 21 November both British companies met again to hear Kent's report of his contact with the NKK. The NKK had informed Kent that the various NKK directors from the NYK and the OSK were unable to achieve a consensus and that the internal conflict of the NYK, as well as the unstable political situation in China, caused the NKK's dilemma. Meanwhile, as a profitable company on the Yangtze, to join the

⁸¹ Letter from London to Shanghai dated 10 June 1925, in JSS XII 4/6.

⁸² Telegraph from Shanghai to London, dated 12 September 1924, in JSS III 2/4. Letter No. 373, 9 October 1924, from London to Hong Kong, in JM: London to Hong Kong 1924.

⁸³ Letter from London to Shanghai dated 19 September 1924, in JSS III 2/4.

⁸⁴ Letter from Shanghai to Yokohama dated 14 October 1924, in JSS III 2/4. YKK asked for loans from the UK and planned to place ship orders in a British shipyard, for expansion in the Chinese market. But the British government rejected the application as the British merchants in the East seriously warned against it.

permanent pool meant to limit tonnage in the NKK's view and they began to reconsider whether it was the best option. The three companies in the conference authorised Kent to contact the Japanese again. The British companies would raise the rates and give the Japanese a 10% differential in rates when the NKK were ready to join. Both companies agreed to resort to a rate war if the NKK rejected this proposal.⁸⁵

At the same time, the Chinese shipping companies, the Ning Shao and the San Peh, outside the conference, had kept expanding quickly, and became the new opposition: when the conference cut the tariff rate they followed its example. The conference authorised the China Merchant's Navigation Steamship Co. to negotiate with the Chinese companies and permitted them to join the pooling agreement. For particular routes, for example Hankow-Shanghai Line, differential rates would be applied. However, all the Chinese companies would have to limit their tonnage in the Lower Yangtze area and the pooling companies would not consider relinquishing more tonnage to the outsiders in the middle-Yangtze.⁸⁶

On 4 December, Kent met Mori again and Mori was still concerned about the position of the Chinese companies outside the conference. Meanwhile, he reminded Kent that the local agents of the NKK were not authorised to conduct negotiations with the companies in the conference.⁸⁷ On 24

⁸⁵ Letter No. 497, 20 November 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924.

⁸⁶ Letter from Shanghai to London dated 18 October 1924, in JSS III 2/4. Letter No.497, 20 November 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924.

⁸⁷ Letter from Butterfield & Swire to Jardine Matheson & Co. dated 15 December 1924, in JM: Shanghai to Hong Kong 1924.

December, after calculating the working basis of the pool, Mori claimed the NKK would agree to pool 50% of its earnings to the conference. Also, Mori claimed, the pool should be based on the earnings of 50% of the ships of the NKK, not 50% of the whole earnings of the NKK. However, the British companies were not satisfied with this offer. Mori also claimed the NKK was under pressure from the Japanese government and merchants, who were supporting a more expansive policy. Mori also mentioned the China Merchant's Steam Navigation Co.; on this point both the British and the Japanese agreed that this company was inefficient and the reason for their admission to the pool was political, that is, as a concession to Chinese political opinion.⁸⁸ The function of the pool was to stabilise the freight rate: to secure stabilisation, some members that profited would put more earnings into the pool and the other members would be the receivers. However, it seems that the NKK were unhappy with this arrangement: they did not want to put all their earnings into the pool. They did not want a stable conference because they really wanted to expand their shares of business on the Yangtze route.

On 5 January 1925, the British companies met again to hear Kent's report and decided to endeavour to get the NKK's agreement.⁸⁹ On 30 January, Mori told Kent that some more influential directors of the NKK would discuss the terms with the Japanese government. Mori claimed he was unable to push them because they were too busy. But Kent and Mori

⁸⁸ Telegraph from Shanghai to London, dated 30 December 1924, in JSS III 2/4. Letters from Butterfield & Swire in Yokohama to Shanghai, dated 24 December 1924, enclosed in letter No.506, 9 January 1925, in JM: Shanghai to Hong Kong 1925.

⁸⁹ Memo dated 5 January 1925, enclosed in JM: Shanghai to Hong Kong 1925.

made an agreement that the NKK would help the conference to drive the other Japanese shipping companies, like the YKK, away from the Chinese coastal trade.⁹⁰

In March, the Hong Kong agency of Jardine Matheson & Co. informed Shanghai that the financial position of the Indo-China Navigation Steamship Co. was weak, and that it should make a permanent agreement with the NKK as soon as possible.⁹¹ The Butterfield & Swire Co. still opposed the NKK's terms and they claimed that the temporary pool worked.

In April, in the Shanghai-Hankow line, the conference imposed a "fighting ship" policy to compete with the San Peh and the Ning Shao, which had broken the agreement, were carrying cargo at 50% of the fixed freight rate, and had also refused the China Merchants' Steamship Navigation Co.'s mediation. The conference sent cut-rate steamers to compete against the opponents, but the result was not satisfactory. Later, the Butterfield & Swire Co. complained that the NKK and the China Merchants' Steamship Navigation Co. had not assisted in the fight against outsiders and that Swire's fighting ships took back little business. The group's competition was not in harmony because each company held different opinions: the China Merchants' Steamship Navigation Co. and the Indo-China Navigation Steamship Co. were the most unwilling to cut

⁹⁰ Memo dated 30 January 1925, enclosed in Letter No. 513, 12 February 1925, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1925.

⁹¹ Letter No.516, 4 March 1925, from Hong Kong to Shanghai, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1925.

their rates. On 22 May, the Butterfield & Swire Co. made an agreement with the outsiders to conclude an armistice and cease their opposition.⁹²

Mori was unable to present the Japanese official decision about the pooling agreement, despite the fact that a proposal based on the earlier negotiations was available. In Kent's opinion, the NKK was willing to work with the British company but it was the official conservatism in Japan that delayed the process.⁹³ The three-company pooling agreement expired on 30 June 1925; Meanwhile the Butterfield & Swire Co. realised that they needed to renew the pool. Otherwise, the Indo-China Navigation Steamship Co. might ally itself with all the Chinese companies to oppose the Butterfield & Swire Co.⁹⁴

On 22 July, Swire talked with Mori in Shanghai.⁹⁵ On 6 August, Mori signed a general armistice agreement to cover the previous local tariff agreement.⁹⁶ Meanwhile, the renewal of the *three-company* pooling agreement faced problems; the Butterfield & Swire Co. asked for a three months withdrawal clause stating that if any company wished to leave the conference they needed to notify the others three months in advance. As the Butterfield & Swire Co. held the highest percentage of freight business in the conference; their view was that the Indo-China Navigation

⁹² See various letters of correspondence in JSS III 2/5 1925. See also *Shanghai Economist* no.10 (May 1925) p.16; 3:1 (January 1926) p.30. 王洸 *中國航業* (1933 上海商務印書館) pp.80-1.

⁹³ Memo dated 6 April 1925, from Butterfield & Swire in Yokohama to Shanghai, enclosed in JM: Shanghai to Hong Kong 1925.

⁹⁴ Letter from Shanghai to London dated 5 June 1925, in JSS III 2/5.

⁹⁵ Telegraph from Shanghai to London dated 22 July 1925, in JSS XII 4/6.

Steamship Co. and the Chinese companies thought that the new clause would give the Butterfield & Swire Co. full control over the conference. In the meeting of 22 July, the Butterfield & Swire Co. explained that this three-month term was a revised version of the old pooling agreement of 1915, and the old term was six-months. The revision was again for the NKK's benefit, not for the old partners. In this meeting, both British companies agreed that a three-party pool, where a *six-month* withdrawal clause applied, should be formed between the other three companies before the NKK joined. The *three-month* withdrawal clause would apply to the *four-party* pool after the NKK joined.⁹⁷ The three-month withdrawal clause meant the companies could leave the conference in a shorter time if they found profits difficult to maintain. It might be inferred from this that Warren Swire did not have confidence in the situation of the conference after the NKK was admitted.

However in August Warren Swire instructed the Shanghai office that "to put a three-party pool inside the four-party pool will make no difference".⁹⁸ This might imply that Warren Swire had become anxious to pull the NKK into the conference. In November, in line with the Indo-China Navigation Steamship Co.'s suspicions, the China Merchants' Steamship Navigation Co. claimed that they wished to renew the three-party pool first.⁹⁹ Warren Swire still insisted on the three-month

⁹⁶ Minutes dated 1 September 1925, in IC.

⁹⁷ Minutes of meeting dated 22 July 1925, in JSS III 2/5. The correspondence is in JM: Shanghai to Hong Kong 1925 and Letter no.604, 16 April 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

⁹⁸ Letter from London to Shanghai dated 21 August 1925, in JSS III 2/5.

⁹⁹ Letter from Shanghai to London dated 27 November 1925, in JSS III 2/5.

withdrawal clause for the four-party pool.¹⁰⁰ This strategy might suggest that Swire preferred a more dynamic agreement, where the members could decide whether to stay in the conference or not, in a shorter time. By the end of 1925, the Lower Yangtze shipping fell into depression, and all companies' loadings decreased. Some companies wondered whether the freight rate was too high, but the NKK insisted that the reason was the recent boycott.¹⁰¹

In the April of 1926, the board of Jardine Matheson & Co. stated that they preferred the six-month term.¹⁰² This might indicate that they wished to establish a stable conference. However, Warren Swire insisted upon the three-month term as the Chinese supported Jardine Matheson & Co.¹⁰³ On 2 July, in order to avoid deadlock, Warren Swire authorised the Shanghai branch to decide whether they should adopt the six-month revision.¹⁰⁴ On 6 July, both British companies met, and the Butterfield & Swire Co. revised the terms: to the six-month withdrawal term they added another; any party in the conference, could take action to restore its proportions of the trade if they thought the trade was unfair, subject to two-weeks notice to the other parties in writing. The Butterfield & Swire Co. emphasised that this remedy was not to facilitate withdrawal from the conference. In their opinion, the two-weeks notice was for restoration of

¹⁰⁰ Telegraph from Shanghai to London dated 27 November 1925, in JSS III 2/5.

¹⁰¹ Minutes of meeting of the six companies dated 3 December 1925, in JSS III 2/5.

¹⁰² Letter no.605, 23 April 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

¹⁰³ Letter no.609, 7 May 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

¹⁰⁴ Telegraph from London to Shanghai dated 2 July and 1926, in JSS XII 4/7.

the proportion by rate cutting. However the representative of Jardine Matheson & Co pointed out that they should distinguish between two rate cutting policies: the first was the general rate cutting for restoring the positions of the companies, and the second was rate cutting when individual companies thought there was unfair trading in relation to a particular commodity.¹⁰⁵

Meanwhile, the China Merchants' Steamship Navigation Co. was keen to renew the agreement on the old terms. They claimed that the failure of an agreement would make them "lose face" because they had promised the Peking government already.¹⁰⁶ The Peking government might nationalise the China Merchants' Steamship Navigation Co. if it could not make a profit. The British companies might not be pleased to see that situation. Warren Swire thought that the conference could assist the Chinese company to maintain modest profits if they kept the old terms.¹⁰⁷ For this reason, Jardine Matheson & Co. later stated that they were happy to maintain the agreement on the old terms but that they were unwilling to accept the proposed two weeks notice of rate cutting.¹⁰⁸

In 1926, not only the NKK, but also a Chinese shipping company rose to oppose the conference. Yu Yah Ching, the Chinese businessman who ran

¹⁰⁵ Letter no.621, 6 July 1926 from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1926.

¹⁰⁶ Letter from the China Merchant's Steamship Navigation Co. to the Butterfield & Swire Co., dated 27 July 1926, enclosed in Letter no.627, 30 July 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

¹⁰⁷ JSS I 16 Box add. No.15, 9 July 1926 from Shanghai to London.

¹⁰⁸ Letter no.649, 5 November 1926 from Shanghai to Hong Kong and in JM: Shanghai to

San Peh adopted an ambitious expansionist policy. The Butterfield & Swire Co. faced the dilemma, as well as the Indo-China Navigation Steamship Co., of whether to consider rate cutting again.¹⁰⁹ But the civil war spread when the Nationalist government's troops fought with the warlords in the Yangtze area. The Chinese shipping companies faced heavy losses and stopped operating, particularly the China Merchant Steamship Navigation Co., which owed the HSBC and other banks a huge amount of money, and almost all its ships had been seized. All foreign companies were worried that the political situation would delay their businesses.

Meanwhile, in mid-1926, the negotiations for the renewal of the pooling agreement went into deadlock because all the parties had different views about the agreement. With the Nationalist Party's Northern Expedition from Canton, the British found the political and economic situation was such as they had never previously experienced. The warlord era had ended and the British government adopted a new policy toward China to work with the Nationalist Party, and British business became more competitive with the Chinese and the Japanese.¹¹⁰ This is a topic that remains to be explored academically.

Hong Kong 1926.

¹⁰⁹ JSS I 16 Box add. No.15, 3 September 1926 from Shanghai to London.

¹¹⁰ As to the political aspects, Professor Tang Chi-hua's thesis remains the most detailed discussion. See his 'Britain and the Peking Government 1926-1928' (PhD thesis, University of London, 1991).

Conclusion

In the case of the rivalry with the NKK after 1919, from the British side, the pooling agreement was desired due to the severe competition from the NKK. It might also be questioned from the evidences available whether the British government was able to offer assistance in this matter. Meanwhile, the China Merchants' Steam Navigation Co., a weak company, was anxious to get the revenues from the pooling for survival. The China Navigation S. N. Co. wished to negotiate with the NKK when they were in a better business operation but the Indo-China Navigation Steamship Co., as well as the Chinese company, desired to make an agreement quickly due to their poorer financial situation. It might be argued that the NKK possessed a stronger capacity, in comparison to the other companies, due to political support, which constituted their strong position in the negotiation and their ability to expand. It might be suggested that the NKK was not interested in the pooling agreement because they possessed a much greater advantage and that consequently they just delayed the negotiations. Later, the disturbed political situation in China stopped the plans of the British and Chinese shipping companies.

Chapter Six

Conclusion

This thesis has studied the interaction between mail subsidies and shipping agreements such as conferences, in order to shed light on the competitive strategies and performance of shipping companies. In doing this the diverse interests of various government departments, and indeed governments in the British Empire, must be considered. The study has proceeded by examining various relevant cases in the North American and Far Eastern shipping business.

Before the use of telegraph, regular and efficient sailings that carried mail encouraged the circulation of information and this benefited business. As I have also shown in this thesis, in the case of North America and the Far East, British merchants were always anxious to secure a better mail service for their own business. However, I have pointed out the fact, which much research has ignored, that national security was another factor that made the British government pay such huge subsidies to some shipping companies.¹ To secure the passage of communication had been the British government's main concern since the early nineteenth century.² In this thesis, as I have revealed, in the very early stages the Cunard Line received subsidies that exceeded the cost of the mail they carried. This was also true

¹ See Chapters 2 and 3.

² Another case study, which my thesis did not cover, is that of the Royal Mail. See Robert G. Greenhill, 'British shipping and Latin America 1840-1930: the Royal Mail Steam Packet Co.' (PhD thesis, University of Exeter, 1971).

in the case of the P&O. This financial support supplied to the two shipping companies had enabled their capacity for growth and competition. Those companies secured huge revenues by long-term contracts despite the freight market fluctuations. It is not surprising that the companies always wished to renew these contracts and that more companies tried to get similar contracts. Because of their long-term reputations and private negotiations it was probably quite easy for the Cunard and the P&O to renew their mail contracts. Most other shipping companies found it difficult to compete against both companies' advantages.

Moreover, it might be suggested that, from the late nineteenth century, under the pressure of international commercial competition, especially from Germany, shipping subsidies had become a political consideration, as an act of protectionism along with the new tariff reform campaign, to improve the transport within the Pax Britannica. However, some scholars have argued that this protectionism was a bad economic policy.³ Under Joseph Chamberlain's scheme, the shipping subsidies might meet merchants' demands and those of national security. It remains to be investigated in detail exactly what the effects of subsidies were upon imperial trade in the early twentieth century. This kind of government policy was applied in the case of the CPR in the late nineteenth century. Without the subsidies, it would have been quite difficult to operate the shipping business in this case. Meanwhile, the Irish interests also became a problem. Their request, which was for the vessels to call at ports in Ireland,

³ For example, see S. B. Saul, *Studies in British overseas trade, 1870-1914* (Liverpool: Liverpool University Press, 1960) especially Ch.5.

would make the sailings slower and this slower service would discourage the shipping companies operating due to the potential losses. The British Government was in a dilemma because they had to compromise with the Irish demands but with the result that the shipping companies would try to ask for more subsidies.

For shipping companies, despite their arguments, the subsidies were not only to maintain the regular mail service but also to increase their revenues. Harcourt had suggested the decrease in subsidies made it difficult for the Cunard Line to compete with the rising success of the German vessels.⁴ Also in the late 1880s, the Blue Funnel Line tried to tender for carrying Far Eastern mail in both directions, when their business was in slump.⁵ After the P&O's subsidies decreased, as research has revealed, they were in financial loss from the late 1860s.⁶ It might be suggested that some major companies became increasingly dependent on mail contracts for their net revenues. Later, the generous imperial contribution to shipping subsidies encouraged more newly-established companies to compete for the contracts; and in this situation politicians from Ireland and Canada became very influential on the issues of subsidies. Those factors made the British government overspend money. For example, the imperial preference

⁴ Harcourt (1988) p.10.

⁵ From 1885 to 1887, the Blue Funnel Line's business was unsatisfactory, see the Annual Meeting Minutes of 1886, 1887 in OA4003/2. In 1885, 'the Calcutta and Bombay Conference showed the sign of weakness', see *Fifty Years' Freights* (Angier & Co. 1920) p.67.

⁶ David Howarth, Stephen Howarth & Stephen Rabson, *The History of P&O* (London: Weidenfeld & Nicolson, 1994 revised ed.) p.103. Goto Shin also claimed that the P&O made losses after the post-1868 subsidies decreased sharply. See Goto (2001) pp.191-194.

policy supported the CPR alternative when it no longer had an advantage in efficiency after the P&O had been upgraded and the opening of trans-Siberian railway. Neither did Chamberlain's All-Red Route Scheme work well.

Within the British government the Post Office always checked its expenditures and tried to reduce its costs. Initially, they thought that punctuality was the most important concern. Later, in the case of the route to the Far East, it is obvious that the speed became their main concern. In opposition to the Post Office, by the early twentieth century the Admiralty generously paid subventions to the shipping companies for the 'national interest' or naval policy. The Admiralty was even able to press the Treasury on this point. However, it could be argued that this kind of subvention did not always benefit the shipping companies. The faster vessels were built according to the British government's schemes; however, faster vessels meant more fuel costs and more expenditure for each sailing. Later, Chamberlain in the Colonial Office managed to sway the Treasury as to his preferred position. This proved that the famed 'Treasury Control' did not always work.⁷ The direct mail service and the overland mail service to the Far East via Canada, discussed in this thesis, are good cases in point.

⁷ A typical interpretation of 'Treasury Control' can be found in Ivor Jennings' *Cabinet Government* (Cambridge: Cambridge University Press, 1959) pp.144-172. Some contemporary writers argued that the Treasury's influence on the naval estimates was weakening from the 1880s. See George Aston, *Memories of a Marine* (London: John Murray, 1919) pp.76-7. By using the Reports of the Royal Commission on the Civil Establishment 1887-1890, Maurice Wright argued that the Treasury Control of the Admiralty and the War Office was limited to a financial check. See his 'Treasury Control 1854-1914' in Gillian Sutherland (ed.), *Studies in the Growth of 19th Century Government* (London: Routledge, 1972) p.199.

According to principal-agent theory, it could be argued that the British Government was aware of its inability to monitor directly the costs of mail carrying to the shipping companies. The Post Office sought to devise contracts that would incentivise the companies to minimise costs, relative to the quality of service, using the device of open competition. The Parliamentary Committee of 1853 had recommended a system of open competition for the tender of mail service. However, the British Post Office was not able to impose it until 1868 and they found it difficult to maintain a short-term contract system, though they successfully reduced the subsidies.

This thesis is unable to explain why the British Post Office did not consider the Blue Funnel Line seriously as another service to carry mail to the Far East. Although the Blue Funnel Line was unable to offer a complete service in the 1890s and did not get the bid, by the early twentieth century, the Blue Funnel Line had constructed a global shipping network.⁸ Probably more political considerations intervened in the contract decision, ruining the Blue Funnel Line's chances of getting the contracts. It is true that, in some sense, the CPR had become the alternative mail service to the

⁸ In 1918, in his letter of complaint to R. D. Holt for high charges to the shippers in Manchester, Marshall Stevens revealed that the Blue Funnel Line could carry goods from New York to China via Liverpool. See letter dated 5 November 1918 in RDH 920Dur14/27/334. The Blue Funnel Line had operated a transpacific service for many years. In 1902, it had reached an inter-modal operation with the Northern Pacific Railway Co., and the Great Northern Railway Co in the USA for carrying European cargo. See a copy of the agreement enclosed in *Report on Steamship Agreements and Affiliations in American Foreign and Domestic Trade* 4 vol. (House Document 805, 63rd Congress, 2nd Session, 1914).

Far East. But the Post Office did not think Alfred Holt's special steamers for mail service could be a practical alternative, though some evidence revealed that the Blue Funnel Line, as well as the P&O, used these smaller steamers in short-distance trade.⁹ Actually the point was, as a contemporary newspaper commented in the 1920s when the Blue Funnel Line repeated the proposal, whether the demand was sufficient to meet the costs of the long-distance trade.¹⁰ However, the British government did not consider this and just brushed this proposal aside. The Post Office just left a free hand to the P&O and this was what spurred Alfred Holt's claim of unfair competition. Thus the Blue Funnel Line, which was a potential alternative, was never considered and the P&O monopoly was ultimately maintained. The Siberian Railway service challenged the P&O's monopoly in the early twentieth century, but this route was never safe and the carriage was quite limited.

In relation to the carriage of mail to North Atlantic, maybe because it was of a shorter-distance than the two routes to the Far East, the Post Office found they had more options for the mail contracts. However, the Post Office failed to impose the very short-term contract they desired, even when they reduced the payment to the Cunard Line, particularly in 1868. The options became fewer because political pressure tried to prevent the

⁹ In the 1880s, the Blue Funnel Line began to use some small vessels in the tobacco trade between Sumatra and Singapore. Later, this kind of operation expanded to the rice trade between Bangkok and Singapore. See the Annual Meeting Minutes of 1886-1889 in OA 4003/2. The fleet list can be found in Duncan Haws, *Blue Funnel Line* (Torquay: TCL Publications, 1984).

¹⁰ Letter from the Blue Funnel Line to the editor, in *The Times*, 2 December 1922, p.12. The comment is to be found in *The Morning Post* (Hong Kong) 20 January 1923, p.8.

non-UK companies carrying mail. The Cunard, the White Star and the Inman Lines, which were the major British shipping companies on this route, worked as a shipping ring against the British government. This shipping ring can be seen as some kind of joint monopoly and, in the late 1870s, the 'trial' of dynamic mail contracts ended disastrously, owing to the shipping ring's solidarity. The Post Office thought the short-term contracts could help them identify the most efficient vessels to carry mail. They were also of the opinion that the rapid improvements in technology would induce many more new shipping companies to compete for the mail contracts. It might be suggested that the dynamic mail contract could be used on some shorter distance routes, where more companies could operate. In the case of the route to the Far East, the Post Office found few alternatives. Because the Post Office pursued faster speed, few companies could obtain this new technology, which might require huge amounts of capital and human experience. The generous subsidies promoted the CPR, the P&O and the Cunard Line to grow quickly. This kind of advantage meant few newcomers were able to compete.

Decisions about contracts were sometimes determined by a personal network of decision-makers within the government. Despite the various recommendations from the select committees, the tenders were not always put up for public competition. This form of personal network played a critical role in the case studies of the thesis.¹¹ It can be argued that the

¹¹ Some research had been done on the business networks of particular industries. In the case of City Banking, see Youssef Cassis, *City bankers 1890 – 1914* (Cambridge: Cambridge University Press, 1994). For information on the colonial network within the

reason why the P&O received preferential treatment was owing to its metropolitan political connections, as revealed in this thesis through the P&O's correspondence with the Foreign Office and as Harcourt has also suggested.¹² This kind of emphasis on political connections was precisely the subject of some criticism aimed at Francis E. Hyde and his pupils about their ignorance of the political interests of the shipping business.¹³ However, this kind of criticism does not do justice. In the case of Swire and the Blue Funnel Line, their political connections were insignificant. In any case, other research had already mentioned the Liverpool-based companies' political connections.¹⁴

If the securing of mail subsidies was one means by which shipping companies sought to stabilise their uncertain net revenues, shipping conferences were another. Shipping is an industry in which huge amounts of fixed capital are necessary. In this industry, companies might profit if

UK, see the case study of Zoë Laidlaw, 'Networks, patronage and information in colonial governance: Britain, New South Wales and the Cape Colony, 1826-1843' (D. Phil thesis, University of Oxford, 2001). Gordon Boyce's thesis, 'The growth and dissolution of a large-scale business enterprise: the Furness interest 1892-1919' (PhD thesis, University of London, 1984) is a good case study of a shipping firm's business network. However, a complete investigation of the shipping industry's personal network remains to be carried out.

¹² Harcourt (1988) p.3.

¹³ One criticism taking this position is to be found in Porter (1986) pp.4-6. In defence of the Liverpool School, see Peter N. Davies's gentle book review of *Victorian Shipping, Business and Imperial Policy* in *JICH* 16:1 (1987-8) pp.129-131.

¹⁴ See Peter N. Davies's PhD thesis 'British shipping and the growth of the West African economy 1910-1950' (PhD thesis, University of Liverpool, 1967) for the shipowners' political connections in West Africa. And his *Fyffes and the banana* (London: Athlone, 1990), for Joseph Chamberlain's subsidies to Banana ships during the turn of the century.

they could secure stable revenues. This is the origin of the international shipping conferences, which were founded in the 1880s. By establishing this system, John Swire and Alfred Holt wished to stabilise the shipping business even during the slumps. The conference system might benefit most shipping companies, especially those who did not get any guarantee of revenues, i.e. those who were without subsidies.

In the case of the Calcutta Conference, this might explain the contrast. In the initial negotiation to form the conference in 1879, the P&O wished to lower the freight rate and they opposed the Straits Conference until 1897.¹⁵ Jardine Matheson & Co. did not get subsidies and its conservatism implied that its position was to create a stable Shipping Conference for securing revenues. It could be argued that Lord Inchcape was not so interested in the firm system because the P&O/British India S. N. Co., under his control after 1914, had secured fixed revenues from carrying British mail, which made him remain confident enough to fight the Japanese companies.¹⁶ In this case, the P&O used the Shipping Conference as an offensive strategy, which tried to fight the outsiders out of the business. Later on, it is suspected that the P&O benefited from the NYK's penetration into Liverpool during the war. It was quite likely that the P&O benefited from this kind of business collaboration with the NYK and they secured the NYK's admission into the Calcutta Conference in 1918. It can be argued

¹⁵ Memo for the Board: China Steam Trade Conference 27 August 1879 in P&O 3/12 no.440. Marriner and Hyde (1967) p.173 & p.177. According to the records from 1885 to 1887, in the Far Eastern conference, the P&O benefited from the Conference because they carried less than the quota. See p.170.

¹⁶ The subsidies that the British India S. N. Co. received are not discussed in this thesis because their mail routes are beyond the scope of the case studies cover.

that the NYK tried to stabilise its wartime expansion by the Conference system.

In this thesis, another case study analysed is the Lower Yangtze Shipping Conference, where none of the British shipping companies received any subsidies. Without subsidies, what the British shipping companies wished to get was a stable conference system, but the NKK did not need to secure its revenues by the Conference because it already received huge subsidies from the Japanese government. Here, the British shipping companies regarded the Shipping Conference as a defensive strategy. They helped the weaker Chinese company to stay in the Conference. This strategy might carry the political implication that the Shipping Conference was an international, not a British organisation. The Shipping Conference used a rate-cutting strategy to weaken the NKK. However, they actually did wish to let the NKK join the Conference. Warren Swire just wished to get a better deal in the negotiations. After this strategy had failed, the British companies wished to prevent the Japanese expansion by giving them fixed shares in the Conference.¹⁷

In the case of the North Atlantic shipping ring, their agreement was not exactly a Conference system but they nevertheless had a pooling agreement for the postal subsidies. This might demonstrate how the subsidies stabilised the shipping companies' revenues.

¹⁷ For more details on the Shipping Conference as a strategy, see Frank Broeze, 'Albert Ballin, the Hamburg-Bremen rivalry and the dynamics of the conference system' in *IJMH* 3:1 (1991).

After the war, the rise of the OSK was another issue. In this thesis, what is revealed is that the Blue Funnel Line, despite the P&O's objection, tried to include the OSK to prevent the NYK being the only Japanese shipping firm in the UK. On the Calcutta route, Lord Inchcape expected the co-operation of the NYK in preventing the OSK's penetration. Unlike the rival relationship between the P&O and the Blue Funnel Line, the relationship between the NYK and the OSK was quite ambiguous. The British shipping companies, especially the P&O, probably failed to realise this at the time. In the end, the NYK actually helped the OSK to join the Calcutta Conference. The Blue Funnel Line, as well as the other British shipping companies not receiving the subsidies, wished to maintain a stable shipping conference system and brought most shipping firms on the same route into the Conference, but it seems the P&O thought the Conference members could fight the outsiders. Once again, it confirms that the P&O preferred an offensive Conference system and the other British companies without subsidies preferred a defensive one.

This thesis dealt with the shipping business conflicts of both Japan and Britain in the East during the early twentieth century. It might be argued that the British generous free trade policy assisted the Japanese business as well as the Anglo-Japanese Alliance, which Britain did not benefit much from. On the Japanese side, the Japanese protectionism definitely prevented the potential British shipping expansion, especially to the Japanese coastal trade. A direct conflict occurred in the case of the McBain Affair. The analysis, in this thesis, proved that the NYK received much

more support from the Japanese government than Wray argued. Meanwhile, without subsidies, the Japanese shipping might have been unable to expand quickly. However, the Japanese business benefited from more official support, while the British Government offered little in the Far East. In the Far East, the British policy to assist the shipping business was to subsidise some particular shipping companies. On the nature of the Japanese shipping expansion, it might be suggested that the Japanese shipping expansion was for commercial purposes and the official policy, which promoted imperialism, backed business at the same time.

Also, the British government did not unite the British shipping companies to work together in the Far East, even during the European war that began in 1914. On the other hand, the Japanese government, as much research has confirmed, could 'arbitrate' conflicts and the Japanese companies would compromise even after intense rivalry. The establishment of the NKK and the cooperation of the NYK and the OSK in the Calcutta–Japan line were cases in point. Probably the difference in business behaviour followed different national cultures. Otherwise, probably, as some research has pointed out, the personality of leaders determined the patterns of co-operation.¹⁸

¹⁸ In his case study, William Wray argued that the leaders of Japanese shipping companies were critical of the cooperation of the NYK and the OSK. See William D. Wray, 'Senkanki ni okeru kigyo no jishusei to Yusho teikei mondai' (Company Autonomy and NYK-OSK Cooperation in the Inter-War Years), in *Keiei Shigaku*, 18:2 pp.1–22; reprinted in Nakagawa Keiichiro, ed., *Ryotaisenkan No Nihon Kaiji Sangyo (Japanese Maritime Industries during the Inter-War Years)*. (Tokyo, Chuo University Press, 1985) pp.199–222.

After 1838, the British government subsidised some particular routes, which were critical for national defence. In this thesis, I have argued how these kinds of subsidies promoted the growth of the Cunard Line. In comparison to the Japanese shipping companies, the difference was that many British shipping companies became increasingly reliant on the subsidies. However, sometimes the Japanese shipping companies would avoid mail contracts as the clauses restricted their business strategies. It might be suggested that the Japanese shipping companies used the subsidies in their initial expansion. In the case of the NKK, the unstable situation in China made the business operation risky and the subsidies made the NKK able to secure their revenue. The NKK could compete with the British firms with the help of huge subsidies. From the cases of the P&O, the British India Co. and the NKK, it might be suggested the mail subsidies to individual companies tended to destabilise the Shipping Conference.

This thesis has been unable to cover all the routes that the British government decided upon. The historical archives on Japan were insufficient to investigate the Japanese policies in detail. Japanese competitive advantage in shipping has various origins, one of which might be the rebate system, but it was too complicated to discuss in this thesis. The sources of capital accumulation in British shipping finance also seem to be a question that remains to be investigated fully.¹⁹ The contribution of

¹⁹ This thesis reveals the Scottish and British North American capital contributions to the establishment of the Cunard Line and the CPR. Meanwhile, Jardine Matheson & Co

my thesis is perhaps to serve as a reminder that a full reconsideration of the origins of the British shipping ascendancy is necessary. I have not said the rise of the British shipping followed protectionism. Protectionism in the USA did not establish a great shipping industry. However, as island economies, Britain and Japan needed shipping as vital transportation systems to support their free trade system. The protectionism that was given on some important routes to some companies for many years seems to be an issue that deserves more attention.

were from Scotland and the China Navigation Co. kept a strong Scottish link with the Scot family in Greenock. See A. D. Blue, 'China Coast' (PhD thesis, University of Strathclyde, 1982). Freda Harcourt had suggested that Irish capital investment was important to the establishment of the P&O. See her 'Ownership and finance 1820-1850: The case of Ireland' in J. R. Bruijn and W. F. J. Morzer Bruyns eds *Anglo-Dutch Mercantile Marine Relations 1700-1850* (Amsterdam: Rijksmuseum Nederlands, 1991) pp.77-102. As to the Welsh background of Alfred Jones, the Scottish origins of Donald Currie and William Mackinnon, all of these examples can support the argument about the sources of the British shipping finance from a geographical perspective.

List of Shipping Companies

The Allan Line

Sir Hugh Allan founded the Allan Line in 1854 as the "Montreal Ocean Steamship Company". Due to the poor business conditions, the Allan Line began the negotiations with the Canadian Pacific Railway. Formally the Allan Line ended their own business in 1917 and became one part of the shipping line of the Canadian Pacific Railway.

The Anchor Line

Founded in 1856 in Glasgow as the leading Scottish shipping company with a wide business activities including to North America and India.

The Blue Funnel Line

Founded by Alfred Holt in 1865 as one of the most important British shipping companies to the Far East and Australia for more than one hundred years.

The British India Steamship Navigation Co.

William Mackinnon, a Scottish merchant, secured the mail contracts of the East India Company in the 1850s and he founded the Calcutta & Burma Steam Navigation Co. in 1856. In 1862 he founded the British India Steamship Navigation Co. to operate the shipping business in Eastern waters. After 1874, his business networks expanded to East Africa and

Britain as well. William Mackenzie died in 1893 and Lord Inchcape became influential in the company's business despite the fact that the Mackinnon family held most shares of the company.

The Canadian Pacific Railway:

Founded in 1881 as a company under the British registry. It began the shipping business formally in 1887.

The China Merchants' Steamship Navigation Co.

To compete with the foreign shipping company in China, in 1873, with official support, the Canton merchants formed the China Merchant's Steamship Navigation Co. despite the Ningpo, another business clique's opposition. In the beginning, this company made good progress but later the government intervention failed the company's management.

The China Navigation Co.

Founded by John Swire in 1872 after he opened his first agency in the Far East in 1867. The company still remains the leading British company in Australia and the Far East until now.

The Cunard Line

Founded in 1839 by Samuel Cunard, George Burns and Charles McIver and became the most important British shipping company to USA later.

The Indo-China Navigation Steamship Co.

In 1877, for their business in China and India, Jardine Matheson & Co.

decided to buy more steamships and formed the China Coast Steam Navigation Co., which became the Yangtze Steam Navigation Co. in 1879. In 1881, Jardine Matheson & Co. formed the Indo-China Navigation Steamship Co.. The company was a public company, where the Jardine Matheson & Co. held a larger share and could control it.

The Inman Line

Three partners formed Inman Line in 1850 and William Inman was the most important partner. The formal name was the Liverpool & Philadelphia Steamship Co. and it gained profits by emigrants' traffic to USA in 1850s and early 1860s.

The Nisshin Kisen Kaisha (NKK)

Under Japanese official intervention, the company was founded in 1907 to merge the Japanese shipping interests on the Yangtze River. The company was the leading Japanese shipping interest there for thirty years. In 1939, the company dissolved and became a part of the Toa Kaiun Kaisha.

The Nihon Yusen Kaisha (NYK)

Founded in 1885 as the merger of the Mitsubishi and the Kyodo-Unyu-Kaisha. The company has been the leading Japanese shipping company with a worldwide business for over one hundred years.

The Osaka Shosen Kaisha (OSK)

In 1884, to compete with the Mitsubishi and the other shipping companies in the eastern part of Japan, the local businessmen in the western part of

Japan merged fifty five smaller shipping companies and founded the company, which is another leading Japanese shipping company next to NYK. In 1964, the company merged with the Mitsui Steamship Co. and founded the Mitsui OSK Line.

The P&O

The origin of the P&O could be traced back to 1815 as the service between Britain and the Iberian Peninsula under the name of 'Peninsular Steam Navigation Company'. The partnership was formed in 1822 and the company began a regular service between Britain, Spain and Portugal in 1835. In 1837, the company began to carry mail for the British government the Iberian peninsular. In 1840, the Peninsular & Oriental Steam Navigation Co. was formed and was incorporated by a Royal Charter.

The White Star Line

The White Star Line was founded in 1850 primarily for the Australian gold trade. The company was bought by Sir Edward Harland and Thomas Henry Ismay in 1867 and began the service between Britain and USA. In 1902, Ismay sold the White Star Line to International Mercantile Marine, a company created by J. P. Morgan. Ismay remained as White Star Line's chairman and subsequently became IMM's president.

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POST33

POST43

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